

LEADING TOMORROW

Annual Report 2018-2019



Key Figures

(as of December 2018, on a consolidated basis)



Major Business Areas

Production, sales, installation, and maintenance of elevators, escalators, moving walks, parking systems, etc.



No. of Employees

2,288
persons



Domestic Worksites

Head Office in Icheon, Seoul Office and 12 branch offices **12**
branch offices



Overseas Worksites

6 **51**
corporations countries



Sales

1.8772
KRW trillion



Operating Income

143.1
KRW billion



Market Share in the Elevator Market

43.7 %
(new installation)



Service Maintenance

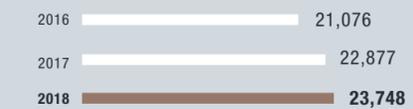
155,366
units



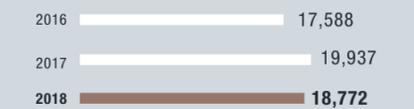
Credit Ratings

A **A**
Korea Ratings Corporation NICE Investors Service

Total Assets (unit: KRW 100 million)



Sales (unit: KRW 100 million)



**HYUNDAI ELEVATOR
ANNUAL REPORT 2018-2019**



At Hyundai Elevator, we tap into the wider global market and advance smart and innovative management. This path we move along today, gives rise to our growth tomorrow.



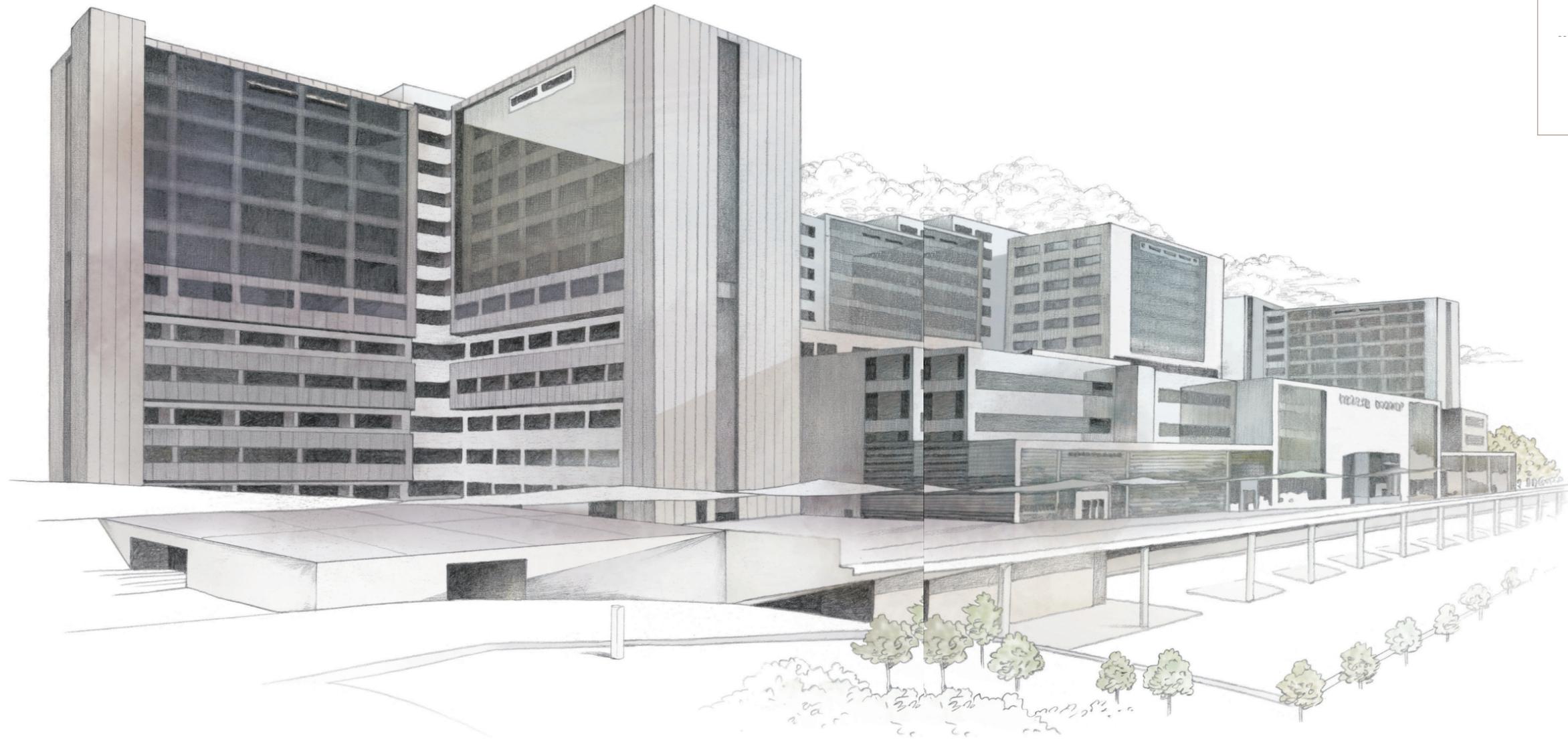
**SMART AND INNOVATIVE MANAGEMENT,
TURNING CRISIS INTO OPPORTUNITY**

At Hyundai Elevator, we create an expedient, convenient, and safe mobility experience and deliver aesthetically-pleasing spaces that satisfy today's urban architectural trends. As we produce and install elevators, escalators, moving walks and parking systems, and offer cutting-edge maintenance services available throughout the year, we add even more special and greater value to our elevator business.

In 2019, we defined 'Smart and Innovative Management' as our management guideline. We also aim to attain the following three strategic goals: 'build quality & cost competitiveness' by establishing the 'ONE R&D' principle, 'stabilize global operations' by improving the operational stability of our Chinese corporation, which will generate profits from sales corporations and identify new overseas agencies, and 'pursue smart 4.0 innovation' by establishing the Before Service and Smart Factory.

This will surely enable us to reach KRW 1.7100 trillion in orders awarded, KRW 1.7100 trillion in sales, and KRW 181.0 billion in operating income. Undoubtedly, 2019 will come with its share of upheaval to all businesses on board with the upcoming 4th Industrial Revolution. At Hyundai Elevator, we are determined to proactively respond to the changing business environment in Korea and abroad and to stay ahead in pursuing innovation to turn crisis into opportunity. We believe that in so doing, we can deliver even greater value to customers, share the resulting outcomes with wide-ranging stakeholders, and seek sustainable growth.

**IZMIR BAYRAKLI INTEGRATED
HEALTH CAMPUS: TURKEY**



max.
105
m/min

114
elevators

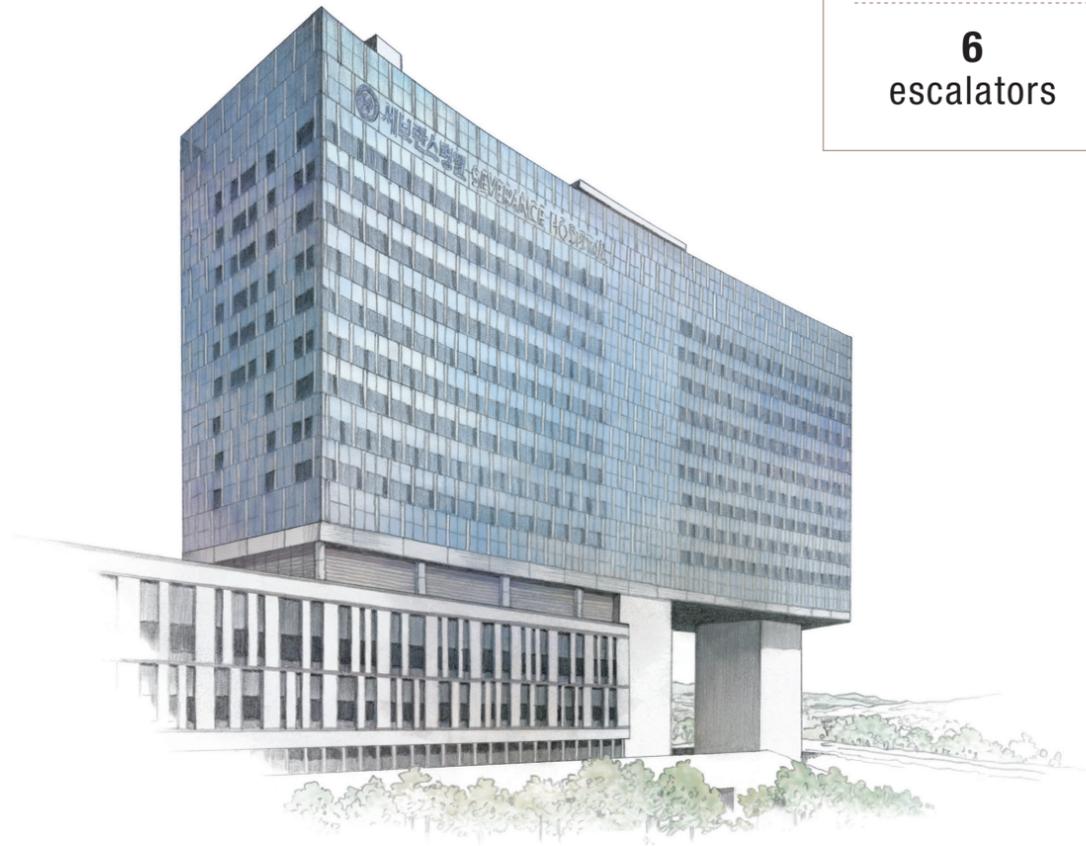
20
escalators

DONGBAEK SEVERANCE GENERAL HOSPITAL IN YONGIN: KOREA

max.
210
m/min

28
elevators

6
escalators



HILL STATE SONGDO THE TERRACE: KOREA

max.
210
m/min

69
elevators

3
escalators

* Korea's 1st to install Jump Elevator

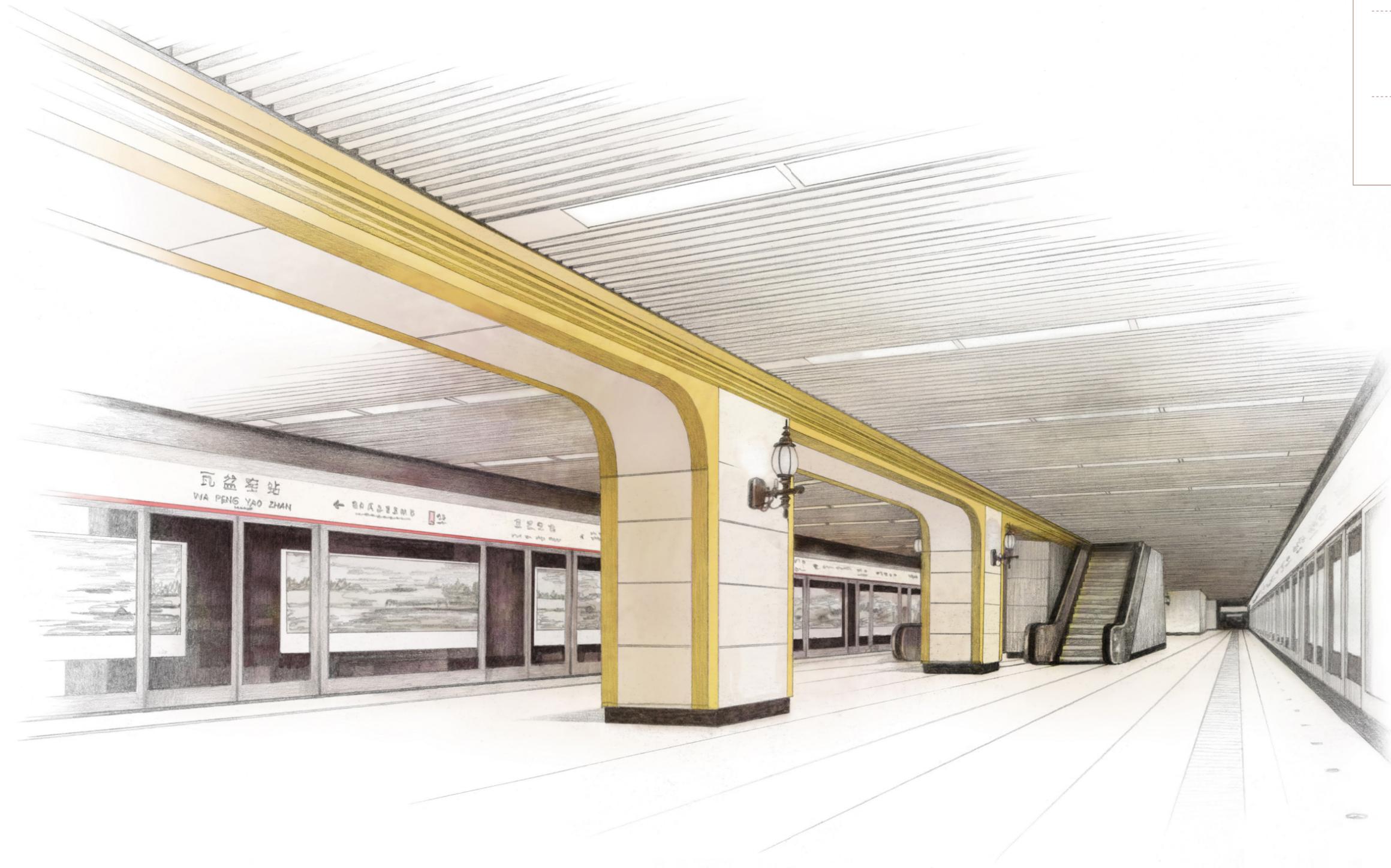


3RD STAGE, HARBIN SUBWAY LINE 1: CHINA

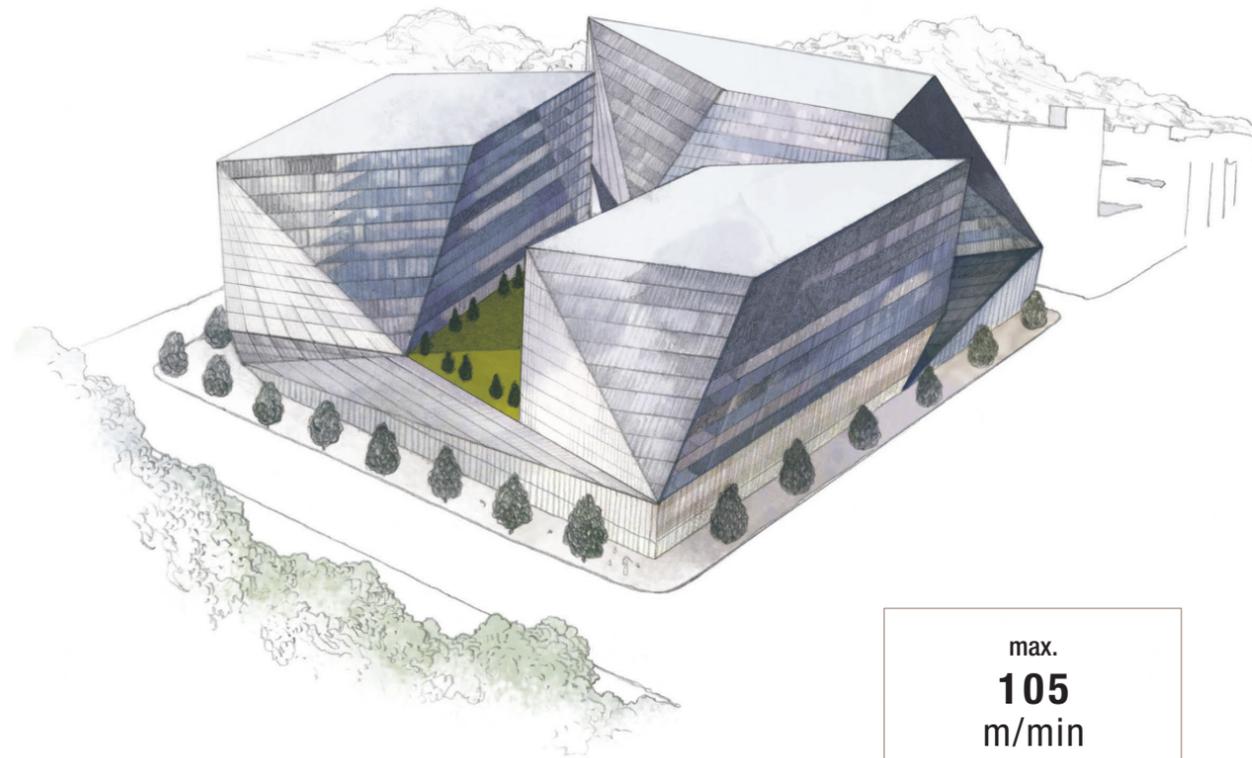
max.
60
m/min

10
elevators

55
escalators



SM FOUR E-COM: PHILLIPINES



max.
105
m/min

42
elevators

**BUSAN INTERNATIONAL
FINANCE CENTER (BIFC): KOREA**



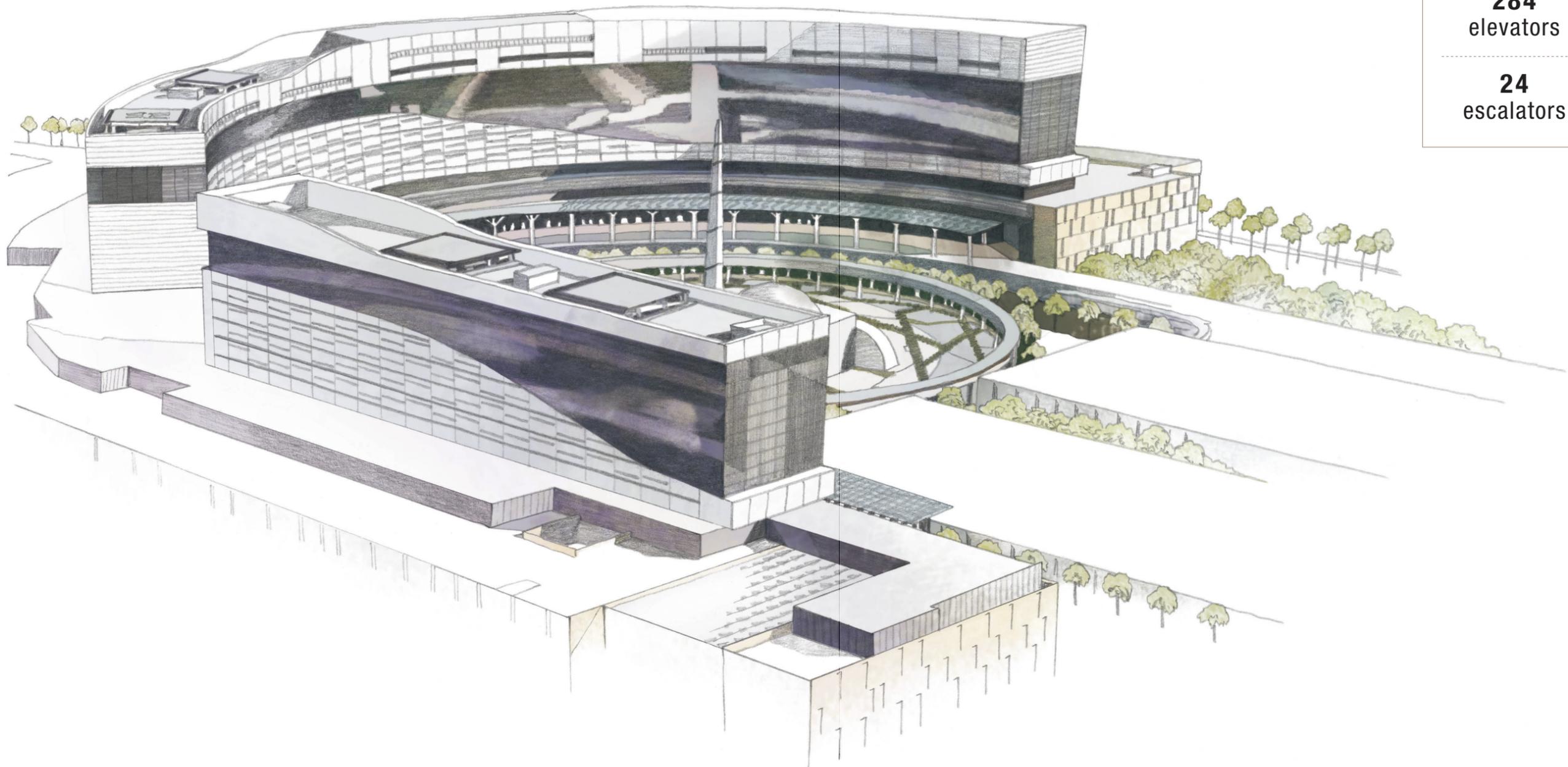
max.
600
m/min

32
elevators

14
escalators

* Korea's fastest elevators installed
(600m/min)

SECURITY FORCES MEDICAL CITY: SAUDI ARABIA



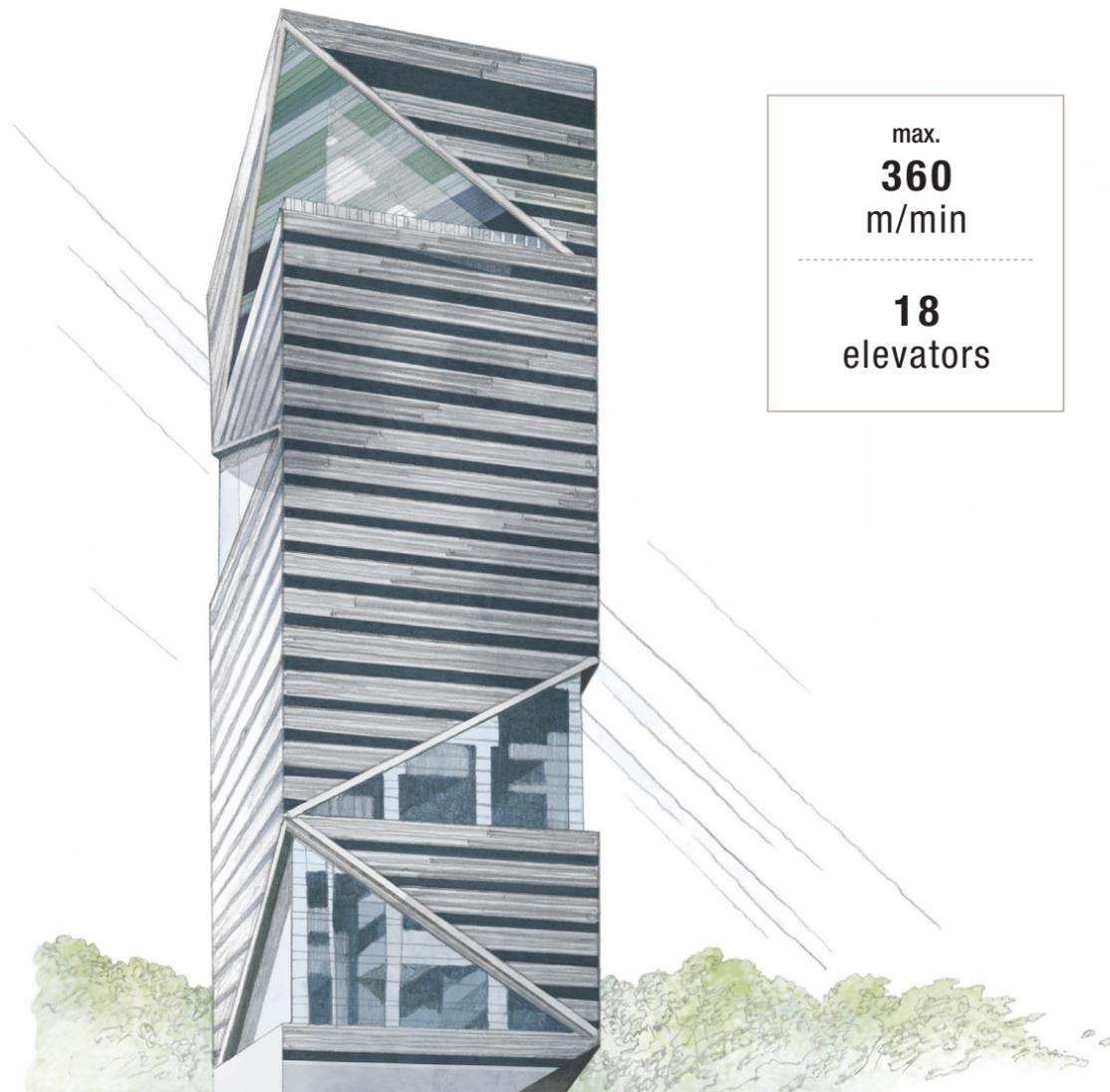
max.
150
m/min

284
elevators

24
escalators

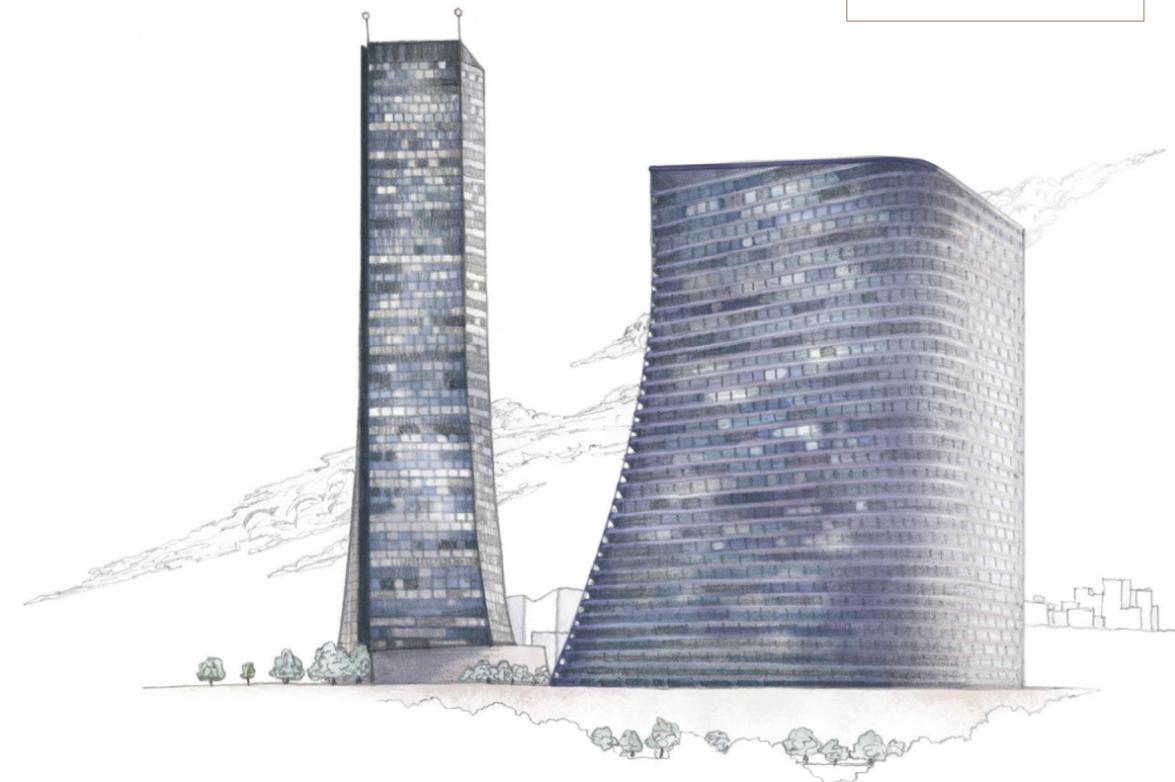
SONGDO G TOWER: KOREA

METROPOL: TURKEY



max.
360
m/min

18
elevators



max.
300
m/min

99
elevators

24
escalators

WATERFRONT: SRI LANKA

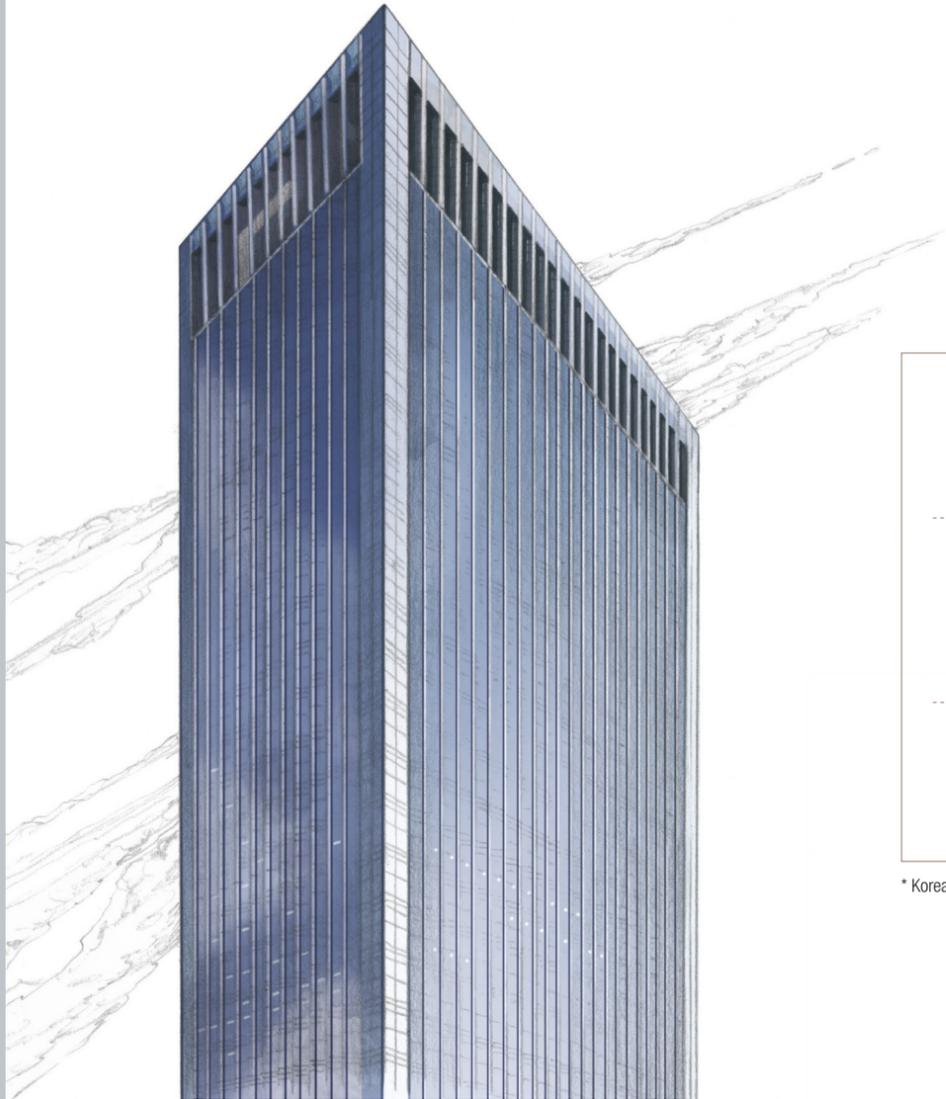


max.
180
m/min

91
elevators

27
escalators

LG U+ YONGSAN OFFICE BUILDING: KOREA



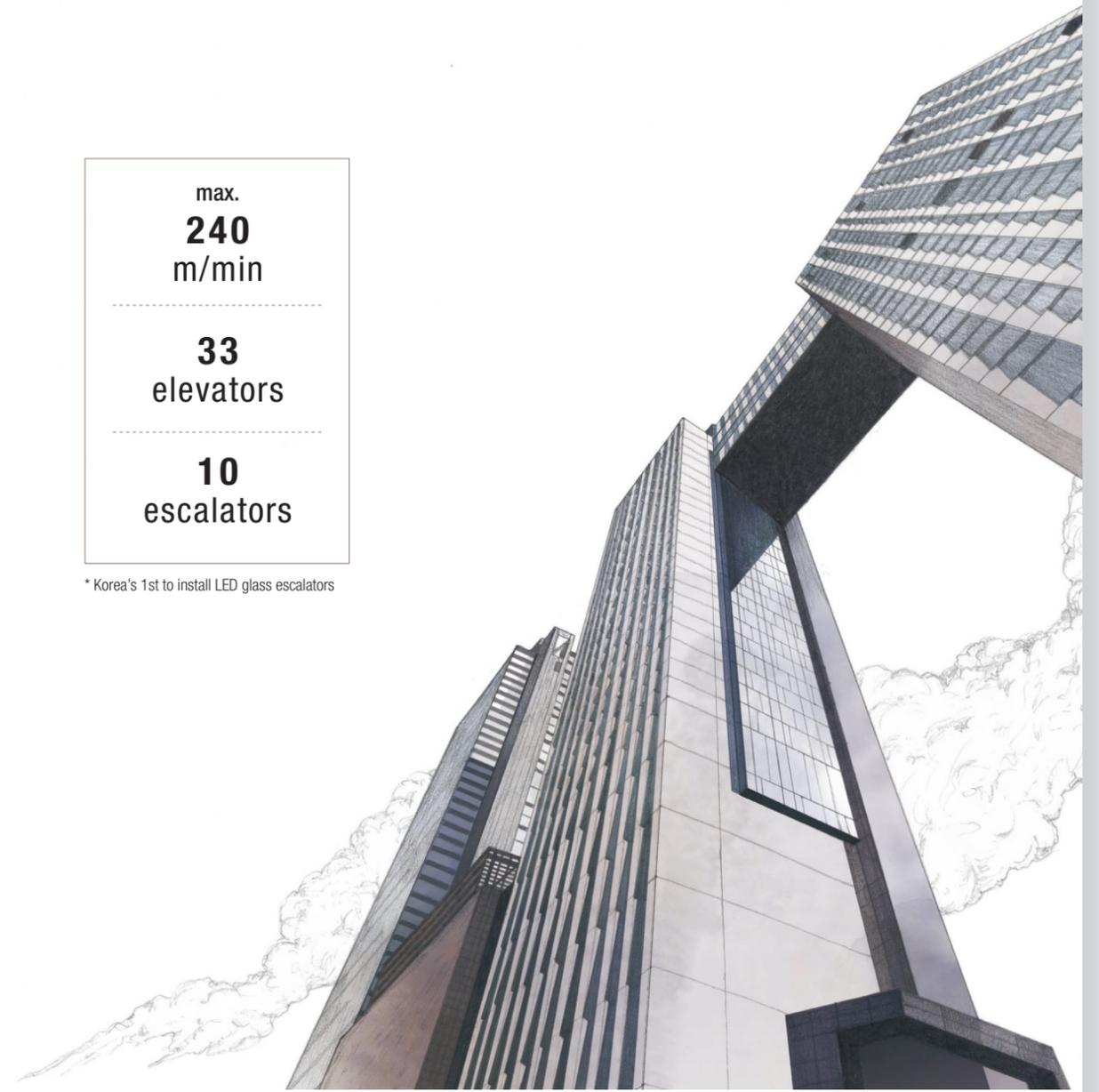
max.
240
m/min

10
elevators
(2 Double Decks)

2
escalators

* Korea's 1st to install double deck elevators

SEOUL DRAGON CITY: KOREA



max.
240
m/min

33
elevators

10
escalators

* Korea's 1st to install LED glass escalators

CONTENTS

ANNUAL REPORT 2018-2019

- 02 – Major Achievements
- 20 – Embracing the Future of Innovation
- 22 – Elevating our Market Leadership
- 24 – Looking to the Summit
- 26 – Moving into a Flourishing Future

P28-48

OUR REVIEW OF THE YEAR

- 28 – 2018 News Highlights
- 30 – Vision and Strategy
- 32 – Business Overview
- 36 – Performance & Outlook
- 41 – 2018 Major Achievements

P49-64

OUR BUSINESS & COMPETENCE

- 50 – SMART 4.0
- 54 – Service
- 58 – R&D
- 62 – Production
- 64 – Quality

P65-84

OUR SUSTAINABILITY

- 66 – Governance
- 68 – Ethics Management
- 70 – Risk Management
- 72 – Human Resource Development
- 76 – Environment, Health and Safety Management
- 79 – Social Contribution
- 82 – Win-Win Management

P85-103

FINANCIAL AND NON-FINANCIAL STATEMENTS

- 86 – Major Consolidated Financial Statements
- 91 – Financial Management Discussion & Analysis
- 95 – Non-Financial Management Discussion & Analysis
- 102 – Independent Auditor's Report

- 104 – Global Network
- 106 – Major References
- 108 – Company History

Leading Tomorrow



1
EMBRACING THE FUTURE
OF INNOVATION



2
ELEVATING OUR
MARKET LEADERSHIP



3
LOOKING TO
THE SUMMIT



4
MOVING INTO
A FLOURISHING FUTURE

**LAUNCH
THE SMART 4.0**

TFT

2H OF 2020
Complete the
construction of
Smart Factory in
Shanghai, China

**DSCM,
BEFORE SERVICE,
SMART FACTORY**

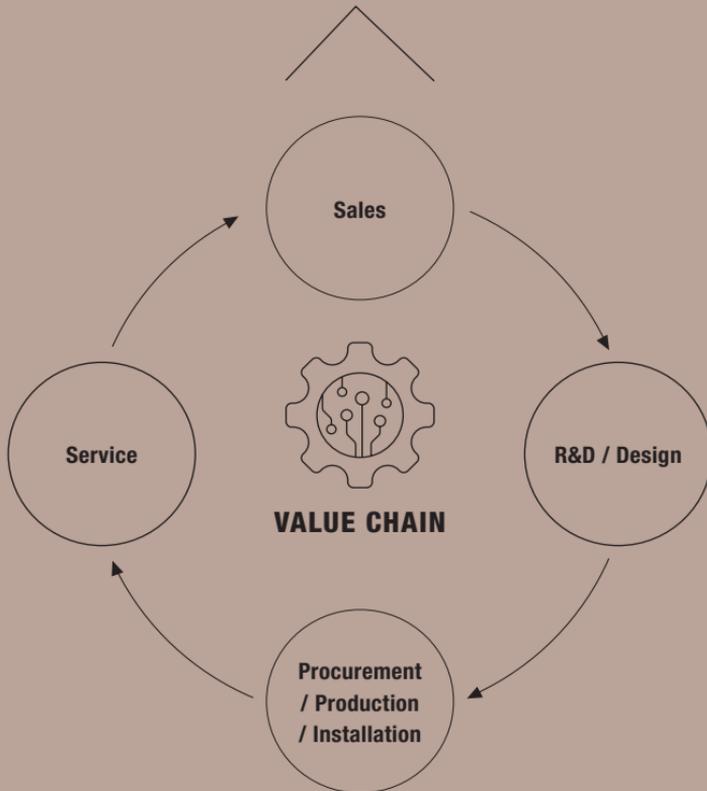


1

EMBRACING THE FUTURE OF INNOVATION

Smart Innovation 4.0 is a top priority for any business wishing to embrace the future in the manufacturing industry. At Hyundai Elevator, Innovation 4.0 means greater product value and improved customer experience delivered through efficient operations and convergence between products and services. As such, we pursue Smart Innovation 4.0 by leveraging the Internet of Things, big data, artificial intelligence, and other cutting-edge information and communications technology along the entire Value Chain, from R&D, design, procurement, and production to sales, installation, and service. At Hyundai Elevator, we move ahead of the competition to embrace the 4th Industrial Revolution and respond to the emerging technology and service environment as well as the changing business landscape.

In 2019, we will set the right condition for Smart 4.0 and launch the 1st phase of Before Service, undertake Smart 4.0 projects to nurture Smart Agents who will drive change and innovation across the board, and reap success in establishing the Smart Factory in Korea and abroad.





43.7%
Domestic elevator
market share



21,842 units
No. of elevators installed
in 2018



KRW 1.6153 trillion
2018 sales (on a non-
consolidated basis)

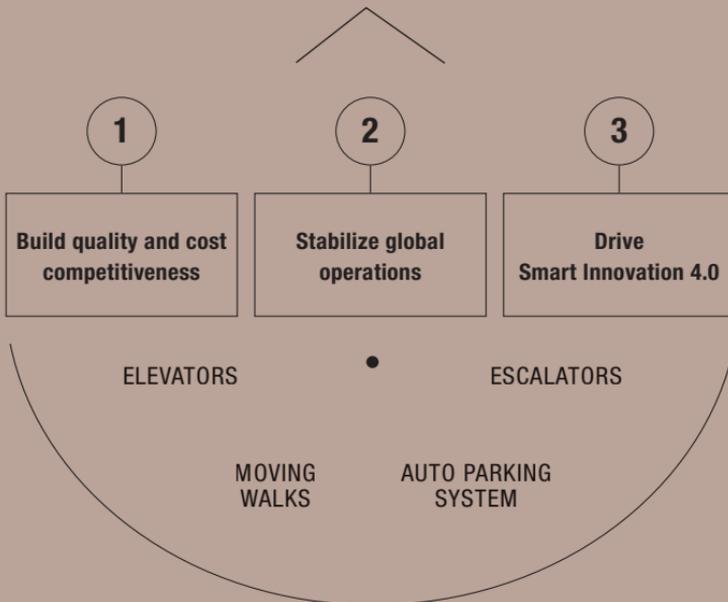
2

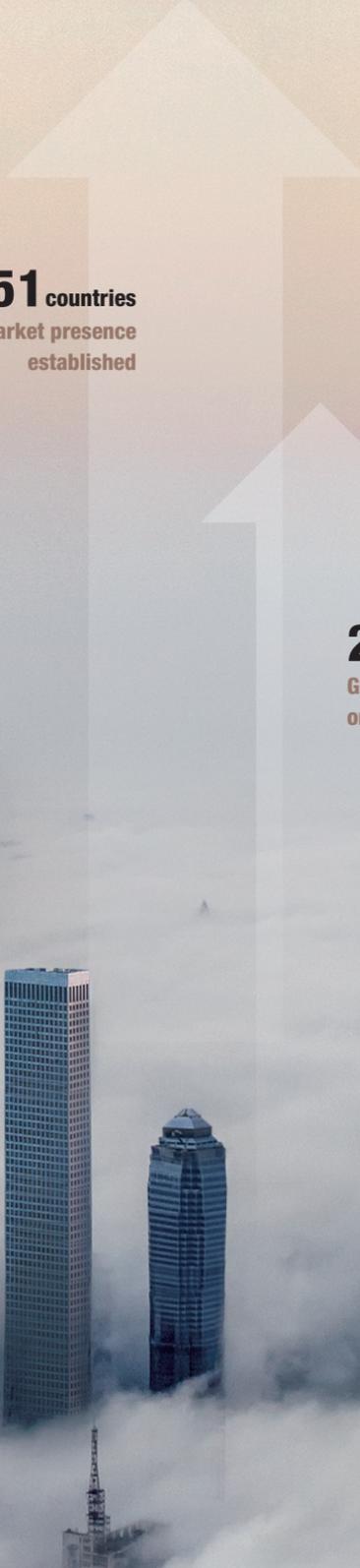
ELEVATING OUR MARKET LEADERSHIP

Building on our achievement in reaching 43.7% in domestic elevator market share last year, we have maintained our No. 1 ranking in new elevator installation for 12 consecutive years. In the face of the economic downturn over the past several years, our sales amounted to KRW 1.5210 trillion in 2016, KRW 1.7069 trillion in 2017, and KRW 1.6153 trillion in 2018 (on a non-consolidated basis). Our 2019 sales target is set at KRW 1.7100 trillion, and we are fully committed to attaining our business goals and promoting sustainable growth. Through sustained quality innovation and a differentiated competitive edge, we aim to add greater agility and growth potential to our elevator business.

We defined Smart and Innovative Management as our management guideline for 2019. This will drive our endeavors to build cost and quality competitiveness by establishing the 'ONE R&D' principle, stabilize our global operations by promoting the stability of our overseas corporations, and advance into new markets while setting the stage to drive Smart 4.0.

SMART AND INNOVATIVE MANAGEMENT





51 countries
Market presence
established



28.8%
Growth in overseas
orders awarded



KRW **142.3** billion
2018 overseas orders
awarded



3

LOOKING TO THE SUMMIT

'Go Global' represents our organizational vision that will drive our evolution from Korea's top elevator company to a truly global player in the elevator market. Leveraging our successful track records developed in Korea over the past 35 years, we are now ready to put our name on the global map and have been committed to increasing overseas orders and tapping into new markets for the past several years. Today, we have overseas corporations in China, Turkey, Malaysia, Vietnam, Indonesia, and Brazil, and have a presence in 51 countries across the globe. In 2018, our overseas orders rose by 28.8% from the previous year to further boost our competitive edge in the global market.

As a Global 1st Tier Chaser, we pursue Innovation 4.0 to build a stronger global competitive edge and stabilize our overseas operations. We make no stops in our endeavors to reach our goal of joining the 'Global Elevator 6+1 Club' by 2022, and plan to boost our global business growth and accelerate our new business.

GLOBAL 6+1 CLUB MEMBER BY 2022



~ 2018

**GLOBAL 2nd
TIER
NO. 1**

Build leadership in the group of second movers

2019 ~ 2021

**GLOBAL 1st
TIER
CHASER**

Drive Innovation 4.0 to strengthen global competitive edge and stabilize overseas operations

2022 ~

**GLOBAL
E/L 6+1
CLUB MEMBER**

Boost global growth and accelerate new business



2,288 persons
No. of employees

5,012 persons
No. of employee volun-
teers per year

28,373 hours
Social contribution
hours

4

MOVING INTO A FLOURISHING FUTURE

It is overwhelmingly evident that the everlasting affection and encouragement from all our customers lies at the crux of our current success today. Therefore, we make doubly sure that we share what we achieve with our communities and pursue mutual growth. For any given year, 5,012 employee volunteers invest 28,373 hours in implementing 'safety'-related social contribution initiatives aligned with our business as well as wide-ranging social contribution programs undertaken with local community members. At Hyundai Elevator, we communicate with a wide range of stakeholders and pursue sustainable growth so that our success today leads to a future we may rely on and be inspired by.

As a responsible corporate citizen, we have continued to undertake social contribution programs and practice the spirit of sharing into 2019.

This, in return, allows us to give back to society, contribute to community development as a global corporate citizen, and do our utmost in creating sustainable value.



2018 NEWS HIGHLIGHTS

MARCH. 12.

Acquiring 100% Equity Ownership of the Turkish Corporation to Accelerate Advancement into the Turkish Market

Last year, we acquired 47.77 million shares of our Turkish corporation from the Joint Venture partner, which increased our equity ownership to 100%. The Turkish market holds a huge growth potential with an annual market of 16,000 units or KRW 815.0 billion, and is expected to serve as our strategic base in advancing into the European market.



MARCH. 28.

Initiating the Construction of an Intelligent Smart Factory in Shanghai to Lead the Smart 4.0 Era

In March of last year, we initiated the construction of a new factory in the Jinshan Industrial Zone in Shanghai, China, which has an annual production capacity of 25,000 units. Situated on a 114,421 m² site, this new plant will accommodate a Smart Factory enabled by machine learning and IoT technology, a test tower (175m above ground and 10m underground) capable of testing a total of 14 elevators including ultra-high-speed, medium-speed, and low-speed models, an R&D center, and a customer care center responsible for the real-time monitoring and maintenance of elevator operations. The new plant is set for completion by the 2nd half of 2020 and will increase the production capacity of our Chinese corporation by 3.5 fold from the current 7,000 units.



APRIL. 1.

Launching a Corporate Public Relations Advertising Campaign

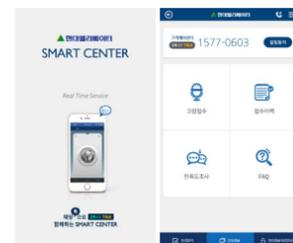
Between April and September of 2018, we launched a 2nd corporate public relations advertising campaign. Themed 'The World Expands along the New Vertical Path Created by Hyundai Elevator', this campaign was touted for setting an ideal image and raising credibility for Hyundai Elevator. It also provided the opportunity to raise awareness regarding our innovative technology while strengthening our global leadership.



JUNE. 25.

Initiating AI-enabled Real-time Maintenance Service

Our 'Hyundai Smart System' was first unveiled on June 25th of last year. This maintenance service system adopted artificial intelligence-enabled chatbot technology to minimize the time taken to respond to customer requests. When our customers use a dedicated application to make elevator-related inquiries or reports, the AI chatbot responds to them in real time based on big data, and provides one-stop service from receiving breakdown reports and assigning repair engineers to notifying the arrival of engineers in real time and letting customers check and confirm repair outcomes.



SEPTEMBER. 11.

Landing Korea's 1st Jump Elevator Order to Reduce Construction Period and Cost

We landed an order for 72 elevators to be installed for the 'Hill State Songdo the Terrace' (Songdo-dong, Yeonsu-gu, Incheon), a high-end commercial-residential complex to be built by Hyundai Engineering & Construction that consists of eight 49-story buildings to accommodate 2,784 households. Nine of them will become Korea's 1st-ever Jump Elevators: Jump Elevators are installed in the initial construction stage, and their machine rooms move upwards for operation as the construction frame builds up, and this improves their versatility as they are used to transport workers and materials during frame construction and then to transport passengers once the construction is completed.



OCTOBER. 2.

Becoming World's 1st Elevator Company to Be Named a 'Finalist' at the IDEA Awards

We became the world's 1st-ever elevator company to be named a 'Finalist' at the 'International Design Excellence (IDEA) Awards 2018' hosted by the Industrial Designers Society of America (IDSA). The honor was given to our 'Universal Multi Bar' design which adopted a 'knee button' and a 'touchless foot button' to enable all passengers – those carrying things in their hands, children, or people in wheelchairs – to summon the elevator without limitations, and was positively received for maximizing user convenience.



NOVEMBER. 14.

Attending the International Lift Expo Korea to Introduce Our Elevator Systems That Adopted 4th Industrial Revolution Technology

We attended the 'International Lift Expo Korea 2018' to unveil our cutting-edge elevator systems enabled by the 4th Industrial Revolution technology, from the 'Smart Destination Indicator' to the 'Augmented Reality (AR) Elevator Modeling System', and our advanced elevator technology drew attention from media outlets and domestic and international visitors.



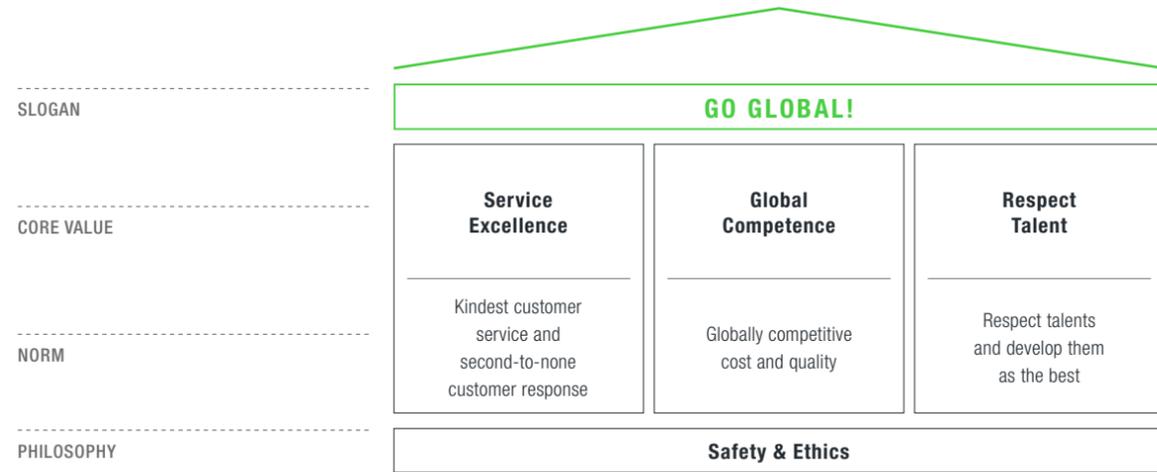
DECEMBER. 27.

Launching the New Brand 'VIVALDI'

We launched a total of eight new products under the VIVALDI brand— four VIVALDI and four VIVALDI Premium models – which were designed on the premise of the sense of light and ambiance that accompany each of the natural four seasons. In line with the growing emphasis on design, VIVALDI adopted high-brightness and high-gloss materials as well as LED lighting to diversify product offerings and cater to changing market trends. VIVALDI also comes with Jamb-integrated hall buttons and location display to shorten their construction period and provide more diverse options to choose from.



VISION AND STRATEGY



VISION AND STRATEGY

In 2016, we declared our 'Vision 2030', and set detailed targets to make it to the 'global top 7' and laid the basis for sustainable growth through increased overseas sales, under our vision slogan 'Go Global!'. We are solidifying our unrivaled leader status in the domestic market while building stronger competitiveness in the global market to maintain leadership among second-mover industry peers. Between 2019 and 2021, we will drive Smart Innovation 4.0 to strengthen our global competitive edge and stabilize our overseas operations in order to position ourselves in

the league of global leader companies. From 2022 onwards, we will build on such accomplishments to post a significant growth in the global market and accelerate our new business so as to join the 6+1 Club (six leading global companies with KRW 5 trillion or over in sales + Hyundai Elevator as a global player with KRW 3 trillion or over in sales) in the global elevator market. Our 2019 plan is to further enhance our competitiveness in the domestic market, reinforce our overseas operations, and generate outcomes in driving Smart Innovation 4.0.



* Materials handling system business was transferred to Hyundai Movex in July 2017

Global First Tier Chaser By 2021

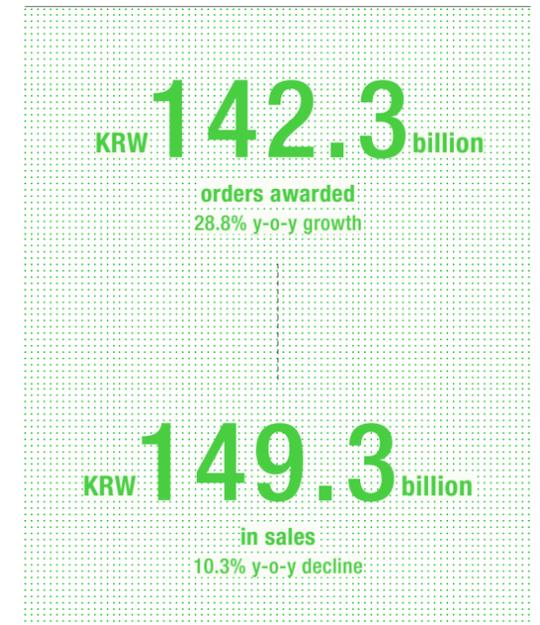
GLOBAL STRATEGY

Global First Tier Chaser By 2021

We are establishing a business presence in China, Southeast Asia, Latin America, Europe, and the Middle East to strengthen our global competitiveness and to emerge as an influential elevator company both at home and abroad. Our goal is to reinforce global competitiveness and stabilize overseas operations through Innovation 4.0 by 2021 in order to join the league of global leading companies.

Turning to our overseas business, we set our mid-term vision of building a sales basis and broadening our customer base and sales territories, and we aim to reach USD \$209 million in orders landed by 2021. To this end, we will focus on the Asian market to expand new sales territories as a way to build our sales basis in 2019, and will stabilize the new sales network and increase orders in 2020 to widen our customer/regional base and increase sales. By 2021, these endeavors will allow us to raise our market share, land high-quality and high-profitability orders, and increase the share of large-scale, landmark orders so that we can establish a stable source of revenue across our overseas operations.

2018 Overseas Business Performance



BUSINESS OVERVIEW

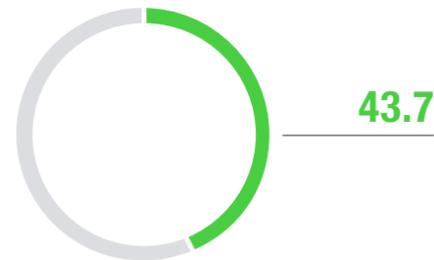
— From the cutting-edge technology and design that set the trend in the global market to smart operational systems, safety features and eco-friendly technology, we relentlessly pursue innovation to move beyond elevator business to deliver more special and greater value.

ELEVATOR

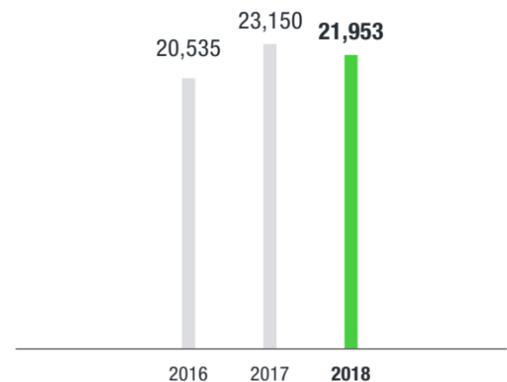
Our products are optimized with the efficiency and economics of architectural spaces in mind and the goal of delivering comfortable and safe rides in order to add greater value to buildings. Leveraging our top-notch fundamental technology, we provide tailor-made solutions to our customers by developing wide-ranging products that cater to diverse use conditions and architectural design requirements, from ultra-high-speed elevators for 50-story or higher buildings (THE EL, THE EL DUO) and high-speed elevators (i-XEL) to mid/low-speed elevators (LUXEN, NEW YZER, NEO, VIVALDI), and special elevators (for observation, hospitals, and vessels).

While 2018 presented numerous challenges – construction delays caused by economic slowdown and intensifying price competition, we exceeded our order target to reach 21,953 units in elevator production output and 43.7% in domestic market share, reconfirming our unrivaled market dominance and topping the industry for 12 consecutive years. With a bleak prospect for this year's construction market due to the Korean government's real estate regulations and a declining demand caused by the economic downturn, we may witness even fiercer competition in the domestic elevator industry. Our 2019 plan is to focus more on strategic projects – large-scale and landmark projects - and on small and short-term delivery orders, with our new 'VIVALDI' brand launched this January playing a leading role in a bid to further solidify our market dominance.

Domestic Market Share in 2018 (unit: %)



Production Output (unit: No. of units)



Courthouse, Turkey



ESCALATOR & MOVING WALKS

Our escalators and moving walks connect spaces with their ride comfort, safety, and economic benefits; moreover, they transform dreary urban buildings into open and communicative spaces. Their sophisticated design that maximizes space utilization, combined with their ergonomically-engineered curves, harmoniously blends into any architectural structure and is built to serve diverse use conditions and concepts. A range of optional functionalities, from system inverters and transport capacity control systems to CRT monitoring panels, promote efficient maintenance and energy saving while delivering exceptional customer satisfaction. Furthermore, slip-prevention steps, foot slip minimization, and other cutting-edge safety features add to improved safety and ride comfort. Our escalators grace the Incheon International Airport, the National Museum of Korea, Hyundai Department Stores, Yeosu Expo, and other mega multi-purpose complexes and major large-scale buildings. Our moving walks are designed to aid in the horizontal mobility of pedestrians walking long distances, and are widely adopted across transportation interfaces and large-scale build-

MAJOR PORTFOLIO

- Busan International Finance Center, Busan
- LG U+ Yongsan Office Building, Seoul
- Hill State Songdo the Terrace, Incheon
- Seoul Dragon City, Seoul
- Songdo Landmark City Central the Sharp, Incheon
- Yongin Severance Hospital, Yongin
- Park Hyatt Busan, Busan

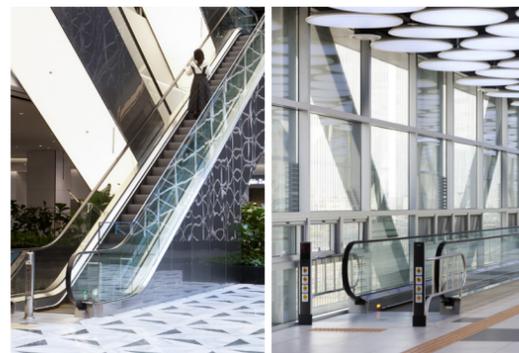


Dongdaegu Complex Transit Center, Daegu Metropolitan City

ings – Incheon International Airport, Airport Railroad facilities, Shinbundang Line, and Kintex. In 2018, our new and replacement installations amounted to 554 escalators and 32 moving walks.

Equipment Manufacturing Sales

(unit: KRW 100 million, on a consolidated basis for the year 2018)



MAJOR PORTFOLIO

Escalator

- Unicity Urban Bricks, Changwon
- Hill State Samsung Station Skansen, Goyang
- Yongin Severance General Hospital, Yongin
- Hyundai Department Store Pangyo, Pangyo
- Garden Five, Seoul
- Cheongna Hill Station (Shinnam Station), Daegu
- Incheon International Airport, Incheon

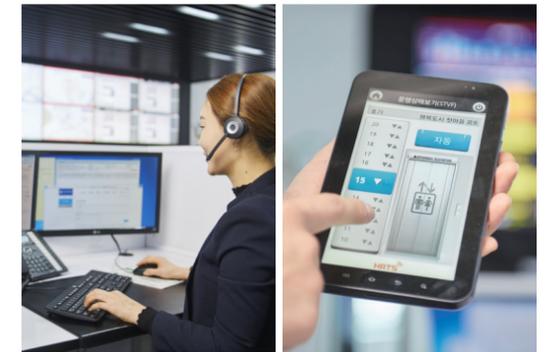
Moving Walk

- Starfield City Wirye, Hanam
- E-Mart Traders Gimpo, Gimpo
- Lotte Mart Cheongju, Cheongju
- Incheon International Airport, Incheon

MAINTENANCE SERVICE

Korea is ranked in 3rd place following China and India in the global elevator new installation market. Notably, the maintenance market demand is significantly strong as well. We have been fully tapping into the maintenance service market as a way to create long-term profits and have maintained No. 1 market share in Korea for the past four years in a row since 2015. We are also clearly a dominant leader in the elevator replacement market, with 51.2% in market share. In 2018, we launched new MOD (Modernization: replacing elevators 15 years old and older) products and this drove our MOD sales growth, up by 44.7% from the previous year to KRW 51.7 billion. All in all, our maintenance service business exceeded the set target, posting KRW 343.3 billion in orders awarded and KRW 333.3 billion in sales.

The 2019 year is expected to present shifting market conditions as the fully-revised elevator safety management regulations take effect, competition intensifies in the MOD market following tightening inspection standards on aging elevators, and new technology is widely adopted in the maintenance service sector as a result of the 4th Industrial Revolution. We plan to preemptively respond to any possible risks that may occur due to the implementation of the revised safety regulations and establish a directly-controlled business model so as to consistently reinforce our competitive edge in the elevator maintenance market.



Installation and Maintenance Service Sales

(unit: KRW 100 million, on a consolidated basis for the year 2018)



AUTO PARKING SYSTEM

Auto parking systems safely accommodate a large number of cars in limited spaces to improve spatial efficiency and reduce construction costs. We provide a wide range of auto parking systems to choose from, including elevator, cart, multi-layer circulation and puzzle types, and our distinctive Hyundai Integrated Parking system. Their simple entry/exit technology promotes user convenience and shortens the time taken to park which in turn helps reduce fuel consumption and CO₂ emissions.

In 2018, the auto parking system market shrank from the previous year as its demand declined due to the economic slowdown while competition grew even fiercer. Our orders and sales amounted to KRW 38.4 billion and KRW 35.1 billion respectively. In 2019, we expect to witness a weakened demand and stronger competition. This will prompt us to respond to market requirements by reducing costs and tapping into the wider market with an aim to consistently solidify our market dominance. As such, we plan to improve our competitive edge in quality, delivery, and pricing and to adopt a differentiation strategy by developing a conveyor-type tower parking system and other high value-added products.



MAJOR PORTFOLIO

- Galleria Department Store Suwon, Suwon
- Ramada Plaza Hotel, Suwon
- Otris' office building, Seoul
- EL Tower, Seoul
- Park Hyatt Hotel, Seoul
- Hyundai Department Store Cheonho, Seoul

PERFORMANCE & OUTLOOK

— At Hyundai Elevator, we recognize the global market as an extension of our domestic market. For us, both represent one single stage from which we perform. As we emerge beyond Korea's top player into a truly global company, we pursue qualitative growth and boldly tap into the overseas market. In so doing, we reach out to the wider world.



KRW **1.8772** trillion
2018 sales

Our elevator manufacturing, sales, and maintenance business spans 51 countries across the globe, including Asia, the Middle East, Latin America, Europe and Africa as well as Korea, with six overseas corporations and 45 overseas agencies.

PERFORMANCE & OUTLOOK

Last year, our domestic market share reached 43.7% to maintain our unrivaled leadership in Korea. We defined 'Smart and Innovative Management' as our management guideline for 2019 to remain an unchallenged leader in the Korean elevator market and to solidify our position in the global market. We will pursue balanced growth across new installations, replacements, maintenance and overseas operations to post KRW 1.7100 trillion in sales (on a non-consolidated basis), and accelerate our endeavors to grow our overseas business and go global.

2019 MANAGEMENT GUIDELINE		
Smart and Innovative Management		
Build quality & cost competitiveness	Stabilize global operations	Drive Smart Innovation 4.0

DOMESTIC MARKET

2018 Performance

- Laying the basis for globalization strategy as a leader in the domestic market

In 2018, we posted KRW 1.8772 trillion in sales and KRW 143.1 billion in operating income. While our business grew from the previous year all in all, we could not fully attain the goal set in the beginning of the year as our contract cost ratio deteriorated and the cost of goods sold rose as a result. Still yet, we successfully maintained our unmatched leadership in the domestic market, ranking 1st both in new installation market share for 12 consecutive years and in maintenance market share for four consecutive years.

Due to the limited growth potential of the domestic elevator market, our domestic market share remained almost unchanged at 43.7%. Our paid maintenance business, however, grew 7% from the previous year to surpass the 139,000 unit mark. While our overseas sales inched down from the previous year, our order volume and operating income improved and this helped us lay the solid foundation to grow our overseas business and execute our globalization strategy.

2019 Outlook

- Increasing market uncertainties and intensifying competition

In 2019, the domestic real estate market will be negatively impacted by the increasing uncertainties caused by tightening governmental real estate regulations, contracting redevelopment/reconstruction business in the Seoul metropolitan region, and the continued prospect for interest rate increases and the resulting decline in real estate purchases. As the domestic construction market faces decline, this may pose challenges to the elevator market which is closely aligned with the construction business cycle.

In the new installation market, we expect to face even fiercer competition as global elevator makers expand their presence in the domestic market and initiate aggressive sales operations by building plants and launching new products. The ratio of products and services aligned with the 4th Industrial Revolution is forecast to increase further, and more new services will be developed in collaboration with external ICT companies. The replacement market is also expected to face continued increases in demand. This implies that elevator makers may compete fiercely to secure market volume, and we will strengthen our sales operations to cater to market demand more proactively.

OVERSEAS MARKET

2018 Performance

- Increasing orders in new markets and fully tapping into the global market

In 2018, we acquired 100% of the Turkish Corporation and 90% of the Malaysian Corporation to solidify our basis in advancing into the overseas market. Notably, we initiated the construction of a new factory in Shanghai, China, last March. When the factory is completed in the 2nd half of 2020, it will serve as a foothold in exporting to Southeast Asia, the Middle East, Europe and other overseas markets as well as the domestic Chinese market.

2019 Outlook

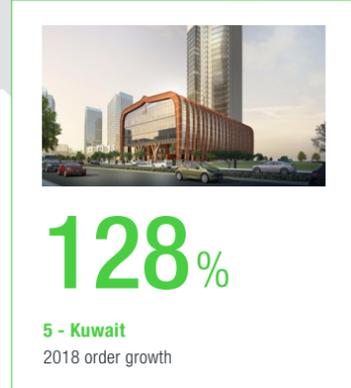
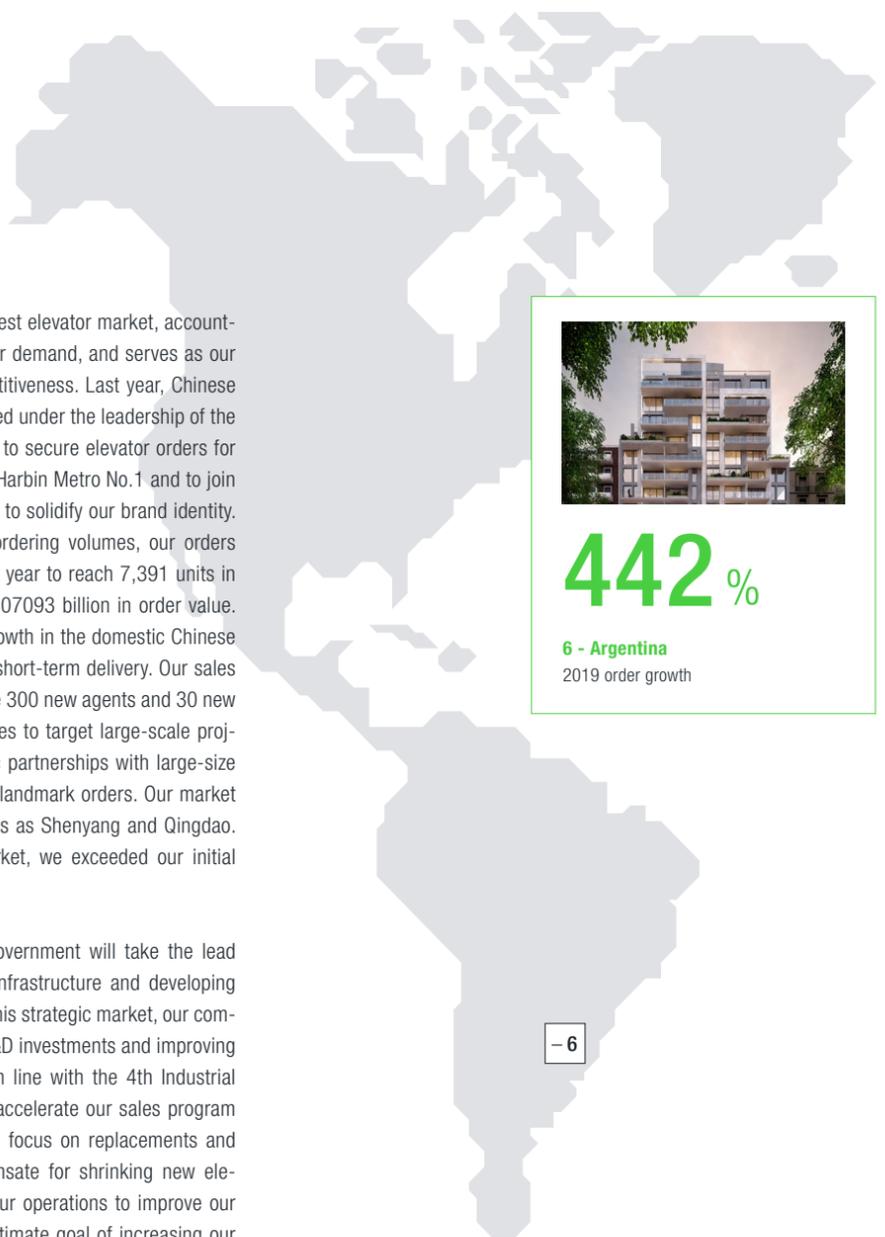
- Global economic downturn and increasing uncertainties
The year 2019 is expected to be affected by the U.S.-China trade conflict and Brexit of last year that gave rise to the global economic downturn and increasing uncertainties. As the U.S. is set to raise its interest rates, it will aggravate currency fluctuations in emerging economies, and the sustained high oil prices will further add to market volatility. On top of this, the global economic slowdown will continue to create rippling effects. The following describes our 2018 performance and future outlook by major region.

→
GLOBAL PRESENCE

1 — CHINA

China represents the world's largest elevator market, accounting for 70% of the global elevator demand, and serves as our outpost in building global competitiveness. Last year, Chinese construction orders were facilitated under the leadership of the government, and this enabled us to secure elevator orders for five extension stations along the Harbin Metro No.1 and to join the league of top 500 developers to solidify our brand identity. Amid the positive reception of ordering volumes, our orders rose by 35.8% from the previous year to reach 7,391 units in total orders awarded and CNY 1.07093 billion in order value. Our sales posted a 30% y-o-y growth in the domestic Chinese market thanks to an increase in short-term delivery. Our sales network has broadened to include 300 new agents and 30 new developers, our strengthened sales to target large-scale projects allowed us to form strategic partnerships with large-size construction companies and win landmark orders. Our market share rose in such Focus Markets as Shenyang and Qingdao. In the elevator replacement market, we exceeded our initial order target by 150%.

In 2019, the Chinese government will take the lead in expanding the nation's SOC infrastructure and developing tier-2, tier-3 and tier-4 cities. In this strategic market, our competitors are constantly making R&D investments and improving the productivity of their plants in line with the 4th Industrial Revolution. Our 2019 plan is to accelerate our sales program that targets large-scale projects, focus on replacements and maintenance services to compensate for shrinking new elevator installations, and localize our operations to improve our cost competitiveness, with the ultimate goal of increasing our market share and competitive edge. We will also successfully complete our cutting-edge Smart Factory in Shanghai by the 2nd half of 2020 to build a strong presence in the world's largest elevator market of China.



2,3 — ASIA

In Vietnam, the local government introduced loan regulations to prevent excessive real estate investments, and this resulted in construction delays and posed difficulties to elevator companies. While we strengthened our partnership with large customers to raise our orders by 14.6% from the previous year, several large-scale projects suffered delays in 2018 and we could not reach our sales target accordingly.

In 2019, our strategic focus will be to land large-scale project orders from Vietnam's largest business group and to reinforce sales in Ho Chi Minh in the southern area of Vietnam. We forged strategic partnership with Hoa Binh in April 2019, and we plan to increase our market share through cooperation with this 2nd largest Vietnamese construction company.

In Malaysia, public projects faced delays due to the sustained slowdown of its real estate business and increasing political uncertainties. This urged us to strengthen our sales organization and diversify our customer base, which eventually allowed us to reach our order target. In 2019, we will continue to recruit talented sales employees to further reinforce our sales operations and expand our local network in the southern part of Malaysia to reach our order target.

Turning to Indonesia, large-scale orders declined to weaken the new installation market, and more local competitors jumped into the maintenance market to sustain the price-based competition. We acted preemptively, however, in landing orders and successfully reached our order target which was up by 8.2% from the previous year. In 2019, the Indonesian paid maintenance market will continuously witness intensifying competition, and we will respond to this by focusing on the growing MOD market to broaden our major target customers and our presence in this specific market.

4 — EUROPE

The Turkish elevator market represents the annual unit of 16,000 and the market size of KRW 815.0 billion and Turkey is the 2nd most active infrastructure business market following China. We established our Turkish Corporation in 2016 as an outpost to advance into the European market, and have developed a premium brand identity while building track records in undertaking multiple high-speed elevator and large-scale installation projects, including subways, offices, general hospitals, and commercial-residential complexes. In 2018, we increased our equity ownership of the Turkish Corporation to transform this into a wholly-owned subsidiary and to accelerate our advancement into this strategic market. Last year, Turkey experienced aggravating currency fluctuations of its lira and its economic growth was weaker than expected, which reduced its elevator market size by 45% from the previous year. In face of such challenges, we remained proactive in tapping into the market and raised our order amount by more than 109% from the previous year.

In 2019, we will focus on government-ordered construction projects and public-private projects that will help us secure stable and sustainable volume, and will continue to raise our market share by expanding our dealer network and directly-operated service system.

5 — MIDDLE EAST

Since we first entered Iraq in early 2000, we have constantly improved our brand awareness. We landed orders for the Bismayah New City project in 2014 as well as for the government complex, and other major public organizations, and our elevator supply contract amounted to 1,668 units as of 2019, laying the basis to expand our business in other Middle Eastern countries. In December 2016, we won the project order for the Security Forces Medical City (SFMC), a large-scale medical complex to be constructed by the Saudi Arabian government at the center of its capital Riyadh. Other noteworthy accomplishments include the Mashhad Metro Line No.2 project of Iran and several other large-scale projects. It is expected that the economic sanctions in the Iranian market will adversely affect orders in 2019, whereas orders are projected to remain stable in Israel and the UAE. Whatever the case, we will endeavor to secure meaningful outcomes in the relevant markets.

6 — CENTRAL & LATIN AMERICA

Nations in these regions continue to suffer economic downturns due to the prolonged political and economic uncertainties and the real estate economy will remain sluggish in 2019. Brazilian national credit ratings have fallen and construction investments are shrinking due to its domestic political and economic crises. Such aggravating market conditions are forcing numerous multinationals and Korean businesses out of the country. Consequently, our new orders and factory operations came to a halting stop in 2018. Still yet, we successfully exceeded our sales target through recapture business. In 2019, we plan to secure service volume and focus on profitability across our sales operations to improve our business outcomes. Meanwhile, we completed the realignment of our Panama sales network, and this will surely assist us in increasing orders in Panama, Peru and the wider Central and Latin American region in 2019.



— OUR BUSINESS & COMPETENCE

49-64

- 50 — SMART 4.0
- 54 — SERVICE
- 58 — R&D
- 62 — PRODUCTION
- 64 — QUALITY

Change is not a choice to make; it is a window into innovation and it is this innovation that accelerates our journey to tomorrow's success. At Hyundai Elevator, we ceaselessly pursue innovation and rise to each challenge in our relentless exploration to forge future paths amid the rapidly-shifting industrial and technological landscape.

2018 MAJOR ACHIEVEMENTS

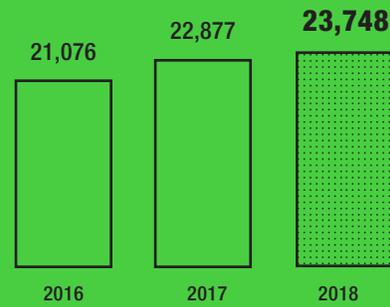
We have established our spot as the unrivaled No. 1 leader in the Korean elevator market for 12 consecutive years, leveraging our sustained quality innovation and differentiated competitive advantage. In 2019, we will preemptively respond to the shifting technological landscape across the manufacturing industry while communicating with wide-ranging stakeholders in order to pursue sustainable growth.



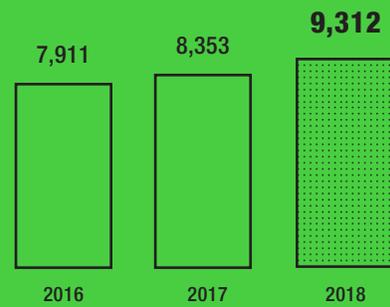
- 1 **FINANCIAL ACHIEVEMENTS**
- 2 **PERFORMANCE ACHIEVEMENTS**
- 3 **GLOBAL BUSINESS ACHIEVEMENTS**
- 4 **NON-FINANCIAL ACHIEVEMENTS**

Total Assets

(unit: KRW 100 million)

**Total Capital**

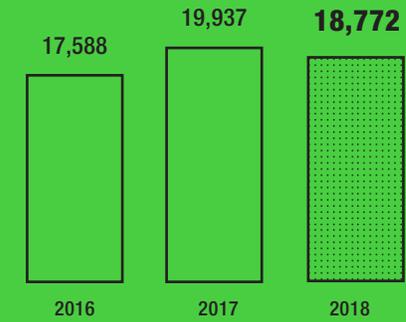
(unit: KRW 100 million)

**Summary of Consolidated Financial Statements**

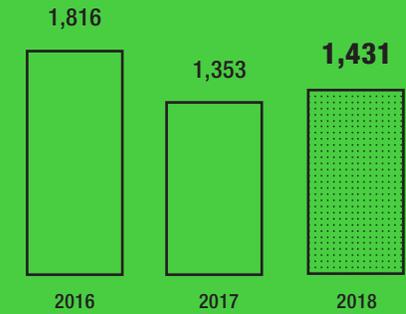
Unit: KRW 100 million	2016	2017	2018
Assets	21,076	22,877	23,748
Current assets	10,451	9,452	9,011
Non-current assets	10,625	13,424	14,737
Liabilities	13,165	14,524	14,436
Current liabilities	7,194	7,658	7,450
Non-current liabilities	5,971	6,866	6,986
Capital	7,911	8,353	9,312
Controlling company's share	7,785	8,363	9,211
Non-controlling share	126	(11)	101

Sales

(unit: KRW 100 million)

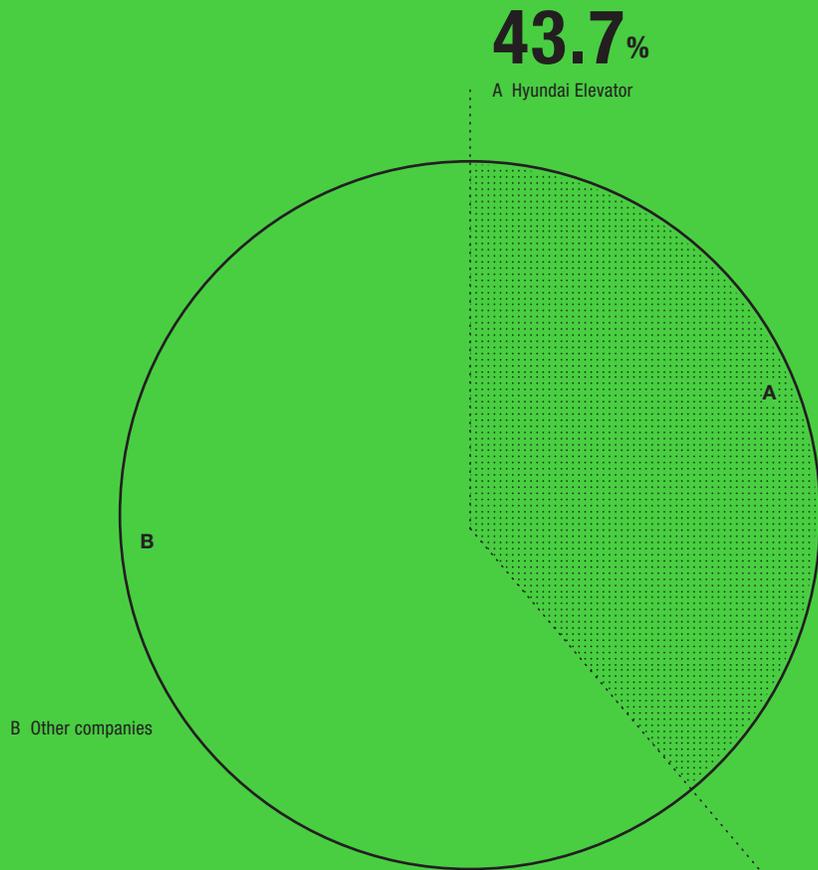
**Operating Income**

(unit: KRW 100 million)

**Consolidated Statements of Comprehensive Income**

Unit: KRW 100 million	2016	2017	2018
Sales	17,588	19,937	18,772
Cost of goods sold	13,636	16,150	15,040
Gross margin	3,952	3,787	3,732
Selling and administrative expenses	2,136	2,434	2,301
Operating income	1,816	1,353	1,431
Other income	334	685	421
Other cost	1,401	517	717
Gains and losses on related company investment on equity method accounting	(527)	(74)	7
Gains and losses on disposition of investment in related companies	331	-	-
Financial income	126	169	103
Financial expenses	490	324	1,051
Net income (losses) before income taxes	189	1,292	194
Income tax expenses (income)	(980)	502	179
Net income	1,169	790	15

Market Share
(unit: %)



NO. 1 FOR

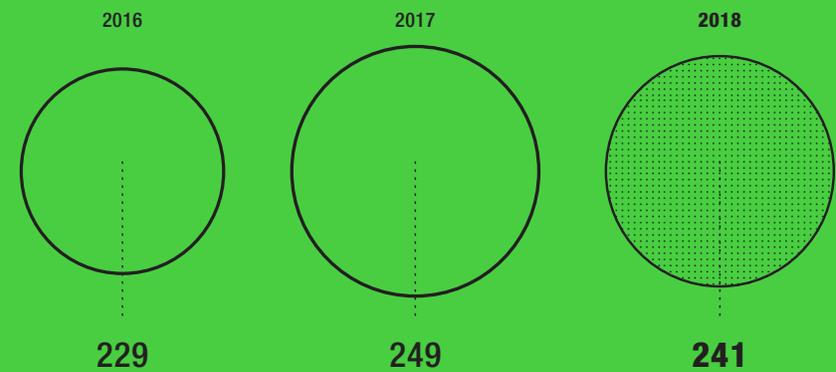
12

CONSECUTIVE YEARS

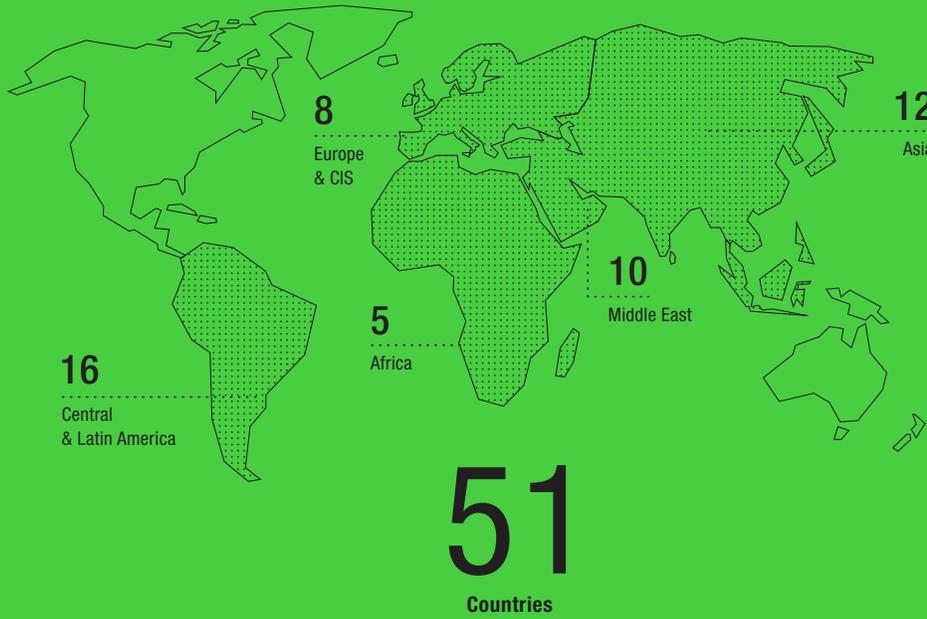
— Elevator maintenance (No. of unit)
— Elevator installation (No. of unit)



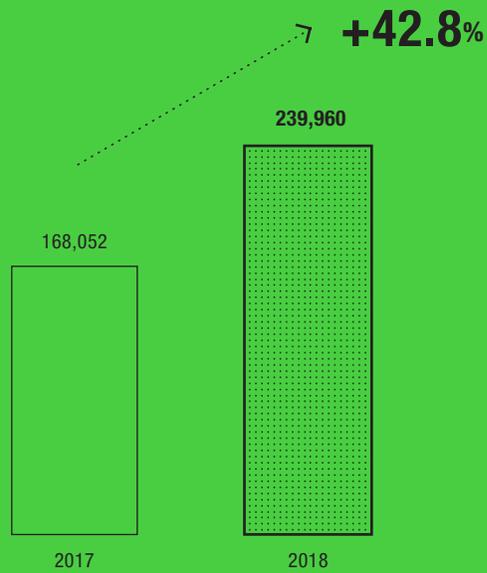
R&D Investment
(unit: KRW 100 million)



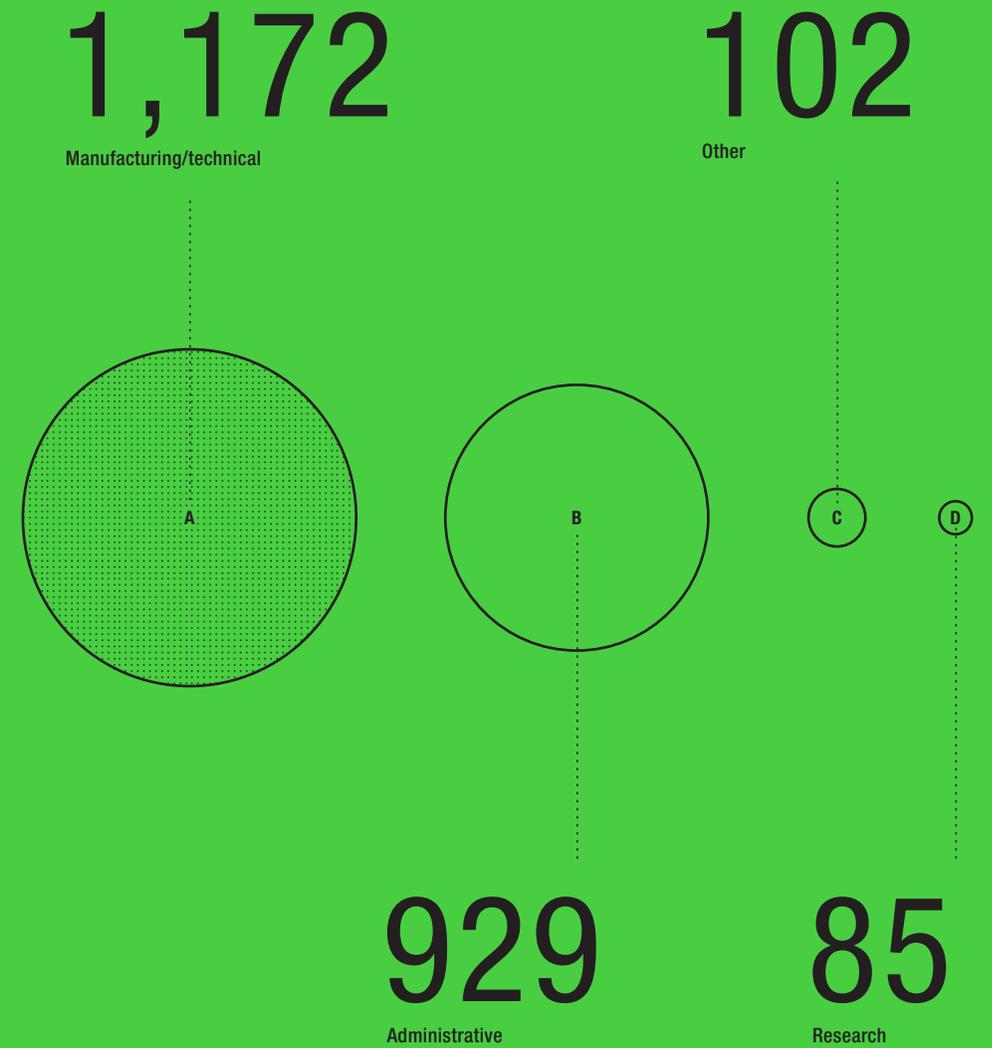
Global Network



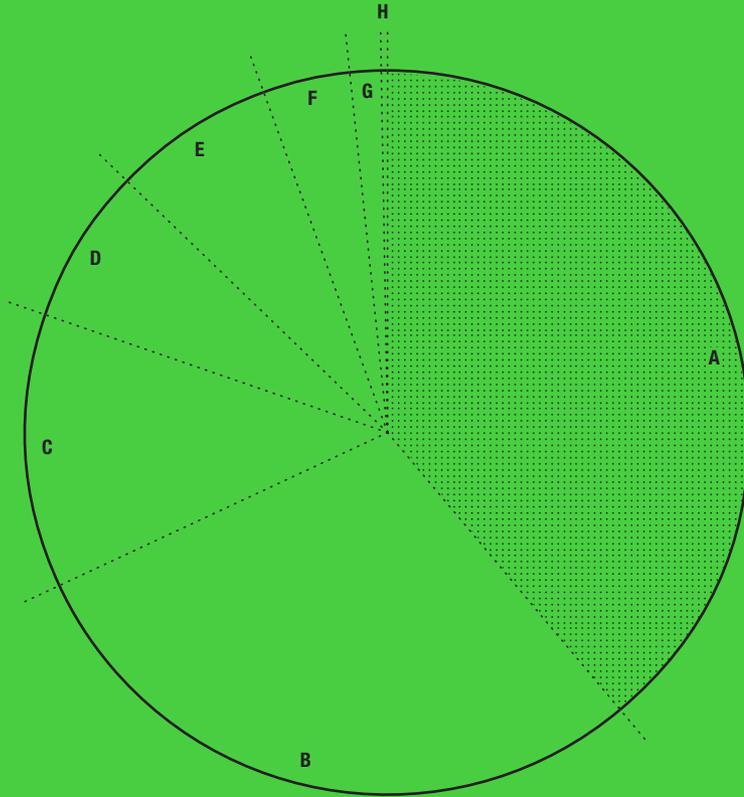
Overseas Orders
(unit: KUSD)



Employees
(unit: No. of persons)



**Social Contribution
Performance by
Beneficiary Group**
(unit: %)



A
39.2

Local communities

B
29.0

Other (blood donations and others)

C
12.1

Environmental clean-up

D
7.1

Elderly

E
7.1

People with disabilities

F
4.0

Children/teens

G
1.3

Historic sites

H
0.2

Broken families

SMART 4.0

BLAZE THE TRAIL FOR REVOLUTION TODAY

— We never rest on our laurels; rather, we pursue innovation and rise to each new challenge to spearhead the 4th manufacturing revolution amid the rapidly-shifting industrial and technological landscape.

4th Industrial Revolution across the Manufacturing Industry

As 4th Industrial Revolution technology, that integrates Information and Communication Technology (ICT) with the manufacturing industry, gains attention as a driver behind tomorrow's fundamental competitive edge, the innovative realignment of conventional business models (Smart 4.0) is emerging as a key agenda across global industries. With the 4th Industrial Revolution, every bit of information, ranging from factories and products to services, will be digitalized, connected and provided in real time, to ultimately bring a breakthrough in the development of the entire manufacturing value chain. This will result in a dramatic shift from a producer based-market to a customer-driven one and will usher in the emergence of new business models. Businesses, too, may expect to create new added value through expanded business models in addition to cost savings and productivity gains. This inevitably prompted us at Hyundai Elevator to consider the diverse applications of 4th Industrial Revolution technology and to review the viability and marketability of new business models to use them as future growth engines.

Smart Innovation 4.0 at Hyundai Elevator

In line with the 4th Industrial Revolution, manufacturing businesses are required to produce multiple varieties of products in small quantities, and to develop capabilities to rapidly cater to changing market needs and adjust their production accordingly. As such, we are embracing the Smart 4.0 initiative and implementing the Smart Innovation strategy that exceeds all expectations. First, we set priorities in undertaking relevant projects in alignment with our company-wide implementation strategy, and developed a roadmap to pave the way to execute this innovation. The SMART Committee attended by all executives and project leaders, including the CEO, the 3-Less Meeting Commission, and the Project Management Office (PMO) are part of our Smart Innovation 4.0 initiatives that are undertaken across the board.



We are currently synchronizing our sales plans and resource operational plans from the organizational optimization perspective to establish a digital Supply Chain Management system. By developing an optimization system that includes suppliers as well as our internal operations, we aim to build a competitive advantage along the entire supply chain. We plan to introduce a cloud-based, integrated global sales system to improve our business efficiency and are creating an innovation platform that will enable digital manufacturing. This platform is a company-wide integrated management system for product development information and 3D modeling-based Product Lifecycle Management (PLM). Furthermore, we are establishing a Smart Factory both in Korea and abroad to better respond to rapidly-evolving market conditions.



Digital SCM, Innovative Supply Network

Since 2018, we have been identifying and executing innovation projects with an aim to obtain visibility along the entire value chain, from sales quotes to procurement/production/installation/operations, in addition to responding to consumer demand. Our priority is to lay the foundation to ensure such visibility and to improve our quality by increasing alignment between production plans and output through standardized and advanced plan management. As part of these projects, we ensure that decisions are made by systems, rather than the subjective judgment of responsible employees, in setting reasonable project plans and improving our compliance with predetermined deadlines, which will further upgrade our business process in so doing.

Smart Factory, Tomorrow's Intelligent Manufacturing Facility

At Smart Factory, data is collected in real time during the manufacturing process on production status, quality, and energy with an aim to bring dramatic productivity gains. This intelligent factory leverages 4th Industrial Revolution technology to make its own decisions on process optimization or production scheduling. Our new factories to be built in Chungju, Korea and Shanghai, China will be equipped with flexibility, autonomy and data-based operations, in addition to simple automation. At Hyundai Elevator, we believe that the core of Smart Factory



Three-dimensional picture of a new Shanghai Factory in China (set for completion in H2 of 2020)

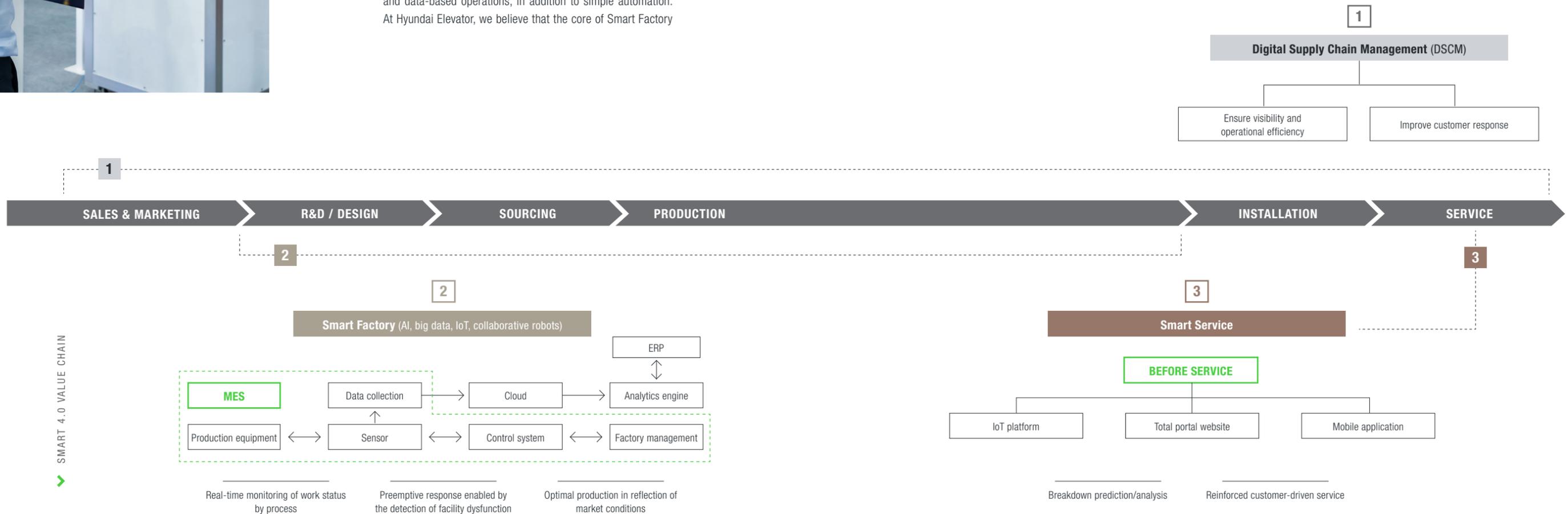
technology lies in data collection and integration driven by the Internet of Things (IoT) and inter-facility networks. As such, we plan to build our Smart Factory that promotes real-time process visibility and flexibility through customized manufacturing processes and products based on the Manufacturing Execution System (MES).

Before Service, Service Smart 4.0

As part of our service process innovation, we are undertaking the Before Service initiative to generate profits in a way that improves the intrinsic value experienced by our customers. Our endeavors to strengthen our service competitiveness are themed around the following three priorities: building an IoT platform for breakdown diagnosis and prediction, creat-

ing a total portal website to provide visibility, and developing a system with a focus on mobile applications. To this end, we plan to operate our portal website and mobile channels to visually check all elevator information anytime anywhere and to build a cloud-based 'Before Service' platform that allows for the collection of elevator data through IoT sensors and the collection and analysis of big data.

Hyundai Elevator customers will be able to use such portals to access the basic data and operational data of their elevators in real time without any limits on time or space. Big data-enabled breakdown/lifespan predictions will increase the safety of our elevators even more, and this will allow our customers to use our products with no second-guessing or concern. Furthermore, any breakdown will be remotely and automatically controlled, making the end user experience simple and convenient, along with our improved mobile apps that receive breakdown reports and automatically assign engineers to tasks at hand.



SERVICE



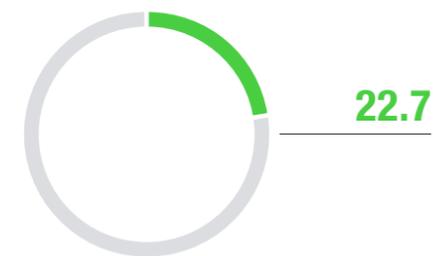
As a leader with a No.1 ranking in the domestic maintenance service market, we at Hyundai Elevator offer around-the-clock customer response and leverage cutting-edge IT solutions, from real-time remote control to GIS and IoT in a bid to deliver differentiated customer care service.

HCCC

Up and Running 24 Hours/day, 365 Days/year

Our cumulative elevator installation in Korea reached 758,987 units (683,641 units under operation as of 2018), and the domestic elevator maintenance market expanded to KRW 1 trillion. Hyundai Elevator is Korea's largest elevator maker and maintenance service provider, with 21,842 installation units and 155,366 maintenance units as of 2018. Befitting our market leadership, we are operating our own customer care center to facilitate customer communication and agile customer response. Located at our Icheon Head Office in Gyeonggi Province, the Hyundai Customer Care Center (HCCC) is responsible for our entire elevator maintenance service operations, and has served as the ultimate control tower in offering differentiated customer care service since 2006.

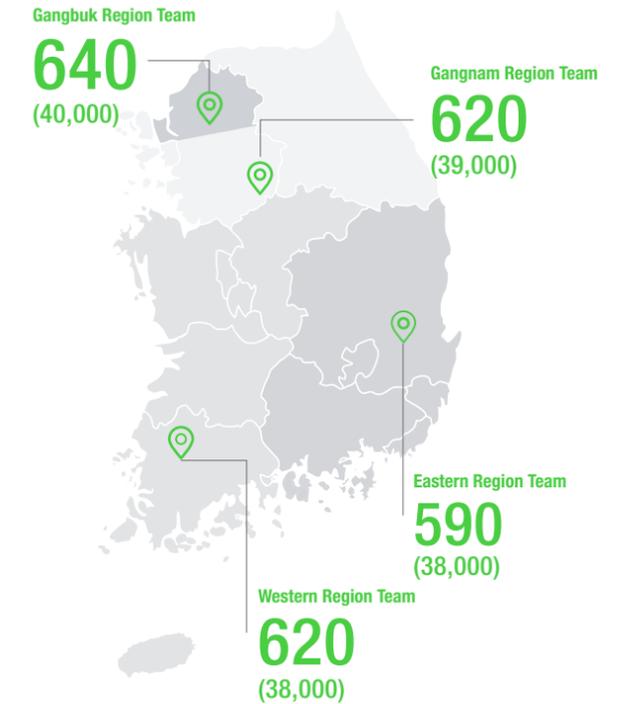
Our Market Share in the Maintenance Market (unit: %)



Maintenance units (unit: No. of units)



Maintenance Staff (Directly Operated + Business Partner) and Units (unit: No. of persons (units))



Our professional counselors offer expedient customer service counseling and receive fault reports 24 hours a day, 365 days a year. Our advanced maintenance system that leverages IoT technology, including a remote control system (Hyundai Real Time Service) and a mobile app as well as real time monitoring, enables us to cater to customer needs swiftly and accurately. As the first elevator company to introduce the Traffic Geographic Information System (TGIS), we use Korea's largest network of maintenance experts (nearly 2,470 persons) to deliver state-of-the-art customer service anywhere across the nation. When a customer makes an inquiry or submits a dysfunction report to HCCC, its geographic information system is used to identify an engineer capable of reaching the customer in the shortest timeframe possible and sends the customer information and repair history to the engineer's smartphone to ensure prompt customer response. Our meister engineers are permanently stationed at the center to support efficient repair service in the field through a mobile app. The HCCC will play a pivotal role in delivering differentiated service and improving customer satisfaction through the use of diverse technology and data.

HRTS

Advanced Remote Management System

Developing the world's first smartphone-connected remote management system (dubbed 'Hyundai Real Time Service' (HRTS)), we are now leaping beyond the competition in offering elevator maintenance services. This advanced remote management system enables the HCCC to monitor the operation of our elevators installed across the nation 24 hours a day, upon which the status is checked in real time and the type of malfunction is identified to remedy the problem through remote service. In HRTS-enabled areas, nearly 66% of the total fault reports can be handled through remote repair, which reduces unnecessary engineer visits and the use of valuable time and human resources.



31,300 units
HRTS-equipped elevators

HRTS Remote Repair Rate (unit: %)



Out of nearly 155,000 elevators under our management across the nation, around 31,300 were equipped with HRTS as of the end of last year to receive our differentiated maintenance service. Furthermore, our 'HRTS mobile app' is just a click away; customers can easily monitor the operational status of elevators in real time through this smartphone app. Not only does this app allow customers to call the elevator, it also allows them to check the operational status of any given elevator and directly verify the details of their inquiries, such as operational reports and after-sales service requests.

MOBILE APP

Smart System at Your Fingertips

Our Smart System includes mobile apps that assist our field maintenance technicians to make seamless remote connections to the HRTS. The Maintenance Mobile Solution (M.M.S.) mobile app supports malfunction management, periodic inspections, and on-site information queries. It also enables remote HRTS monitoring and operational data query. The H-BAND enables field engineers to share technical data and information with one another and to receive video technical assistance from meister engineers via online chats, manuals, and design editing.

TGIS

World's 1st Arrival Notice System

As the 1st-ever elevator maker to introduce the Geographic information System (GIS) to offer advanced customer care service, we have taken a step further to upgrade into the Traffic and Geographic Information System (TGIS) in providing maintenance service. Combining traffic with geographical data, TGIS analyzes traffic data to identify the most optimal route and sends this to our engineers so that they can rush to emergencies in the quickest and most efficient way. The control room monitors all data until the emergency is resolved, and keeps track of the estimated arrival times of our engineers in real time.

AR/VR-ENABLED ELEVATOR DESIGN SYSTEM

1st-ever Elevator Maker to Introduce an AR-enabled Design System

Customers can now use our Augmented Reality (AR) or Virtual Reality (VR) technology to design their elevator on their own and experience what it looks like in real time. Customers choose from a wide array of traction machines, doors, buttons, interior materials and other options on tablet PCs, and then the finished designs are realized in three-dimensional images through AR or VR technology. Our gyrosensor technology allows customers to virtually experience the finished elevator design: they open the elevator door, walk in, and see what the interior could look like, just as they would do in a real-world setting. There are more than 1,000 possible design combinations, and customers are able to see their design choices reflected immediately. As the 1st company in the elevator industry to offer such a design system, we are proud to witness our customers' ability to now dictate their finished elevator designs in such a life-like environment.



AR/VR-enabled elevator design system

BEFORE SERVICE

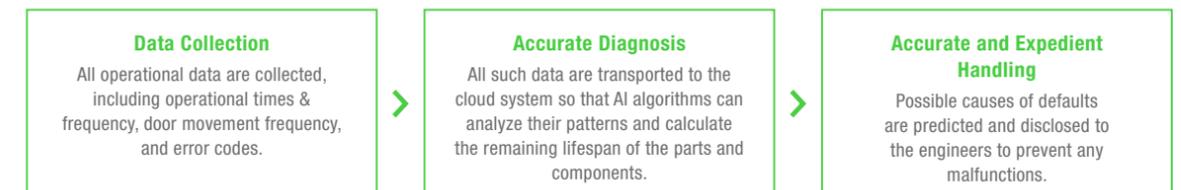
AR-enabled Maintenance Service

Our Before Service uses AI-enabled big data analytics to identify the symptoms of malfunction in order to offer services even before any breakdown occurs. This future-oriented cutting-edge maintenance service is based on IoT technology and big data analytics to autonomously recognize the signs of product malfunction, predict when such malfunction would occur, and trigger preemptive inspections and parts replacement before the occurrence of any actual breakdown, to ultimately operate elevators in their most optimal condition. Currently, we are developing a breakthrough Before Service solution with an aim to deliver the greatest-possible customer experience.

HYUNDAI SMART SYSTEM ENABLED BY AI CHATBOT

In June 2018, we developed the 'Hyundai Smart System', the industry's 1st AI chatbot-enabled maintenance service. Driven by big data technology, this advanced system uses real-time chatbots to respond to elevator inquiries and deliver one-stop service - from receiving fault reports and assigning engineers to notify customers of their arrival times to reporting repair outcomes and enabling customers to confirm the repairs. By streamlining customer inquiries and report procedures, this system is expected to generate even greater added value by drastically reducing customer wait times.

Before Service



R&D



To deliver a more convenient and safer means of mobility, we expand our R&D investments and continue to develop new and innovative technology.

R&D CENTER

We are ceaselessly committed to developing differentiated new products and pursuing technological innovation with an aim to build globally-recognized R&D capabilities and competitive advantages. Established in 1986, our R&D Center serves as the cradle of our new product technology and future competitive edge. The center employs nearly 100 researchers who are fully committed to their research work. The center is currently conducting research on electricity consumption reduction with a focus on *SiC-based technology, and is developing future-oriented technologies, including an ultra-high-efficiency system enabled by new materials and modular design technology. Furthermore, active research is underway to develop a smart remote repair system based on AI prediction technology and to improve elevator mobility efficiency through an integrated building transport system.

ADVANCED TECHNOLOGY

Ultra-High-Speed Elevator System

The Hyundai Asan Tower is equipped with our ultra-high-speed elevator THE EL 1080, one of the world's fastest elevators that travels at the speed of 1,080m/min. THE EL 1080 is capable of delivering the speed, travel distance, and performance that satisfies even the world's most challenging architectural requirements, as well as yet another layer of value with its product philosophy of Safety First, Flexibility, and Green. Its destination reservation system and alignment with the Speed Gate help passengers travel to their destination floor in a more expedient manner, and it also comes complete with an earthquake detection system to further upgrade its safety.

Double Deck System

A double deck elevator has two adjoining cabs that operate simultaneously, one on top of the other within a single shaft. Depending on its operational system, this elevator can increase its passenger capacity by 1.8 times. Our Hyundai Asan Tower is equipped with the ultra-high-speed double deck elevator dubbed THE EL DUO (600m/min): as one of the world's fastest double deck elevators developed by Hyundai Elevator, THE EL DUO can be used in buildings with irregular floor intervals with its Floor Distance Adjustable Device that allows for accurate floor distance control.

* SiC (Silicon Carbide): SiC materials are high in thermal and electrical conductivity and thus bring less energy losses and greater power savings.



2018 TECHNOLOGY DEVELOPMENT PORTFOLIO

- Developed Jump Elevator
- Standardized the New Yzer 1600kg-150mpm
- Increase the capacity of the 2000kg-240mpm WBHS
- Developed a self-tuning cluster management system
- Automated the HRTS fault handling and branch office management systems
- Improved the efficiency of computer monitoring panels
- Improved on the car door device of synchronized motors
- Improved the DSS algorithm and the traffic volume monitoring system
- Developed an electrical system for vacation homes
- Expanded the development of cluster management
- Upgraded the DSS for users with disabilities and developed its Hebrew/Turkish language versions
- Responded to the ELD/UCMP certification for older MR Type STVF5/7 models

IoT Smart Elevator Service

We developed an IoT-based solution that provides elevator service by analyzing and using the location data of users within a building. This solution enables users to use their smart device app to remotely call or reserve an elevator and to enjoy an optimal vertical mobility service based on the passenger identification information aligned with their smart device. This not only lessens elevator wait times but also improves transport efficiency and energy conservation.





JUMP Elevator
JUMP Elevator is installed in the initial construction phase, and its machine room moves upwards along with the rising frame.

GREEN TECHNOLOGY

Power Recovery Inverter LOWATT

LOWATT* represents our breakthrough green technology that recycles the energy produced during elevator operation by reusing the energy that could be simply lost otherwise. This eco-friendly technology helps to both reduce energy consumption by up to 64% and save power. Furthermore, recycling energy results in less heat generation in machine rooms, which in turn reduces thermally-induced component damage and failure to ultimately expand the lifespan of our elevators. LOWATT does not require the installation of any air-conditioning equipment, so this also helps reduce on maintenance expenses.



LOWATT FEATURES

64%

Up to 64% reduction possible against the conventional elevator power consumption

1. Energy cost saving
2. Power expense saving
3. Prolonged lifespan of components and less failures
4. Reduced maintenance cost

Destination Selecting System

The Destination Selecting System, designed to ensure the fastest-possible travel time to appointed destinations, is often adopted for buildings with large passenger traffic to guide passengers with the same drop off points to board the same elevator in order to reduce wait and travel times and improve operational efficiency. As passengers choose their destination, the number of passengers, and their starting origin/destination floors are taken into account to direct them to the most optimal elevator. This helps passengers get to where they are going in less time, minimize their waits, and improve elevator operational efficiency by up to 30%. Furthermore, this contains the capability of combining building management with information technology to provide security features, which can be aligned with the building access card/ID card system to deliver reinforced security and convenience.



* LOWATT: Eco-friendly energy recovery system that uses the inverter to recover the power generated instantly when an elevator car moves up or down and reuses such energy to power the building



Destination Selecting System
Varyap Meridian in Turkey

34% SAVE

44.1 seconds -> 29.5 seconds
Wait time at Company K's office building (33-story building) fell by 14.6 seconds

AI-enabled Cluster Management System

With its unrivaled speed and efficiency, the AI-enabled cluster management system allows for the integrated management and control of multiple elevators to ensure that passengers moving in the same direction can board whichever elevator comes first. With the deep learning artificial intelligence algorithm, this system analyzes elevator traffic volume and predicts the estimated elevator operational time and passengers' wait time to provide the most efficient control. When a passenger boards the elevator, he/she may change their destination in the car as well.



Artificial Intelligence deep learning
Integrated elevator management and control system enabled by algorithms

AWARDS

Honored at the IDEA, One of the World's Top Three Design Awards

In September 2018, we have become the world's first elevator company to be named a Finalist at the International Design Excellence Awards (IDEA) 2018, one of the world's top three design awards. This honor, granted to the top 10% of the submissions at the awards, recognized the exceptional qualities of our 'Universal Multi Bar'; in addition to the conventional call button, the Universal Multi Bar also features the 'knee button' which is located at the height of an adult knee, the 'touchless foot button' which allows passengers to call the elevator by using their foot, and a three-dimensional hall lantern design. The Universal Multi Bar was recognized for its user-driven design as it improves mobile accessibility for youngsters and those in wheelchairs. With Hyundai being granted the 'Gold Medal' at the iF Design Award in 2017, we have become the 1st-ever in the industry to be honored at the two most prestigious design awards. Going forward, we will consistently strive to develop designs that deliver mobility convenience paired with an aesthetically-pleasing look.



PRODUCTION



Each and every Hyundai Elevator that we install in Korea is supplied entirely on the basis of our domestic production system, from end to end.

ICHEON FACTORY

Our Icheon Factory has played a leading role in the history of Korea's elevator industry over the past 35 years, and has served as a driving force behind our achievement in maintaining our unrivaled No.1 leadership for the past 12 years. Established back in 1984 in Icheon, the factory sits on a 44,040m² parcel and is equipped with state-of-the-art equipment to produce all the elevators that we install in Korea with the highest possible quality. In 2018, our daily maximum production output amounted to 109 units, and our annual production output and shipment reached 21,953 units and 21,834 units respectively.

In 2019, our third factory will adopt a five-axis machining center (Mazak) to further automate its production facility and increase production capacity. We will successfully undertake 4th Industrial Revolution projects aimed at realizing Smart Factory, and introduce the Product Lifecycle Management and Manufacturing Execution System by 2020 to lay the basis for real-time shop floor monitoring and the integrated management of all manufacturing operations.

SHANGHAI FACTORY IN CHINA

Upon entering the Chinese market in 1993, we established our Shanghai Factory to cater to the needs of China and other overseas markets. In March 2018, we initiated the construction of a new factory with an annual production capacity of 25,000 units in the Jinshan Industrial Zone to broaden our global capabilities in China and across the world. Sited to be constructed on a 114,421m² parcel of land, this new factory will accommodate an IoT-enabled smart factory, an ultra-high-speed elevator test tower (175m above ground/10m underground), an R&D center, and a customer care center capable of monitoring elevator operations in real time and offering maintenance service. The completion of this new factory will increase our production capacity by 3.5 fold from our current 7,000 units, improve our productivity by 120% and the automation of the manufacturing facility by 58%.

SMART FACTORY

We are working to establish a Smart Factory at our new production facilities to be built in Chungju, Korea and Shanghai, China with an aim to proactively respond to the upcoming 4th Industrial Revolution and the dramatic development of



PRODUCTION

Icheon Factory

21,834 units
2018 elevator shipment

Productivity improvement of a
new Chinese factory
(against the existing factory)

136%
Annual production capacity

120%
Productivity

58%
Automation

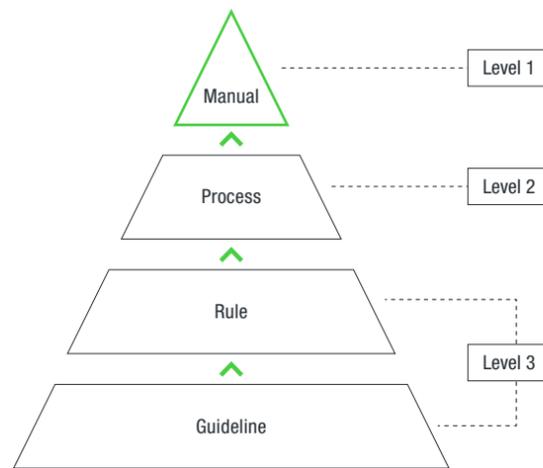
new digital technology. 'Smart Factory' refers to a next-generation intelligence production facility that combines the conventional manufacturing industry with IoT, big data, AI and other information and communications technologies. At Hyundai Elevator, the goal of our Smart Factory initiative is to 'bring change to the way we work on the shop floor' and 'pursue data-enabled innovation'.

Once the Smart Factory is established, visibility across each phase of the entire production process will be ensured which will allow for real-time monitoring and data-based decision making. This will lead to efficient quality management through big data analytics and the real-time monitoring of the entire process from order placement to production and delivery to enable predictive facility maintenance. Furthermore, the entire value chain will be aligned in real time to swiftly reflect customer requirements and to supply and install products at the time and location convenient to customers. Following installation, elevators can also benefit from the convergence of IoT and big data technology to predict and respond to any malfunction.

QUALITY

Since our product quality directly impacts customer safety, we take the validation and management systems across our entire business process very seriously to ensure both safety and excellence in the end user experience.

Quality Management System



We secure our quality and reduce breakdowns to deliver more reliable products.

QUALITY MANAGEMENT SYSTEM

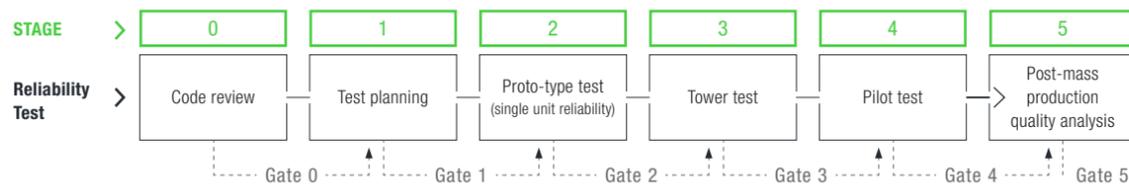
We operate a company-wide quality management system to improve our product safety. This system spans our entire business process, from sales, development/design, and procurement to production, installation, and service, and all our employees comply with relevant regulations. With our quality departments playing a pivotal role, the Review Board performs thorough quality validations both on newly developed products and products with modified designs to ship only defect-free products to customers. Periodic reliability tests are also conducted on newly-developed finishing materials and mass production outputs to improve product reliability. This allows us to take a preventive approach in validating new products and to deliver safe and exceptional quality products on the basis of top-notch reliability testing. Our commitment to quality management enabled us to obtain the ISO 9001 (quality management system), ISO 14001 (environmental management system), and OHSAS 18001 (health and safety management system) certifications.

The year 2019 will mark the beginning of a new quality management system at our Chinese corporation, and we plan to improve its quality management system accordingly. In line with the planned completion of a new factory in China in the 2nd half of 2020, we will assess the overall quality management system of our Chinese corporation and focus on improving its quality validation process to deliver greater customer satisfaction. Furthermore, we plan to upgrade its company-wide business process and clarify the roles and responsibilities of respective departments to assist in conducting business more efficiently. Continuous investments will be made in reliability testing equipment and human resources will be trained to elevate its quality validation performance.

PRODUCTION QUALITY MANAGEMENT

We leverage Failure Mode Effects Analysis (FMFA) to prevent quality defects all the way from the development phase which enables us to deliver even higher quality in so doing. This allows us to clearly identify and eliminate the cause and effect of any breakdown or error that may occur in the development phase and prevent the recurrence of such defects to further improve product quality.

Product Reliability Test



— OUR SUSTAINABILITY

65-84

- 66 — GOVERNANCE
- 68 — ETHICS MANAGEMENT
- 70 — RISK MANAGEMENT
- 72 — HUMAN RESOURCE DEVELOPMENT
- 76 — ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT
- 79 — SOCIAL CONTRIBUTION
- 82 — WIN-WIN MANAGEMENT

We pursue eternal, universal values along with user convenience delivered by cutting-edge technology. As a responsible corporate citizen, Hyundai Elevator is determined to safeguard these priceless values.

GOVERNANCE

TRENDS & CHALLENGES

More than ever, today's society is keenly aware of the importance of a transparent corporate governance structure. Meanwhile, governance trends unfold differently in accordance with whatever business conditions surround the company, the economic environment, shifting social sentiments and the revision of commercial laws and other relevant regulations. In line with the emerging issues of the Stewardship Code, growing shareholder activism and the abolition of the shadow voting policy, businesses are required to improve the transparency and fairness of their governance system.

OUR RESPONSES

We strive to earn trust from our stakeholders through transparent governance and reasonable business conduct. We ensure that our outside directors bring their expertise to the table in assisting the senior management in making informed decisions and that the diverse values generated through responsible business conduct with stakeholders are shared in order to deliver greater shareholder value and pave the way for our corporate sustainability. Such endeavors have allowed us to receive a Grade A rating from the ESG assessments performed under the supervision of the Korea Corporate Governance Service in 2018.

BOD COMPOSITION

As the top decision-making body, our Board of Directors (BOD) deliberates and decides on general management policies and major issues with an aim to improve corporate value and stakeholder interest through transparent business conduct. As of June 2019, our BOD consisted of six directors – two internal directors, three outside directors, and one non-executive director. One director was reappointed and such reappointment was made once. The company CEO and the BOD Chairmanship are separated, and our BOD operates the Audit Committee, the Outside Director Candidate Recommendation Committee, and the Personnel Management Committee.

BOD INDEPENDENCE

At Hyundai Elevator, it is stipulated that outside directors should account for 25% or more of the BOD. Currently, three outside directors are responsible for holding senior management in check and assisting them in making objective decisions. Outside directors participate in all BOD committees to ensure the independence and transparency of their decision-making process. Notably, the Audit Committee may request reports on business operations or investigate the status of corporate assets when necessary. The committee is also authorized to request employees or outside auditors to attend meetings or seek expert advice at the expense of the company.

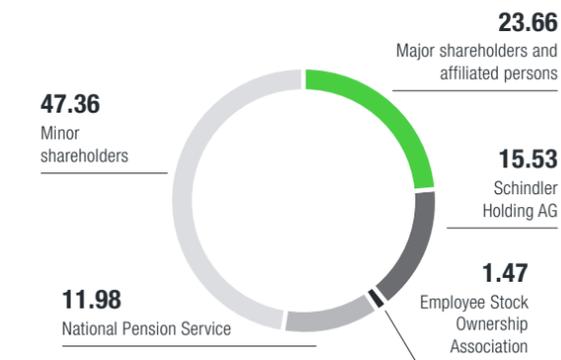
BOD Composition

(as of Jun. 2019)

Position	Career	Date of Appointment
Internal Director	Jeong-Eun Hyun Chairperson of Hyundai Group, Chairperson of the Hyundai Elevator BOD, Vice Chairperson of the Seoul Chamber of Commerce and Industry	Mar. 30th, 2004
	Ki-Seon Kwon CEO and Head of Finance & Procurement Division of Hyundai Elevator Co., Ltd., Former Deputy Managing Director of Strategic Planning Division at Hyundai Group	Mar. 27th, 2015
Outside Director	Young-Kee Chung Chair of Audit Committee, Professor of business administration at Hongik University (CPA), Former Vice Chairman at the Korea International Accounting Society	Mar. 25th, 2019
	Yu-Jong Kim Former Business Sales Director for Gangnam at Woori Bank, Former auditor at Woori FIS	Mar. 24th, 2017
	Woo-Seok Seong Former Executive Director of IR Division at Woori Financial Group, Former Executive Director of Overseas Sales Division at NH Investment & Securities	Mar. 25th, 2019
Non-executive Director	Ho-Jin Kim Executive Managing Director at Hyundai Group Strategic Planning Division, Former Executive Managing Director at Daewoo Securities IB Division	Mar. 28th, 2014

Major Shareholders

(unit: %)



IMPARTIAL AND INDEPENDENT APPOINTMENT OF DIRECTORS

Internal directors are nominated by the BOD and appointed at the General Shareholder Meeting. Outside directors are nominated by the Outside Director Recommendation Committee based on the depth and breadth of their expertise and experience and their appointment must be approved at the General Shareholder Meeting.

EVALUATION AND REMUNERATION

We conduct periodic evaluations on the BOD for the proper fulfillment of roles and responsibilities. In conformity with Article 388 of the Commercial Act and the Article of Incorporation, limits are placed on director remuneration through the resolutions made at the General Shareholder Meetings, and BOD members receive compensation in a fair and transparent manner in accordance with their performance assessment outcomes and relevant regulations.

BOD Committee Composition

(as of Jun. 2019)

Position	Member	Activity
Audit Committee	Young-Kee Chung, Yu-Jong Kim, Woo-Seok Seong	· Matters regarding the General Shareholder Meetings · Matters regarding directors and the BOD · Matters regarding audits
Outside Director Recommendation Committee	Ki-Seon Kwon, Young-Kee Chung, Yu-Jong Kim, Woo-Seok Seong	· Nomination, evaluation, and selection of the outside director candidates to be appointed at the General Shareholder Meetings
Personnel Management Committee	Ki-Seon Kwon, Young-Kee Chung, Yu-Jong Kim	· Appointment and dismissal of executives · Promotion of executives · Employment conditions and incentive programs for executives · Modification and establishment of other HR-related systems

STAKEHOLDER COMMUNICATION

To establish stakeholder trust, our BOD makes it a point to communicate regularly with our stakeholders through external/internal communication channels, which range from corporate disclosures to General Shareholder Meetings and IR events. We expediently disclose information on key management issues to provide timely information.

EXECUTIVE PERFORMANCE EVALUATION AND REMUNERATION

Our executives are evaluated and compensated in accordance with the set executive payment criteria. While all our employees are paid basic bonuses (which are determined by overall growth along with their performance in meeting sales and operating profit targets) and over-profit bonuses (determined by excess operating profits beyond set targets and absolute increases in operating profits), our executives are also entitled to such compensation according to their appointed position and performance evaluation outcomes. In addition, our executives receive assessments that are based on such non-financial factors involving HR, safety, and the environment in accordance with their position and responsibility.

EMPLOYEE REMUNERATION

Limits are placed on director remuneration through the resolutions made at General Shareholder Meetings in accordance with Article 388 of the Commercial Act and the Article of Incorporation. In 2018, our CEO's total compensation including pay and bonuses amounted to KRW 817 million. As of the end of 2018, the average pay per employee (excluding registered executives, based on the earned income disclosed on the earned income payment statement) was KRW 68 million.

ETHICS MANAGEMENT

TRENDS & CHALLENGES

Employee ethics, along with business transparency, is gaining importance as a core value of sustainable growth across the globe. Following the enforcement of the anti-graft law in 2016 in Korea, social interest in ethics awareness has risen more than ever and there are growing expectations for corporations to abide by ethically sound management.

OUR RESPONSES

At Hyundai Elevator, 'Ethics' serves as an integral pillar of our business philosophy that forms the basis of the organization. As such, we undertake a range of programs to embed ethics management across the entire organization in order to establish corporate transparency and a culture of fair competition. In so doing, we strive to become a healthy corporate citizen trusted by our investors, our customers, and the community at large.

ETHICS MANAGEMENT SYSTEM

Both in Korea and abroad, anti-corruption laws, government regulations and supervisory authorities are tightening while society is tuning in more closely to business ethics. This prompted us to establish the Ethics Management Team back in 2007, and to reinforce its audit on our business operations through organizational realignment. Since 2018, the team has been divided into two independent units – Team 1 and Team 2 – to perform more stringent assessments on the operational status of our overseas corporations in line with our growing overseas presence. Our Ethics Management Team is responsible for reviewing, evaluating and improving on our compliance with ethics management regulations and our implementation of relevant instructions across the entire business conduct while providing ethics training and serving as an information channel. On the firm basis of 'Ethics', which constitutes the basic philosophy of our vision 'Go Global', we strive to promote the transparency, propriety, and accountability of our business operations, to establish a culture of fair trade, and to raise ethics awareness.

INTERNAL AUDIT

Internal audits are categorized into regular, special and confirmatory audits. Regular audits are performed periodically in accordance with preset audit plans, and special audits are performed upon the CEO's approval when ordered by the CEO or whenever deemed necessary.

Confirmatory audits are conducted to verify whether necessary improvements were made by working-level departments to address the issues identified through regular or special audits. In 2018, a total of six audits were performed – two regular, and four special audits – and two of them were related to our overseas corporations.

REGULAR MONITORING, PREVENTION MANAGEMENT SYSTEM, AND ETHICS MANAGEMENT NETWORK FOR OVERSEAS CORPORATIONS

We perform regular monitoring and operate a prevention management system to ensure efficient internal control.

Regular Monitoring

Regular monitoring is performed on those sites that have not had service for extended periods of time in our service business, and on the approval process of bill collection in our sales business. In so doing, we ensure integrity in order management and improve the efficiency of bill collection.

Prevention Management System

In line with the growing demand to manage any possible fraud risk and to establish a corresponding response system, we independently developed a prevention management system to identify diverse risk scenarios and promote efficient and regular monitoring. This preventive management system uses detailed checklists on fraud risks and risk factors that may arise in respective business areas (domestic/overseas sales, installation, service, procurement, quality management, etc.). We ensure that self-initiated reviews are performed in each business area to raise ethics awareness across the board.

Ethics Management Network for Overseas Corporations

Our Ethics Management Team has established an ethics management network to preemptively identify relevant issues at overseas corporations and reinforce an even closer collaboration with them. Ethics management officers were appointed at respective corporations to periodically gather feedback on their major issues, and such collaboration will continue to assist our overseas corporations in building their own ethics assessment capabilities.

EXPANDED OPERATION OF THE CYBER REPORT CENTER

We operate the Cyber Report Center in Korea and at our overseas corporations to enable our stakeholders to report any unethical practices regardless of time or distance. Once a report is submitted

through the center to the Ethics Management Team, it is coded as either a simple complaint or a valid report depending on the nature of the situation. Complaints raised within the field and simple after-sales service issues are swiftly allocated to responsible teams and addressed in a way that satisfies both customers and stakeholders. Meanwhile, valid reports that concern corruptive practices or unfair transactions that run counter to our ethics management are reported to the CEO and subject to special audits before the handling outcomes are notified to the informants. As to the valid reports submitted to the Cyber Reporting Center at our overseas corporations, they are addressed through collaboration between the Ethics Management Team and the responsible staff at these corporations. Following the creation of the center at our Chinese corporation in July 2015, our Brazilian, Malaysian, Indonesian and Vietnamese corporations followed suit in August 2016, and our Turkish corporation also established the center in June 2017. Since July 2018, we have tightened our informant protection by codifying relevant regulations, and improved reporting procedures by eliminating the e-mail authorization process and allowing for anonymous reporting. We also introduced a mobile reporting system to upgrade accessibility.

CULTURE OF PRACTICING ETHICS MANAGEMENT

To instill ethics management deep within our corporate culture and employee mindset, we publish and disseminate the 'Ethics Regulation Handbook', the 'Ethics Management Self-Check Card', and the 'Ethics Management Casebook', and perform ethics management surveys. In so doing, we advance ethics management in our day-to-day business operations. Notably, our newly-appointed team and branch heads receive training on ethics management with a focus on the case studies presented in the casebook.

Ethics Regulation Handbook

To help our employees in Korea and at our overseas corporations establish an ethics mindset, we published the Ethics Regulation Handbook in four languages (Korean, English, Chinese, and Portuguese) and uploaded the book onto our corporate website to make it readily available for our stakeholders.

Ethics Management Self-Check Card

In 2014, we distributed the 'Ethics Management Self-Check Card' to all our employees to encourage them to self-monitor and practice ethics management. The card can be inserted behind an employee

ID card or attached to a desk or a computer and contains five questions to help employees come to their own conclusions while facing ethical business dilemmas.

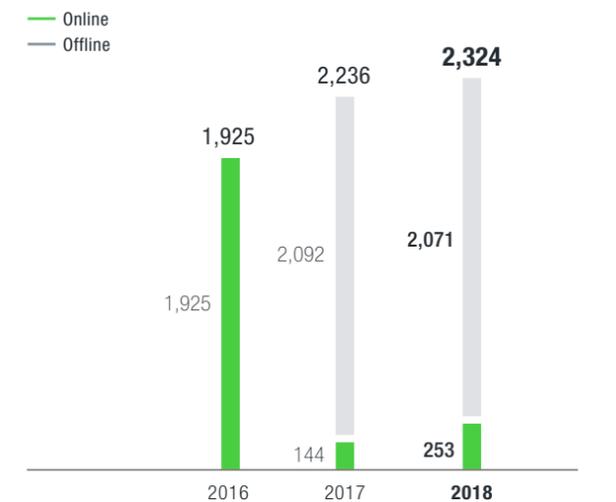
Ethics Management Casebook

The Ethics Management Casebook is prepared in respective sectors by updating the details of ethics audits and submitted reports and handling their outcomes on a monthly basis. Our newly-appointed team/branch heads are also trained on the violations of ethics regulations. In 2016, the casebook was further upgraded with illustrations to help all employees better access and understand its contents and was distributed to our teams and business partners. The Ethics Management Newsletter is also published to share case studies on specific topics chosen on a monthly basis and is posted on our group portal to raise employee ethics awareness. In addition, case studies on the violation of ethics management are summarized and shared with overseas corporations.

Self-initiated Ethics Management Audits

Since 2015, we have performed 'self-initiated ethics management audits' to identify the level of our employees' ethics management awareness and advance our corporate culture. As part of these audits, our employees complete an annual survey on such topics as bribery, unjustified entertainment, and whistle-blowing.

Sexual Harassment Prevention Training (unit: No. of persons)



Achievements Made in Ethics Management

	2018	2017	2016
Audits performed (No. of audits)	6	11	9
Reports submitted and handled through the Cyber Report Center (Korea)	113	114	38
Handling rate (%)	100	100	100

RISK MANAGEMENT

TRENDS & CHALLENGES

In almost every sector across society, economy and culture, the Smart Innovation 4.0 is bringing rapid transformation to create new value through information and communication technology. Businesses are faced with both challenges and opportunities due to innovative technological advancements and shifting business conditions like never before. The paradigm of risk management is expanding in line with technological development, and growing uncertainties in the business landscape further highlight the need for risk management.

OUR RESPONSES

We leverage more systemic risk policies and management systems to efficiently address risks that are increasingly diverse and sophisticated in line with the shifting business environment. We categorize these risks by type in such non-financial areas as environment, safety and human rights as well as in financial areas to conduct in-depth analyses of their causes and operate systemic management measures.

RISK MANAGEMENT POLICY

As internal/external risks are diversified due to the rapidly-shifting business landscape and their mutual correlation increases, the importance of identifying and preventing risks from the company-wide perspective becomes even more crucial. At Hyundai Elevator, we categorize risks into financial and non-financial risks that may pose a threat to our overall business operations and develop detailed management plans to regularly monitor and address these risks.

RISK MANAGEMENT SYSTEM

We are establishing a risk prevention system to minimize the occurrence of risks and their possible damage. We identify risks and then group them into financial and non-financial risks while defining them by type and identifying their causes to preemptively respond to them. Major financial and non-financial risks are reviewed and evaluated by the Audit Committee under the BOD, and are managed in accordance with the set risk response process.

FINANCIAL RISK

Our Audit Committee reviews and evaluates key financial risks, and the BOD meets to decide on proper management plans regarding potentially harmful issues that could possibly impede our business plans and operations. Financial risks are classified into Market Risks, Credit Risks, Liquidity Risks, and Capital Risks, and are addressed through data research and analysis, monitoring, and proper hedging. In so doing, we ensure the soundness of our financial structure and improve the predictability of management indicators to ultimately attain our business goals in a sustainable manner.

NON-FINANCIAL RISKS

We classify and review key non-financial risks that could occur in business conduct concerning safety, the environment, quality, and our reputation. We then identify relevant challenges and opportunities to respond to such risks. These non-financial risks are categorized into Legal Risks, Health & Safety Risks, and Environmental Risks, and are addressed accordingly to minimize any potential damage.

Risk Response Process



Risk Type and Management

	TYPE	DEFINITION	CAUSE	ACTION	
FINANCIAL RISK	Market Risk	Currency Risk	Increases/decreases in sales and cost of sales in relation to currency fluctuations that affect assets and liabilities	Currency fluctuations that occur in undertaking overseas projects or purchasing raw materials	<ul style="list-style-type: none"> - Analyze sensitivity to six currencies including USD, EUR, and JPY - Regularly measure exchange rate risks in accordance with currency fluctuations - Use currency substitute payment, currency swap, exchange rate insurance and other hedging options
		Interest Rate Risk	Fluctuations in interest income and expenses resulting from deposits and borrowings due to changing future market interest rates	Deposits and borrowings with variable interest rates	<ul style="list-style-type: none"> - Improve the short/long-term debt structure - Maintain a proper ratio of fixed rate and variable rate deposits - Monitor interest rate trends on a weekly/monthly basis and set countermeasures - Analyze the impact of changing interest rates
		Price Risk	Changes in the price of financial assets at fair value through profit or loss and available for-sale financial assets	Changes in the price of derivative financial assets and equity securities	<ul style="list-style-type: none"> - Evaluate the impact of derivative financial assets on the increases/decreases of asset value - Evaluate the impact of available-for-sale financial assets on value increases/decreases
	Credit Risk	Possibility of customers or counterparties failing to comply with contractual terms	Usual transactions and investments	<ul style="list-style-type: none"> - Set credit limits on customers and counterparties - Evaluate the financial credit ratings of customers and counterparties factoring in their financial status, past experience and other elements - Evaluate the exposure to credit risks through individual bond analysis 	
	Liquidity Risk	Possibility of external payment issues caused by the lack of asset liquidity	Failure to make external payments within the agreed period	<ul style="list-style-type: none"> - Constantly predict cash flow and monitor the liquidity status of the financial market - Maintain sufficient liquidity capacity through active sales activities and the use of financial institution credit limits - Analyze maturities of matured financial liabilities 	
	Capital Risk	Possibility of problems in providing sustained profits to shareholders and stakeholders	General business conduct, including financial/non-financial losses leading to negative impact on business outcomes	<ul style="list-style-type: none"> - Monitor such financial ratios as deb ratio and net debt ratio on a monthly basis - Take proper actions to improve the financial structure 	
NON-FINANCIAL RISK	Legal Risk	Legal sanctions, financial losses or compromised reputation resulting from the violation of internal standards, code of ethics and regulations	Legal disputes, sanctions, or losses when failing to comply with legal standards or regulations	<ul style="list-style-type: none"> - Review, evaluate and improve compliance with regulations and instructions across the general business conduct - Operate monitoring and preventive management systems - Operate fair trade compliance programs 	
	Health and Safety Risk	Fines, legal sanctions, business discontinuation, financial losses and tarnished image resulting from safety accidents and the violation of relevant laws and regulations	Insufficient response to changing laws and regulations, lack of awareness training, individual negligence, or lack of recognition	<ul style="list-style-type: none"> - Discuss company-wide measures to strengthen health and safety management through the Industrial Safety and Health Committee - Periodically audit the health and safety environment of domestic/overseas worksites and identify risk factors - Operate a phase-specific accident response process - Reinforce risk management by developing company-wide health and safety guidelines and policies and through the health and safety management system 	
	Environment Risk	Fines, unintended costs, legal sanctions and negative impact on the company resulting from environmental accidents and the violation of relevant laws and regulations	Failure to meet the required level of scope and boundary in environmental information disclosure or to comply with relevant laws and regulations	<ul style="list-style-type: none"> - Analyze impact on the environment in conducting business - Set five-year mid/long-term EHS plans and develop a global EHS strategy system - Monitor relevant regulations and policies - Build and manage GHG emissions inventory - Operate a harmful chemicals and waste management process 	

HUMAN RESOURCE DEVELOPMENT

TRENDS & CHALLENGES

Businesses today are fully committed to recruiting talented individuals and building global capabilities to respond to the rapidly-shifting industrial landscape and discover new growth drivers. Ultimately, it is the competency of individual employees that enables us as a company to make creative and reasonable choices, discover new business opportunities and rise to upcoming challenges. We cannot overemphasize the importance of talent management as a core value of our business conduct.

OUR RESPONSES

We operate systemic talent development programs to assist our top-notch employees in building their global competitive edge and generate the greatest possible outcomes. We also strengthen our company-wide global competency through the integrated operation and management of global HR and training systems. We believe that our new team-based system will bring equality and creativity to our corporate culture, and that our reduced work hours (9 hours to 8 hours per day) will help our employees improve their quality of life and achieve the right work-life balance.

2018 PERFORMANCE

66 hours
Annual training hours per employee

706,000 KRW
Annual training investment expenses per employee

2,288 persons
Total No. of employees



TALENT DEVELOPMENT ROADMAP

We recognize the importance of discovering and developing key talent as a driver behind our sustained growth in the global market. To attain our Go Global strategy and promote the continued growth and development of our employees, we operate systemic talent development programs based on the three pillars of Core Talent, Expertise, and Global Talent.

CORE TALENT PROGRAM

Our Core Talent Programs are tailored to respective job levels based on our own definition of leadership capabilities. The 'Top Talent 100' program was designed to develop next-generation key leaders to systematically assist them in building Technician, Junior, Senior and Leader capabilities.

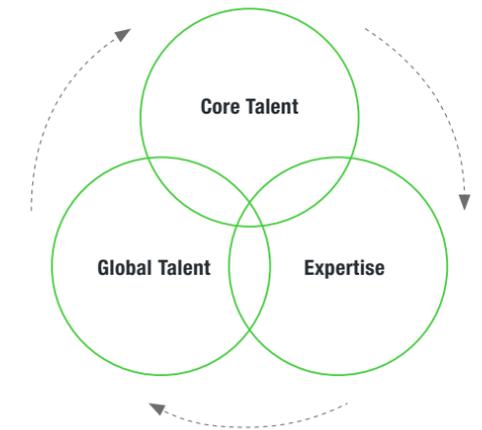
EXPERTISE PROGRAM

Our Expertise Programs provide our employees with opportunities to develop into top-tier experts in their respective fields through systemic training. Job competency, job skill and other expertise programs are offered to assist individual employees in developing their career paths and in upgrading their job capabilities from a beginner to an advanced level.

GLOBAL TALENT PROGRAM

We strengthen our company-wide global capabilities through the integrated operation and management of our global HR and training operations. In 2018, we evaluated our overseas corporations on their HR programs concerning position hierarchy, promotions, and wages, and developed improvement plans accordingly. We also updated their overall management system by establishing a recruitment interview process and disseminating the code of appropriate global manners. To help domestic employees build their global competency, a range of training courses and regional research programs were provided under the Career Development Program (CDP) and Com-

Talent Development Training System



Core Talent	Global Talent	Expertise
Nurture next generation key leaders (HLDP, HIDP, HGLDP)	Upgrade global business capabilities (Global CDP, region-specific research courses)	Train top-tier experts in respective fields (Career Development Program)

munity of Practice (CoP) program, and we attended World Elevator & Escalator Expo 2018 held in Shanghai last May as part of our overseas benchmark training program. Furthermore, internal/external language courses and the global internship program are also under operation to help our employees strengthen their language skills. In 2019, we aim to disseminate our vision values across the board and formulate key talent selection and development plans to provide training opportunities at our head office. In so doing, we will advance our HR programs and extend their application across all our overseas corporations.

Global Competency Development System

	HR Management	HR Development
Korea	<ul style="list-style-type: none"> Develop and implement an expatriate management system Plan and operate expatriate appointment, deployment, repatriation, and other welfare & benefit programs 	<ul style="list-style-type: none"> Operate the CDP system to nurture global experts Open, evaluate and manage a range of language courses
Overseas	<ul style="list-style-type: none"> Systematize the HR programs of overseas corporations Manage overseas corporations Reorganization, recruitment, issue handling, etc. 	<ul style="list-style-type: none"> Align vision and value between the head office and the overseas corporations Establish a global HRD system at the overseas corporations

HR SYSTEM IMPROVEMENT

Organizational Structuring and Reduced Work Hours

We have realigned our organizational structure to make it much more team-based to promote the equality and creativity of our corporate culture. We expect that this new structure will take root sooner than expected when we complete the streamlining of our job position system. In addition, we have shortened our workday by an hour - from nine to eight hours a day - to improve the work/life balance of our employees. Additionally, all overtime work must be approved in advance to minimize unnecessary overtime hours and create a healthy work environment. In July 2019, we plan to launch the PC Off program to increase the acceptance of reduced work hours as part of our inherent corporate culture.

Talent Recruitment and Promotion

We operate our recruitment system year-round to secure top-notch talent, retain these talented individuals, and implement the global internship program. Included in our wide-ranging endeavors to attract exceptional talent are Value Fit assessment, reverse-order recruitment (executive interviews conducted first and then followed by working-level interviews), year-round recruitment, attendance at job expos, and recruitment through search firms. We will be also committed to recruiting top-tier talent for our R&D operations.

Labor Relations

We develop a reasonable labor-management strategy to undertake wage negotiations and strive to maintain sustainable and stable labor relations. Joint training sessions and working-level workshops hosted between labor and management demonstrate our commitment to reaching an even stronger mutual consensus, and such endeavors allowed us to remain dispute-free for the past three decades.

CORPORATE CULTURE PROGRAM

Our Corporate Culture Program aims to provide a mindset of inclusion and identity in our employees. The company-wide Cross Workshop is hosted to share our strategic direction and align our employees towards common goals through communication and harmony.

EMPLOYEE COMMUNICATION

Our labor union and management are proactively communicating with each other through collective wage negotiations and quarterly labor-management cooperation meetings as well as the Cafeteria Improvement Committee and the Safety and Health Committee. Notably, our 'Junior Board' was initiated back in 2007 to facilitate internal communication, and has been up and running actively to launch its 12th class this year. The Junior Board was designed as an autonomous consultative body and aims to discover novel and creative business ideas through proactive communication and to fully engage our employees in business operations. The Junior Board meets

monthly to brainstorm ideas on Hyundai Elevator's future growth and new business opportunities, improve our corporate culture, and gather issues of interest and employee suggestions.

EMPLOYEE WELFARE AND BENEFITS

To ensure that each and every Hyundai Elevator employee leads a contented and financially-sustainable life, we provide a range of welfare benefit packages in five key areas.

Residential Stability Support

We assist our employees in taking out loans from the corporate welfare funds to purchase or rent their house and enable them to receive livelihood support funds when urgent needs arise. We provide leased apartments in Seoul and Gyeonggi as well as dormitories in Icheon for those who live far as a way to ensure the residential stability of our employees.

Medical Expense Support

We support our employees and their family members in paying for medical expenses. Upon employment, our employees are automati-

Employee Welfare and Benefits



cally insured collectively against accident damages and are entitled to benefits when injured or diagnosed with cancer. All our employees can receive comprehensive health check-ups, and can access the in-house medical centers equipped with first aid devices and over-the-counter medications.

Livelihood Stability Support

To help our employees reduce their financial burden and ensure their livelihood, we provide tuition support for children: we pay a portion of the kindergarten tuition fees for the year prior to entering elementary school as well as the full entrance, registration and tuition fees for middle/high schools and universities. We offer gifts when employee's children enter kindergarten, elementary and middle schools, and help employees pay for family events, including the weddings of employees and their children, 60th of 70th birthday events, and funerals. Gifts are also provided on national holidays, Labor Day, and employee birthdays, and welfare points are given within the set annual limit to be used for leisure and culture as a way to improve the quality of life for our employees.

Self-Development Support

We support our employees in taking in-house language courses or paying for tuition fees for those attending outside language institutes. When obtaining job-related qualifications, we provide our employees with incentives and help them pay for test fees.

Other Benefits

To ensure that our employees enjoy even greater welfare and benefits, we offer wide-ranging leave programs (Refresh Leave, summer break, family event leave, special leave for long-term employees), rewards for long-term employees, financial support for in-house club activities, access to major leisure facilities across the nation, and in-house fitness centers.

WORK & LEARN PROGRAM

Since 2016, we have operated a systemic NCS (National Competency Standards)-based work & learn program to assist job seekers in developing the practical capabilities necessary at Hyundai Elevator. This program was designed through the addition of requirements gathered in the field operation to our existing technical training curriculum and by adopting the work & learn system implemented by the Korean government. Trainees attending our work & learn program receive a one-month intensive group training in Off-the-Job Training format at our Icheon Head Office in Gyeonggi Province. They are then assigned to various departments to work and learn in On-the-Job Training format for 11 months under the guidance of on-site instructors. Following this 12 month training, they are subject to final assessments, and top-performing trainees and instructors are awarded based on assessment outcomes. In 2018, a total of 69 trainees (169 on a cumulative basis) attended this program.

JOB COMPETENCY BUILDING PROGRAM FOR BUSINESS PARTNERS

We provide technological development training to the employees of our business partners as a way to promote mutual cooperation and shared growth between large businesses and their SME partners. Such training is focused on elevator manufacturing quality, installation, and maintenance. As a participant in the 'National Human Resources Development Consortium' training project supervised by the Ministry of Employment and Labor, we are developing and operating an NCS-based elevator-specific technical expertise training program. In addition, we provide 'training for job seekers' to train talented job seekers capable of meeting the working-level needs of the elevator industry and help them find positions with our business partners. We help job seekers who complete our four-week (160 hours) elevator training find jobs with our business partners through this train-to-work program. In 2018, 45 job seekers were successfully recruited by 33 SME business partners.

RESPECT FOR HUMAN RIGHTS

At Hyundai Elevator, we advance human rights management to prevent relevant risks and embed respect for human rights into our corporate culture. We are in full compliance with domestic and international human rights standards, ranging from the prohibition of child labor/forced labor to relevant domestic and ILO (International Labor Organization) regulations. All our employees receive sexual harassment prevention and anti-discrimination training, and our 'Sexual Harassment Counseling Center' has been under operation since 2017. Our Cyber Reporting Center assists anyone in reporting on the violation of human rights. Confidentiality and anonymity principles are strictly observed to protect the details of the reports submitted and the identity of whistleblowers.

PROHIBITION OF DISCRIMINATION AND RESPECT FOR DIVERSITY

At Hyundai Elevator, no employee is discriminated against on the grounds of gender, race, religion, socio-economic background, physical/mental limitations, or marital status. All employees have full access to equal opportunities and are free to pursue their potential. This may explain why not a single issue arose in relation to discrimination during the reporting period. We perform multi-source evaluations that allow team leaders and members to evaluate one another's performance, and evaluation outcomes are used as effective baseline data in conducting organizational restructuring, making promotion decisions, and appointing managers. In spite of the inherent characteristics that lie in the machine manufacturing and facility business, we consistently hire and nurture our female employees, and pave the way for them to develop career paths and build capacity. As of December 2018, we hired 199 female employees, which accounted for 8.7% of the total, and female managers amounted to 4.9% of the total managers.

ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT

TRENDS & CHALLENGES

Our shop floor and business establishments are inherently exposed to a range of risk factors. Safety accidents are potential risk factors for any business activity, and have a direct impact on our brand value and employee health; they can also result in financial loss through penalties and process delays. As such, the pursuit of environmentally-sound and sustainable development as part of the manufacturing process is increasingly emerging as a key agenda.

OUR RESPONSES

We are further advancing our health and safety management and undertaking field-driven health and safety initiatives. We promote the health and safety of our workplace through inspection, evaluation, training and prevention, and make necessary improvements to address the risk factors identified through worksite inspections in order to prevent health and safety accidents from ever occurring. We also provide regular training to establish an advanced health and safety culture and deliver a safe workplace.

2018 PERFORMANCE

0.56 tons
Air pollutants emitted

70.9 %
Reduction in air pollutants

31,078 persons

103,170 hours
Annual safety training



STRONGER SAFETY LEADERSHIP

Our top priority for 2019 will be to build a 'stronger safety leadership' to deliver an injury-free workplace and elevate our safety culture. With this goal in mind, we are taking systemic and step-wise safety leadership building initiatives. Our plan is to offer safety leadership training by job level (executive/team leader/branch leader/field manager) and to focus on shop-floor safety management by including injury rates as a business KPI and operating the 'Safety Whistleblowing System' to identify and improve on potential risk factors. A safety slogan will be also created to promote the importance of safety.

SAFETY IS LEADERSHIP

ENVIRONMENT/HEALTH/SAFETY MANAGEMENT STRATEGY AND SYSTEM

At Hyundai Elevator, employee health and safety always comes first, and it is with this philosophy in mind that we reinforce our health and safety management system and take a field-driven approach to health and safety operations. We developed three-year mid/long-term health/safety/environment plans and a corresponding strategic framework that consists of phase-based strategic projects with an aim to make our workplace even safer. In addition, respective teams are autonomously undertaking accident prevention and EHS system improvement programs to establish ESH-driven practices. To systematically execute all of these activities, we ensure the integrated management of the ISO 14001 (environment) and OHSAS 18001 (safety) certifications: annual internal/periodic/surveillance audits are performed to maintain these certifications, and their operations are upgraded further to consistently elevate our performance of EHS management.

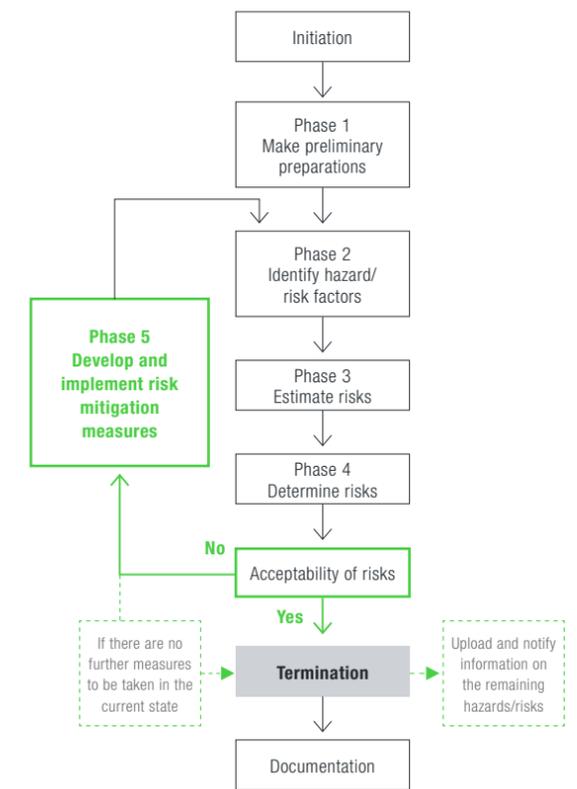
FIELD-DRIVEN HEALTH AND SAFETY INITIATIVES

We take a field-driven approach to embed health and safety initiatives across every operation on the shop floor. All our employees as well as all employees of our business partners are provided with text messages (through Kakao Talk) that contain health and safety information that is not readily available on the shop floor to publicize the importance of accident prevention.

IMPROVEMENT ON FIELD RISK ASSESSMENT OUTCOMES

Since health and safety accidents may inevitably occur on the shop floor, we continuously perform risk assessments on our Icheon Factory as well as on our installation and service operations, and identify and improve on potential risk factors to prevent accidents from occurring. By identifying, evaluating and improving the status of hazard/risk factors, we strive to deliver a safe and pleasant work environment and conduct analytical assessments on potential shop

Field Risk Assessment Process



floor risks through the development and use of a risk assessment system. The ultimate goal of this system is to engage employees working in the field and to objectively identify risk factors from a third-party point of view.

HEALTH AND SAFETY TRAINING

Our health and safety training curriculum presents the industry's highest standards, and we offer a range of field-driven health and safety training programs to meet the different needs of trainees, from our own managers to all employees of our business partners. Such training is provided both online and offline to improve its accessibility, and is delivered through diverse learning methods, including hands-on training and scenario reenactment to maximize its effects.

HEALTH AND SAFETY PROMOTION

We are engaged in diverse workplace health and safety promotion activities. We are developing a joint response team and a reporting system to respond to such pandemic infectious diseases as MERS and the Zika virus while examining and preventing hazard factors that may cause musculoskeletal diseases. In line with the increasing possibility of cardiac arrest that is attributable to the aging of our employees, we have installed AEDs (Automatic External Defibrillator) and are offering CPR training.



Fire evacuation/response exercise
(in conjunction with the Icheon Fire Station)

We also provide training to prevent noise-induced hearing loss that may occur due to workplace noise pollution, conduct fire evacuations and mock drills to improve our response to fires and perform annual exercises to minimize damage that could occur in the event of a disaster.

RESPONSE TO EXTERNAL EVALUATIONS

We are committed to improving our ESG evaluation outcomes to ensure that our environmental management performance can assist investors in making informed investment decisions. Following 2017, we were graded Level A as a result of the ESG evaluations made in 2018, which publicly recognizes that our shareholders are less likely to lose their value due to ESG risks. Furthermore, we are participating in the health and safety co-prosperity cooperation program between large businesses and SME suppliers, undertaken by the Ministry of Employment and Labor. We are operating this program in conjunction with our business partners (manufacturing business partners working with the parent company or within/outside the company, with 100 or more employees) to prevent any safety accidents from happening with our business partners and to close the health and safety gap between Hyundai Elevator and our business partners.

Summary of Hyundai Elevator ESG Evaluation Outcomes



Rated Level A in 2018 ESG Assessments

Level A indicates that Hyundai Elevator has properly established an ESG system as suggested by the criteria set by the Korea Corporate Governance Service in the fields of the environment, society and corporate governance, and thus its shareholders are less likely to suffer any loss in their value due to ESG risks.

* The Korea Corporate Governance Service (KCGS) publishes the outcomes of its assessments conducted on Korea's listed companies in the four sectors of the environment, society, governance and the ESG level, and companies are then further filtered into the 7 more specific ratings of S, A+, A, B+, B, C and D.

Patrol Inspection Outcomes (unit: No. of occasions)

Category	2018	2017	Cumulative ratio (previous year)
No. of sites that received safety inspections	5,682	5,175	13.3%

Environment/Safety/Health Risk Management and Response

Category	Definition	Cause	Management
Health/Safety	Penalties, regulatory sanctions, business discontinuation, financial losses, and tarnished reputation attributable to health/safety accidents and the violation of relevant laws and regulations	Lack of response to relevant laws and regulations or regulatory changes, insufficient safety awareness training, carelessness on the part of employees, lack of proper recognition	<ul style="list-style-type: none"> Develop ESG policies and regulations, operate/reinforce the company-wide health and safety management system Perform periodic ESG assessments on domestic/overseas establishments and identify risk factors Operate a phase-based accident response process
Environment	Penalties, handling costs, regulatory sanctions, and negative impact on the company attributable to environmental accidents or the violation of relevant laws and regulations	Failure to respond to the required level or scope of environmental information disclosures or to relevant laws and regulations	<ul style="list-style-type: none"> Analyze the impact made on the environment in the business process Monitor relevant regulations and policies Build and manage a GHG emissions inventory Operate a harmful chemicals and waste management process

SOCIAL CONTRIBUTION

TRENDS & CHALLENGES

One emerging trend of the corporate philanthropic sector is to apply market economy principles to the social economy in addition to developing a social contribution model aligned with a company's core capabilities. Prime examples include social enterprises that take a corporate management approach to resolving social issues and social investors who make responsible investment decisions through the financial market mechanism. Rather than acting alone in undertaking social-giving initiatives, businesses today are joining forces with governments, non-profits, and business peers to generate more meaningful outcomes.

OUR RESPONSES

Building on the company-wide consensus that we need to 'fulfill our social responsibility as Korea's sole indigenous elevator maker', we officially launched our social contribution initiatives in 2010 which had been previously led by in-house clubs and volunteers. While these endeavors amounted to six hours of volunteer work per employee in the initial phase, the hours surpassed 151,169 hours on a cumulative basis as of the end of 2018.

2018 PERFORMANCE

5,012 employees
Employee volunteers per year

448 occasions
Social contribution activities undertaken per year

28,373 hours
Total social contribution hours
(social contribution hours per employee: 12.5 hours)





1. Purchase fruit from farmers and donate the funds to vulnerable groups
 2. Provide experience-based educational programs to children and teens
 3. Launch blood donation campaigns

SOCIAL CONTRIBUTION GOAL

Under the motto 'To be a company that grows by sharing', we strive to fulfill our corporate social responsibility and establish a culture of sharing with our local communities. As a responsible corporate citizen, we aim to continuously communicate about who we are publicly and reciprocate by giving back to society in order to pursue sustainable growth with the community at large. We fully support our social contribution initiatives aligned with our inherent business characteristics, and leverage our core strengths in undertaking such initiatives to generate synergy. In 2018, we set a goal of reaching 12 volunteer hours per employee over the course of the year, and a total of 5,012 employees volunteered for 28,373 hours in implementing social contribution programs.

KEY SOCIAL CONTRIBUTION INITIATIVES

In addition to our strategic social contribution programs that are aligned with the key word 'safety' chosen in consideration of our business characteristics, we also undertake a range of programs through the full support and engagement of our employees. We help

local communities during the farming season and launch environmental campaigns; we visit and volunteer at social welfare centers and support marathon competitions attended by people with disabilities; we join blood donation campaigns and donate blood donation certificates while making designated donations to medical facilities and we provide matching grant scholarships and salary donations made by employees.

Strategic Social Contribution

As a social contribution program aligned with our business capabilities, we provide 'elevator accident life-saving drills' as well as 'elevator emergency rescue drills' for emergency rescue workers. Our elevator safety campaign, led by our branch offices across the nation, raises passenger awareness on the proper use of elevators and escalators and the prevention of safety accidents. Together with the firemen from the Icheon/Yeouju Fire Stations, we provide training on the basic structure of elevators, the use of door lock deactivation devices and emergency keys, the manual operation of elevators, and the proper response to accidents as part of our training program designed to rescue passengers trapped in elevators. This training was highly appreciated by emergency rescue staff who often address such accidents in the field.

Local Community Support

To support our local communities, we continued with our 'Love House Repairing Project' that has been under operation for several years now: in 2018, we helped repair houses for low-income and vulnerable individuals in the Icheon region on six occasions. We visited children living at local welfare centers to offer them diverse experience-based programs, including cooking classes. We also purchased the fruit cultivated by these welfare centers to provide livelihood support for children and donated the fruit to neighbors in the surrounding region. As part of our urban-rural exchange program, we visited the villages with whom we forged sisterhood ties under the 'One Company for One Village' program to help address the shortage of labor in these farming areas and invited local residents to our head office for social-giving events. For seniors living alone and vulnerable seniors in local communities, we provided daily life assistance (purchase and donation of electrical rice cookers) as a way to fulfill our corporate social responsibility.

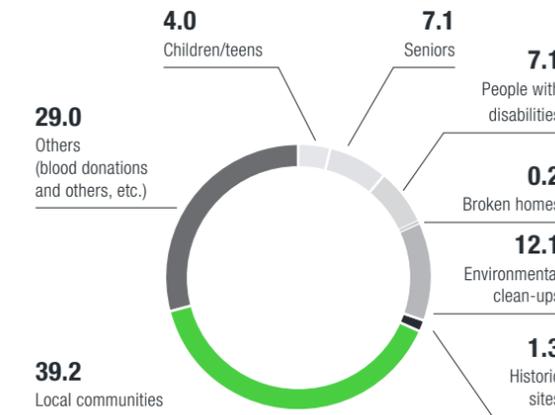
Donation & Sponsorship

To provide practical assistance to local communities in need, we have continued with our donation and sponsorship programs. Our Matching Grant Scholarship program was designed to match the amount donated by employees (they round off their monthly wage to the nearest KRW 1,000 unit and donate the amount that falls under the KRW 1,000 unit) to help raise scholarship funds. Starting with six beneficiaries in 2009, this program has provided KRW 146 million to a total of 150 chosen beneficiaries by 2018. These funds donated by our employees were also used to help seniors living alone, children from low-income families, and welfare centers

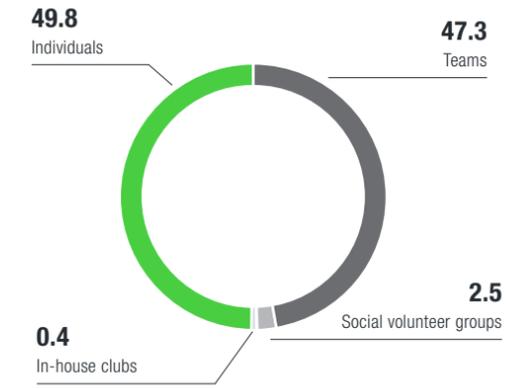
Social Contribution Programs Undertaken in 2018

(unit: %)

Social contribution outcomes by beneficiary group



Social contribution outcomes by volunteer group



pay for heating bills and receive school uniforms and bags through donations in Icheon City and Jongno-gu in Seoul where our business is based. Furthermore, we donated 152 blood donation certificates to the Korea Childhood Leukemia Foundation and helped suffering children pay for their medical bills.

Hands on Program

To encourage our employees to voluntarily join our social contribution programs and to practice the spirit of community, we provided them with an opportunity to create stuffed animals out of sleeping socks for children suffering from burn injuries, incense pouches for people with disabilities and seniors, and protective air masks and tumblers for children living in vulnerable circumstances.

2019 SOCIAL CONTRIBUTION PLAN

As a responsible corporate citizen, we plan to continue with our wide-ranging social contribution programs in 2019. In February 2019, even our new recruits joined these programs, and we will volunteer at the child welfare center (House of Nuri) that we have been sponsoring in June and September. In August, our long-standing 'One Company for One Village' program will assist seniors living alone in sisterhood villages. Furthermore, our in-house social volunteer group and club plan to make talent donations to repair houses four to six times during the year. Respective teams have also set their own volunteer work plans. We will continue with our existing social contribution programs as well, including donating the funds raised by purchasing the fruit cultivated by social welfare centers and providing matching grant scholarships.

Social Contribution Outcomes

	2018	2017	2016
Activities (No. of occasions)	448	318	225
Volunteer hours (No. of hours)	28,373	28,554	28,215
Volunteer (No. of persons)	5,012	4,961	4,978

WIN-WIN MANAGEMENT

TRENDS & CHALLENGES

In today's business environment, corporations are able to create greater value through trust-based mutually-beneficial business conduct with business partners along the business ecosystem ranging from product planning to manufacturing and sales. Establishing a culture of fair trade, sharing the achievements generated together, and building a greater competitive edge in so doing is emerging as a business imperative for sustainable corporate growth.

OUR RESPONSES

We strive to establish and disseminate a culture of fair trade and win-win growth on the basis of our partnership with our business partners. In 2018, we signed the fair trade agreement with 293 business partners and supported our business partners in technology development on 1,503 occasions as a way to facilitate mutually-beneficial partnership and shared growth.

2018 PERFORMANCE

1,503 occasions
Support for business partners in technology development

1,840 persons
Participants in annual CP training

293 companies
Business partners with whom we signed the fair trade agreement



COMPLIANCE PROGRAM (CP) OPERATION

To establish fair trade practices, we disclose information on our compliance with the Fair Trade Act to our employees, external stakeholders and customers through the Management Meetings and CEO Letters. We are also adopting and implementing the seven components of the fair trade compliance program as recommended by the Korea Fair Trade Commission. The core of any compliance program lies in the prevention of regulatory violations. As such, we review our compliance with the Fair Trade Act and the Subcontract Act while performing work inspections in relation to the Framework Act on the Construction Industry and the Elevator Facility Safety Management Act in the 1st and 2nd half respectively. In addition, we operate stringent disciplinary and sanction programs to prevent any regulatory violations from ever occurring.

COMMITMENT TO COMPLIANCE

Our CEO is declaring Hyundai Elevator's firm commitment to fair trade principles through the Management Meetings and CEO messages, and our compliance officers also share their own messages with employees to underline the importance of compliance. Such messages from our senior management are also disseminated to stakeholders and customers through our official disclosures and the CP website.

CP MONITORING

We improved our CP monitoring process in each of the business areas to increase the effectiveness of our 'Fair Trade Compliance Programs' and promote a self-initiated compliance culture. We monitor our compliance with the Subcontract Act concerning the prohibition of unjustified price cuts and the obligation of written form delivery, and developed our own review process on the violation of the Fair Indication and Advertisement Act, anti-cartel monitoring, and self-directed corruption risk assessments in order to allow for periodic monitoring and guidance.

CP TRAINING

To establish a culture of fair trade compliance, we offer CP training to our executives, new recruits, agents, and sales representatives on the Fair Trade Act, the Subcontract Act, the Framework Act in the Construction Industry, the Elevator Facility Safety Management Act, and the Multi-Family Housing Management Act. Specifically, team-based tailor-made training is offered to departments exposed to higher risks of regulatory violations due to their inherent business characteristics. In addition to the periodic CP training offered in the 1st and 2nd half respectively, anti-cartel training is also provided, and CP workshops are hosted to directly engage employees and build consensus on the importance of compliance programs.

COMPLIANCE NEWSLETTER

We publish monthly Compliance Newsletters to share a range of issues that arise within and outside the company in relation to fair trade and compliance and to present detailed behavioral guidelines for employees to follow. These newsletters are e-mailed to all employees in webzine format, and can be subscribed to through our in-house compliance support system and through our CP website.

Key Details of 2018 Compliance Newsletters

- Revised ordinances of the anti-graft act and work-related precautions to take
- Criteria of infringement on font file copyrights
- Precautions to take in reducing the amount of subcontract payments
- Case study analysis of bid rigging conducted by multi-family housing managers
- Key revisions made on the subcontract ordinances
- Guidelines on the technical document request process

CP Training

Name of Training	Period	Trainees (No. of persons)
Tailor-made training	Feb. 2018 ~ May 2018	918
CP workshop	Mar. 2018	59
1st half CP training	Jun. 2018	208
2nd half CP training	Oct. 2018 ~ Nov. 2018	423
Anti-cartel training	Nov. 2018	232
Total		1,840



1. Discussion with business partners
2. 3rd Procurement Counseling between Large Businesses and SME Suppliers in 2018

FAIR TRADE AGREEMENT

By signing fair trade agreements, large businesses and their SME suppliers agree to take action to comply with fair trade principles and build a stronger competitive edge for their mutual growth. At Hyundai Elevator, we have signed fair trade agreements with our business partners each year since 2013, and this marks the 6th year of entering such agreements. These agreements mainly concern support for mutually-beneficial cooperation, fairness of contracts, and commitment to legal compliance. Fair trade agreements do not simply intend to improve the business conduct of suppliers who are supported by their contractors, but ensure that these large businesses, the source of such assistance, benefit from the procurement of high-quality materials to reduce costs and improve quality. In so doing, these agreements ultimately contribute to reinforcing the competitive edge of Korea's diverse industries.

Support for Business Partners in Fair Trade Compliance

We establish fair subcontracting relationships by complying with the four key subcontracting principles and by using standard subcontract forms. We also post the details of the four subcontracting principles on our website (<http://www.hyundaelevator.co.kr>) so that our business partners as well as our own employees can refer to and use them anytime.

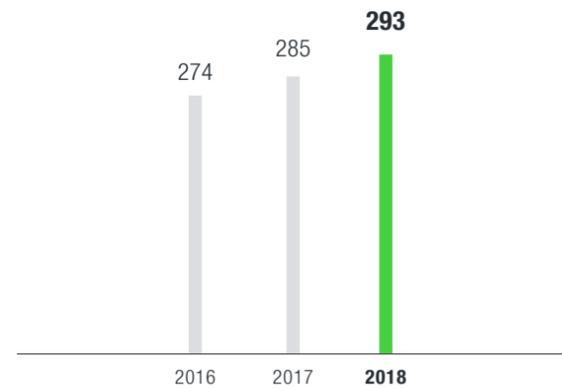
Multilateral Performance Sharing Program

Under the Multilateral Performance Sharing Program, contractors and their first-tier or second-tier suppliers, who are vertically-aligned, sign one-to-one or one-to-many contracts, divide their roles in respective phases, achieve set goals, and then share the achievements made in accordance with the predetermined contract terms. This joint innovation initiative allowed us and our business partners to reduce costs, upgrade processes, improve quality, and develop parts and new products and to share the benefits created together through such mutually-agreed upon methods of cash compensation, long-term contracts, cost adjustments, and joint patent applications. Since 2015, we have extended the scope of this program to include second-tier business partners.

Shared Growth

We strive to establish and disseminate the culture of shared growth based on our partnership with business partners. This enabled us to be rated 'Excellent' for four consecutive years in the 2018 Win-Win Growth Index published by the Presidential Commission for Corporate Partnership. To assist our business partners in strengthening a sense of unity among their employees and addressing the shortage of competent talent, we reinforced our welfare and benefit support, ranging from offering funeral supplies to their employees and celebrating the anniversary of their establishment to providing discounts to their employees for comprehensive medical check-ups. Furthermore, we help with their recruitment process through supporting their attendance at job fairs. We are also establishing shared growth practices by supporting first/second-tier business partners in signing fair trade agreements, encouraging the use of standard subcontract forms, and monitoring their payment process so as to promote the mutual growth of even second/lower-tier business partners. Our discussion meetings with business partners aim to facilitate communication and exchange among business partners.

Fair Trade Agreement (No. of signees) (unit: No. of companies)



* 1st Fair Trade Agreement signed in 2013;
2019 marks the 7-year anniversary of the initial signing



— FINANCIAL AND NON-FINANCIAL STATEMENTS

85-103

- 86 — MAJOR CONSOLIDATED FINANCIAL STATEMENTS
- 91 — FINANCIAL MANAGEMENT DISCUSSION & ANALYSIS
- 95 — NON-FINANCIAL MANAGEMENT DISCUSSION & ANALYSIS
- 102 — INDEPENDENT AUDITOR'S REPORT

MAJOR CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

Consolidated Statements of Financial Position

(in Korean won)	2018	2017	2016
Assets			
Current assets	901,104,061,201	945,231,044,555	1,045,088,587,364
Cash and cash equivalents	338,152,090,105	323,871,844,492	489,901,998,618
Short-term financial instruments	38,628,705,645	60,369,340,829	8,000,000,000
Available-for-sale financial assets	0	531,272,188	246,926,398
Financial assets at fair value through profit or loss	148,146,716	0	0
Held-to-maturity financial assets	288,460,000	674,810,000	102,380,000
Trade receivables	254,744,999,934	308,663,149,639	273,895,584,646
Due from customers for contract work	0	152,895,956,527	148,150,114,284
Contract assets	149,971,334,631	0	0
Other receivables	9,614,818,778	7,440,176,346	9,230,837,729
Derivative financial assets	465,818,986	2,787,619,729	3,670,088,428
Inventories	62,604,632,065	38,353,133,638	60,135,300,594
Other financial assets	7,441,380,564	7,276,804,421	21,283,227,638
Other current assets	27,594,828,807	27,555,548,501	28,844,424,664
Current tax assets	4,090,462,082	6,195,659,914	1,627,704,365
Assets held-for-sale	7,358,382,888	8,615,728,331	0
Non-current assets	1,473,733,679,676	1,342,419,005,443	1,062,469,912,816
Long-term financial instruments	1,868,780,000	453,860,000	22,500,000
Available-for-sale financial assets	0	44,667,305,079	10,889,890,121
Financial assets at fair value through profit or loss	170,543,588,524	0	0
Held-to-maturity financial assets	5,663,455,000	5,784,580,000	2,539,805,000
Investments in associates	29,544,160,134	25,929,638,451	2,429,704,524
Investment property	191,099,962,984	192,503,729,033	13,176,814,227
Property, plant and equipment	757,374,862,785	744,332,831,392	683,548,019,713
Intangible assets	170,149,046,066	174,842,400,661	180,470,352,765
Other financial assets	37,930,124,263	27,612,366,147	15,369,769,490
Other non-current assets	3,114,785,039	7,081,578,410	14,691,262,221
Deferred tax assets	106,444,914,881	119,210,716,270	139,331,794,755
Total assets	2,374,837,740,877	2,287,650,049,998	2,107,558,500,180

(in Korean won)	2018	2017	2016
Liabilities			
Current liabilities	745,007,898,368	765,816,777,865	719,356,053,884
Trade payables	170,070,794,794	183,063,441,898	185,614,026,794
Other payables	144,344,287,613	115,589,984,067	103,569,316,743
Borrowings and debentures	105,882,815,174	226,267,638,893	163,388,926,467
Derivative financial liabilities	88,110,251,559	8,449,412,236	6,545,026,700
Advances received	23,402,979,924	31,177,619,760	38,439,959,166
Due to customers for contract work	0	145,005,683,859	171,786,404,682
Contract liabilities	130,538,163,303	0	0
Provisions	30,834,554,132	14,457,146,080	14,809,015,544
Other financial liabilities	515,000	257,500	224,720
Other current liabilities	50,838,735,736	40,718,439,071	30,551,273,839
Current tax liabilities	984,801,133	1,087,154,501	4,651,879,229
Non-current liabilities	698,622,115,234	686,555,791,345	597,125,570,211
Other payables	227,976,174,202	217,602,002,459	214,868,705,783
Other non-current liabilities	139,511,160,263	152,251,804,263	176,001,168,605
Borrowings and debentures	282,106,809,510	268,497,317,241	182,987,663,935
Provisions	6,762,790,360	4,439,239,168	5,373,319,171
Net defined benefit liabilities	11,151,277,896	15,124,137,127	10,847,586,969
Long-term employee benefits liabilities	7,403,099,547	6,624,489,045	6,638,200,233
Deferred tax liabilities	23,710,803,456	22,016,802,042	408,925,515
Total liabilities	1,443,630,013,602	1,452,372,569,210	1,316,481,624,095
Equity			
Equity attributable to owners of the Parent Company	921,109,453,937	836,331,476,322	778,505,635,949
Share capital	135,791,330,000	123,162,565,000	123,162,565,000
Capital surplus	559,007,576,680	463,768,269,111	463,768,269,111
Other components of equity	0	18,715,783,320	31,192,972,200
Accumulated other comprehensive income	(9,491,823,535)	(9,282,941,334)	(5,535,084,879)
Retained earnings	235,802,370,792	239,967,800,225	165,916,914,517
Non-controlling interest	10,098,273,338	(1,053,995,534)	12,571,240,136
Total equity	931,207,727,275	835,277,480,788	791,076,876,085
Total liabilities and equity	2,374,837,740,877	2,287,650,049,998	2,107,558,500,180

Years Ended December 31, 2018 and 2017

Consolidated Statements of Comprehensive Income

(in Korean won)	2018	2017	2016
Sales	1,877,217,928,889	1,993,700,559,079	1,758,791,900,587
Cost of sales	1,503,999,347,870	1,614,975,314,613	1,363,643,462,224
Gross profit	373,218,581,019	378,725,244,466	395,148,438,363
Selling, marketing and administrative expenses	230,150,939,888	243,440,479,098	213,582,405,005
Operating profit	143,067,641,131	135,284,765,368	181,566,033,358
Other income	42,116,185,447	68,506,483,684	33,392,463,408
Other expenses	71,771,982,378	51,729,283,969	140,092,218,900
Share of net profit of associates accounted for using the equity method	747,126,107	(7,383,362,736)	(52,711,228,314)
Proceeds from sales of investments in associates	0	0	33,088,867,215
Finance income	10,306,687,835	16,908,939,139	12,676,839,346
Finance costs	105,113,333,231	32,393,854,198	48,997,964,854
Profit before income tax	19,352,324,911	129,193,687,288	18,922,791,259
Income tax expense	17,894,049,123	50,192,492,890	(98,011,589,617)
Profit for the year	1,458,275,788	79,001,194,398	116,934,380,876
Other comprehensive income (loss) for the year, net of tax	2,145,828,192	(10,101,904,796)	13,559,272,080
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	1,639,207,895	(7,304,334,979)	2,074,539,762
Share of remeasurements of net defined benefit liabilities from associates	1,158,164,655	(59,940,477)	(354,923,293)
Items that may be subsequently reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets	0	(487,192,868)	86,820,060
Share of other comprehensive income of associates	(190,861,523)	(85,193,846)	12,446,748,279
Exchange differences on translation of foreign operations	(460,682,835)	(2,165,242,626)	(693,912,728)
Total comprehensive income for the year	3,604,103,980	68,899,289,602	130,493,652,956
Profit (loss) for the year attributable to:			
Owners of the Parent Company	7,940,899,442	93,617,146,017	128,700,276,400
Non-controlling interest	(6,482,623,654)	(14,615,951,619)	(11,765,895,524)
Total comprehensive income (loss) for the year is attributable to:			
Owners of the Parent Company	10,320,604,661	82,619,285,753	142,444,188,161
Non-controlling interest	(6,716,500,681)	(13,719,996,151)	(11,950,535,205)
Earnings per share attributable to the equity holders of the Parent Company for the year			
Basic earnings per share	299	3,801	5,225
Diluted earnings per share	299	3,801	4,888

Years Ended December 31, 2018 and 2017

Consolidated Statements of Cash Flows

(in Korean won)	2018	2017	2016
Cash flows from operating activities			
Cash generated from operations	172,319,407,223	99,318,704,209	168,755,985,363
Interest received	7,552,950,374	11,332,731,431	9,101,355,510
Interest paid	(13,268,137,134)	(10,153,602,421)	(15,453,133,083)
Dividends received	784,718,268	291,075,669	95,506,529
Income tax refund (paid)	1,233,047,004	(8,093,409,170)	(3,876,252,077)
Net cash inflow from operating activities	168,621,985,735	92,695,499,718	158,623,462,242
Cash flows from investing activities			
Proceeds from disposal of held-to-maturity financial assets	674,810,000	61,620,000	761,050,000
Proceeds from disposal of available-for-sale financial assets	0	1,775,598,188	68,885,656
Proceeds from disposal of financial assets at fair value through profit or loss	1,087,218,130	0	0
Proceeds from disposal of short-term financial instruments	26,270,831,031	2,000,000,000	3,000,000,000
Proceeds from sales of investments in subsidiaries and associates	0	0	28,910
Withdrawal of deposits provided	0	0	5,399,265,307
Proceeds from sales of investment property	0	0	81,381,273
Decrease in derivative financial assets	621,665,716	9,124,401,629	4,545,193,310
Proceeds from disposal of property, plant and equipment	92,065,353	3,262,115,539	1,969,516,170
Proceeds from disposal of intangible assets	2,000,000,000	95,340,000	379,962,000
Receipt of government grants	41,639,710	40,278,762	179,979,908
Decrease in long-term loans	182,154,830	109,062,372	448,940,797
Decrease in short-term loans	15,556,685,359	11,720,000,000	171,927,344,000
Decrease in long-term financial instruments	0	4,000,000	2,000,000,000
Proceeds from disposal of assets held for sale	331,432,599	0	0
Net cash flow due to disposal of disposal group	0	34,821,141,655	0
Net cash flows in purchase of investments in subsidiaries	0	0	(88,761,009,683)
Increase in short-term loans	(6,000,000,000)	0	(32,700,000,000)
Increase in long-term loans	(2,227,985,359)	(12,464,390,030)	(4,447,294,382)
Acquisition of short-term financial instruments	(4,551,195,847)	(54,369,340,829)	(500,000,000)
Acquisition of long-term financial instruments	(1,414,920,000)	(435,360,000)	0
Acquisition of available-for-sale financial assets	0	(37,366,264,500)	0

Years Ended December 31, 2018 and 2017

Consolidated Statements of Cash Flows

(in Korean won)	2018	2017	2016
Acquisition of financial assets at fair value through profit or loss	(120,182,992,669)	0	0
Acquisition of held-to-maturity financial assets	(167,335,000)	(3,878,825,000)	(431,640,000)
Acquisition of investments in associates	(200,000,000)	(31,099,998,684)	0
Increase in guarantee deposits	0	0	(5,479,915,982)
Acquisition of investment properties	0	(179,649,048,699)	0
Acquisition of property, plant and equipment	(43,430,009,397)	(106,500,960,515)	(11,706,552,256)
Acquisition of intangible assets	(4,410,727,512)	(2,295,471,682)	(17,295,602,353)
Decrease in derivative financial liabilities	(715,548,141)	(1,965,499,629)	(29,093,325,973)
Increase in other non-current receivables	0	(2,754,721,091)	0
Net cash inflow (outflow) from investing activities	(136,442,211,197)	(369,766,322,514)	346,206,702
Cash flows from financing activities			
Proceeds from borrowings and debentures	102,032,176,982	319,871,357,040	49,656,258,937
Receipt of claims	0	0	9,295,474,750
Repayments of borrowings and debentures	(98,314,422,371)	(192,706,703,537)	(159,070,963,844)
Non-controlling interest paid	3,375,000,000	225,000,000	0
Acquisition of non-controlling interest and others	(11,624,833,030)	0	0
Exercise of conversion rights of convertible bonds	(111,711,786)	0	0
Dividends paid	(12,642,295,529)	(12,586,906,000)	0
Net cash inflow (outflow) from financing activities	(17,286,085,734)	114,802,747,503	(100,119,230,157)
Net cash increase (decrease) in cash and cash equivalents	14,893,688,804	(162,268,075,293)	58,850,438,787
Cash and cash equivalents at the beginning of the year	323,871,844,492	489,901,998,618	429,503,480,822
Effects of exchange rate changes on cash and cash equivalents	(613,443,191)	(3,762,078,833)	1,548,079,009
Cash and cash equivalents at the end of the year	338,152,090,105	323,871,844,492	489,901,998,618

FINANCIAL MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion & Analysis (MD&A) was prepared to compare Hyundai Elevator's business performance and financial position during the fiscal year ending on December 31, 2018 to that of the previous year. This MD&A is based on the consolidated financial statements prepared and audited in accordance with the K-IFRS, and all amounts are denominated in Korean Won (KRW). The Company in this section refers to 'Hyundai Elevator' unless otherwise stated.

The events, incidents or phenomena that the Company expects or forecasts to occur in the future within this report reflect the Company's views on such incidents and financial performance at the time of preparing the official disclosure documents. While these expectations and forecasts are based on the reasonable assumptions related to the future business environment, they also include a range of risks, uncertainties, and other factors to consider. In conclusion, the Company cannot provide any assurance that the expected results, issues or influences that are stated in this report will actually occur. The Company does not bear any obligation to disclose reports to modify forward-looking statements to reflect the risks or uncertainties that occur after the preparation of such statements.

1. 2018 OVERVIEW

In 2018, the global economy presented mixed results: while the U.S. and other advanced economies showed signs of recovery, uncertainties arose due to the U.S.-China trade conflict. In the domestic economy, its construction business continued to slow down as the government tightened its real estate regulations to curb the increase of household debts. In the face of such turbulent business conditions, the Company posted KRW 1.6503 trillion in new orders, KRW 1.6153 trillion in sales, and KRW 145.7 billion in operating profit (all in a non-consolidated basis) while maintaining its No.1 position in domestic new installation market share for 12 consecutive years and in domestic maintenance market share for four consecutive years. The following illustrates the assessment and analysis of the Company's business performance in its key business areas.

Elevator Business

Domestic Sales Business

The Company's domestic sales business is engaged in domestic elevator and remodeling sales operations. Korea's domestic construction orders started to decline in the 2nd half of 2017 and this continued well into 2018. Notably, private housing and reconstruction orders significantly decreased from the previous year, and the auto parking system market also experienced an overall drop in market demand, which eventually intensified competition. In the remodeling sector, however, replacement demand rose mainly in apartment buildings, and complete safety inspection demand also continued both on installed and outdated elevators. In 2018, the Company's domestic elevator business sales inched down by 2.0% from the previous year to KRW 1.1154 trillion.

Overseas Sales Business

The Company's overseas sales business operates six corporations and 45 agencies across the globe. In 2018, its overseas business improved its performance in landing orders thanks to the stabilization of sales corporations and its endeavors to reinforce the product portfolio and sales network. Still, uncertainties continued in the external environment due to currency crises in emerging economies, the U.S.-China trade war, sanctions on the Iranian economy,

and political turmoil in Central and Latin America. This caused the Company's sales to fall slightly short of its initial target. In 2018, the Company's overseas orders amounted to KRW 142.3 billion, up by 28.8% from the previous year, and its sales dropped by 10.3% to KRW 149.3 billion. The following outlines the Company's business status in major markets as of 2018.

- > **CHINA** In 2018, new elevator volume declined as the Chinese real estate economy continued to slow down due to the government's regulations. The U.S.-China trade conflict resulted in delays in loan extension on the part of private sector banks and in the suspension of construction projects. While such negative factors were prevalent, the Company landed orders for the Harbin Metroline and other government projects and increased its presence in the small-to-medium market. This eventually allowed the Company to improve its performance from the previous year both in orders and sales.
- > **VIETNAM** The government adopted loan regulations to prevent the country's real estate market from becoming overheated and this interrupted the flow of funds to postpone the execution of several large-scale construction projects. In the face of such challenging conditions, the Company strengthened partnership with its larger accounts and focused on landing new orders to improve its brand reputation and reach its order target.
- > **MALAYSIA** The Malaysian market experienced the sustained economic downturn from the previous year. This resulted in delays in construction processes and project undertakings, creating unfavorable market conditions. Still yet, the Company realigned its sales organization and strengthened its sales operations to land more new project orders and even exceeded its initial operating profit target as it succeeded in winning large-scale replacement orders and raised its component sales.
- > **INDONESIA** As the number of local maintenance service providers increased, this added to already fierce competition. The Company suffered a partial decline in its product sales due to the sluggish leasing of large-sized projects and public facilities and the extension of installation periods. The Company, however, was fully focused on the sales of its maintenance service and its component replacement business to generate better business outcomes both in orders and sales.
- > **TURKEY** In 2018, the Turkish government adjusted its economic growth forecast downward due to the exacerbating currency fluctuations and such worsening economic conditions drove down its elevator market size by nearly 45%. In the face of these tough conditions, the Company strategically advanced into the market, and its market share in new installation and service business rose significantly and its orders increased by more than 109% from the previous year.
- > **BRAZIL** The local economy sustained challenging economic conditions for the past several years. Its currency continued to depreciate and its economic recovery was delayed. While the Brazilian elevator market was exposed to continued negative factors, the Company focused on the stabilization of its Brazilian corporation and its business operations by pushing out its new elevator volume and offering maintenance and collection services, which enabled the Company to exceed its sales target.

Service Business

The Company's service business concerns the maintenance and replacement of elevators and the sales of components. While the service market expanded in 2018 due to the continued increase in outdated elevators, companies were faced with even fiercer competition to secure volume. As issues over the complete revision of the Elevator Facility Safety Management Act arose in March 2019, this further aggravated generally negative impacts. Amidst such challenging conditions, the Company's service business posted KRW 333.3 billion in sales, up by 15.2% from the previous year. Notably, its performance in the modernization business that targets 15-year-old or older elevators skyrocketed by more than 44%, and its maintenance units increased by 9,477 units from the previous year to 155,366 units.

2. FINANCIAL INFORMATION

The Company's main revenue sources are generated from the manufacturing, sales, installation and maintenance of elevators, escalators, auto parking systems and related components. The following financial information and profitability analysis was extracted from the consolidated financial statements that were audited and included in the business report, and should be analyzed in conjunction with the consolidated financial statements that appear in this report.

Summary Financial Information

As of the end of December 2018, the Company's assets amounted to KRW 2.3748 trillion, up by 3.8% from the previous year, and this is attributable to increases in investment assets caused by the Company's acquiring shares from group affiliates and making fund investments as well as by decreases in accounts receivable. The Company's liabilities inched down by 0.6% to KRW 1.4436 trillion as its borrowings declined with the claim of conversion rights on convertible bonds and its other current liabilities rose due to increases in derivative liabilities. The Company's capital increased by 11.5% from the previous year to KRW 931.2 billion, which is attributed to the Company's issuing new shares as a result of claiming its conversion rights on convertible bonds.

Summary Financial Information

(on a consolidated basis, unit: KRW million, EPS: KRW)

		2018	2017	2016
Financial	Total assets	2,374,838	2,287,650	2,107,559
Statements	Cash and cash equivalents	338,152	323,872	489,902
	Total liabilities	1,443,630	1,452,373	1,316,482
	Total capital	931,208	835,277	791,077
Income	Sales	1,877,218	1,993,701	1,758,792
Statement	Operating income	143,068	135,285	181,566
	Operating expenses	1,734,150	1,858,416	1,577,226
	Net income	1,458	79,001	116,934
Financial	Operating profit ratio (%)	7.62	6.79	10.32
Ratios	Net income to sales ratio (%)	0.08	3.96	6.65
	Debt-to-equity ratio (%)	155.03	173.88	176.2
	Earnings per Share (KRW)	299	3,801	5,225
	Cash dividends (KRW)	900	500	500

3. PROFITABILITY

Sales and Operating Profit

In 2018, the Company's sales fell by 5.8% from the previous year to KRW 1.8772 trillion as intensifying competition drove down its orders and its overseas large-scale projects suffered process delays. Meanwhile, its operating profit rose by 5.8% from the previous year to KRW 143.1 billion thanks to cost reduction and the resulting decreases in selling and administrative expenses as well as performance improvements made by overseas corporations.

Net Income

The Company's net income declined by 98.2% from the previous year to KRW 1.5 billion due to increasing losses on valuation in relation to the selling of claims rights on convertible bonds as a result of the Company's share prices going up. If such selling claims rights are exercised on convertible bonds, however, a significant amount of these losses on valuation will be converted to capital surpluses, and this implies that valuation losses will not be realized nor result in any cash outflow.

Summary Income Statement

(on a consolidated basis, unit: KRW million, EPS: KRW)	2018	2017	2016
Sales	1,877,218	1,993,701	1,758,792
Cost of goods sold	1,503,999	1,614,976	1,363,644
Gross profit	373,219	378,725	395,148
Selling and administrative expenses	230,151	243,440	213,582
Operating profit	143,068	135,285	181,566
Other income	42,116	68,506	33,392
Other expenses	71,772	51,729	140,092
Share of net profit of associates accounted for using the equity method	747	(7,383)	(52,711)
Gain on disposal of investment in associates	-	-	33,089
Financial income	10,307	16,909	12,677
Financial costs	105,114	32,394	48,998
Profit before income tax	19,352	129,194	18,923
Income tax expenses (benefit)	17,894	50,193	(98,011)
Profit for the year	1,458	79,001	116,934

NON-FINANCIAL MANAGEMENT DISCUSSION & ANALYSIS

This non-financial management discussion & analysis was prepared to illustrate the Company's key performance outcomes in such non-financial sectors as human, social and environmental capital. The reporting period spans from January 1st, 2018 to December 31st, 2018, and the following outlines 'Hyundai Elevator's performance, excluding subsidiaries, unless otherwise stated.

1. HUMAN CAPITAL

Employee Composition

At Hyundai Elevator, the total number of employees is calculated by combining regular workers under direct employment contracts with the Company and contractual workers. As of the end of 2018, the Company employed nearly 4,000 people in Korea and abroad. The Company continued to expand its overseas business and consistently hire talented individuals. As of December 2018, the Company employed a total of 2,288 people in Korea: 51.2% of them are manufacturing and technical workers and 48.4% of them are administrative and research workers.

The ratio of regular workers amounted to 95.5% and the number continued to stay above the 90% mark. Contractual workers declined by 45.7% from the previous year as the number of installation sites dropped and a portion of the contractual workers were converted into regular positions. From the diversity perspective, the ratio of high school graduates out of the total fell by 5.4%, which is attributed to the fact that new recruits with higher education degrees were hired to replace retirees who had only earned high school degrees. As far as age is concerned, the ratio of employees 30 years old or under continued to rise significantly by 18.1% from the previous year.

(unit: No. of persons)	2018	2017	2016
Total Employees	2,288	2,112	2,106
By gender			
Male	2,089	1,921	1,903
Female	199	191	203
By job category			
Administrative	929	900	923
Manufacturing/technical	1,172	937	893
Research	85	87	91
Other	102	188	199
By employment type			
Regular	2,186	1,924	1,907
Contractual	102	188	199
Diversity			
High school graduates	628	664	801
People with disabilities	17	21	22
Patriots and veterans	19	18	18
By age group			
30 or younger	854	723	594
31 to 40	614	600	644
41 to 50	510	514	563
51 or older	310	275	305

Nurturing Female Talent

The Company consistently strives to hire female employees and improve their professional capacity. In 2018, the total number of female employees amounted to 199, slightly up by 4.2% from the previous year while their ratio against the total inched down to 8.7%. While the ratio of female managers fell by 0.1% from the previous year to 4.9% (11 persons), this is still above the set standard in 'undertaking proactive employment improvement measures' as demonstrated by the surveys performed by the Ministry of Employment and Labor. This is also a highly meaningful achievement given the inherent characteristics of the machinery/electrical facility and manufacturing business where the recruitment of females is fairly limited.

	2018	2017	2016	
No. of female employees	199	191	203	
Ratio of female employees	Against total employees	8.70	9.04	9.64
Ratio of female managers (%)	Against total managers	4.91	4.98	3.57

Recruitment and Resignation

In line with the revision of the Elevator Safety Management Act, the Company's recruitment of maintenance staff increased: in 2018, its new hires rose by 39.8% from the previous year to 425 persons and new female recruits increased by 41.2% to 24 persons. Meanwhile, the total number of resignations dropped by 15.1% from the previous year to 248 persons, and the resignation rate fell by 3.0% from the previous year to 10.8%.

(unit: No. of persons)		2018	2017	2016
New recruitment	Male	401	287	317
	Female	24	17	39
	Total	425	304	356
	Regular	304	140	202
	Contractual	121	164	154
Resignation/turnover	Male	232	263	108
	Female	16	29	10
	Total	248	292	118
	Regular	61	135	42
	Contractual	187	157	76
Resignation rate (%)		10.8	13.8	5.6

Retirement Pension

In conformity with the Employee Retirement Benefit Security Act, the Company operates a defined benefit (DB) retirement pension system. The Company introduced the wage peak program in 2017 and since 2018 has been providing a training program to help employees nearing retirement to plan for their future. In 2018, the amount of funds invested in the retirement funds rose by 24.5% to KRW 148.2 billion.

(unit: KRW 100 million)	2018	2017	2016
Retirement pension	1,482	1,190	1,127

Childcare Leave and Reinstatement

The Company ensures that its employees do not suffer career discontinuation due to pregnancy, childbirth or childcare needs. The Company proactively encourages its employees to take pre/post-natal leave and childcare leave and to apply for reduced work hours during pregnancy. The Company's Head Office and the Seoul Office also operate maternity protection rooms. In 2018, 11 employees took childcare leave, four were reinstated after taking childcare leave, and 11 took childbirth leave. What is noteworthy about 2018 is that the number of male employees who took childcare leave rose from the previous year to four, which demonstrates that social perceptions on childcare are changing.

(unit: No. of persons)		2018	2017	2016
Employees who took maternity leave		11	2	6
No. of employees who took childcare leave	Male	4	0	0
	Female	7	5	10
	Total	11	5	10
Employees reinstated after taking childcare leave (for the year)		4	7	5
Ratio of employees reinstated after taking childcare leave (employees reinstated/employees who took childcare leave)		36.4%	140.0%	50%
Employees who resigned within 12 months of reinstatement		1	0	1

Labor Relations

The Company has remained dispute-free for the past three decades, and both labor and management are maintaining a reasonable and stable partnership. In 2018, the Company reduced work hours to help employees improve their quality of life and workplace satisfaction while introducing the Refresh Leave program and expanding other benefits for employees.

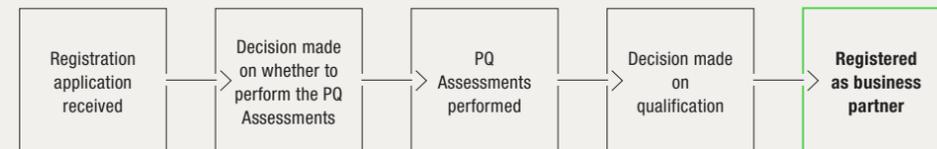
(unit: %)	2018	2017	2016
Ratio of unionized employees	79.8	64.4	65.1

2. SOCIAL CAPITAL

Selection of Business Partners

The Company follows transparent and objective procedures to select new business partners. Any company wishing to do business with the Company can apply for registration at the corporate website. This is followed by a decision whether PQ Assessments* would be performed, and then PQ Assessments are conducted on eligible candidates. The assessments consist of financial and non-financial evaluations, and the companies granted final approval are registered as the Company's business partner. If an applicant makes necessary improvements on disqualified evaluation items, reassessments are performed at its request, and the company can be registered as a business partner based on the evaluation outcomes.

* PQ Assessment: Prequalification assessments conducted on business partner candidates include financial and technical assessments as well as non-financial assessments on the environment, safety and other factors



Mutual Growth

The Company strives to pursue mutual growth to create a healthy business ecosystem and help strengthen competitiveness across the industry. The Company provides financial assistance and makes cash-equivalent payments for its business partners while continuously improving its payment conditions and offering technology development and training support. Such endeavors allowed the Company to be rated Excellent for four consecutive years in the Win-Win Growth Index published in June 2018.

		2018	2017	2016
Financial support	No. of business partners who received financial support	260	381	307
	Financial support (KRW 100 million)	61	69	85
	Cash/cash equivalent payments (%)	100	100	100
	No. of payments made	1~2 times	1~2 times	1~2 times
Training/HR/recruitment support	Training support (No. of persons)	7,632	6,747	5,824
	Engineers sent to business partners (No. of business partners)	81	91	74

Fair Trade Agreement

Since 2013, the Company has signed fair trade agreements with its business partners to support their growth. These business partners receive support to improve their business conditions in such diverse sectors as financing, technology, and training while the Company procures high-quality materials and components from them to improve their competitive edge across the industry. In 2018, the Company signed fair trade agreements with a total of 293 business partners, and is consistently increasing this number each year.

	2018	2017	2016
Purchase from major business partners (KRW million)	878,564	860,537	714,885
Business partners with whom fair trade agreements were signed (No. of companies)	293	285	274

R&D Investment

The Company is committed to developing technology that delivers ultra-high-efficiency elevators and remote maintenance technology through its R&D Center. To respond to the 4th Industrial Revolution, the Company is also developing a preemptive maintenance system that merges IoT technology with artificial intelligence. In 2018, the Company's R&D expenditures declined by 3.2% from the previous year to KRW 24.9 billion, and their ratio against sales inched up by 1.28%.

	2018	2017	2016
R&D expenditures (KRW 100 million)	241	249	229
Ratio against sales (%)	1.28	1.25	1.30
R&D workforce (No. of persons)	85	87	93

3. ENVIRONMENTAL CAPITAL

The Company is building an integrated environmental management system to systemically manage the operation of its environmental facilities, the emission of air pollutants, and the consumption of water and electricity.

GHG Emissions

The Company's GHG emissions are calculated from the emissions generated from its Head Office in Icheon, Seoul Office, Cheonan Distribution Center, and nation-wide branches, and do not include emissions from its subsidiaries and supply chain. The intensity of the GHG emissions is calculated by dividing the total GHG emissions by sales (KRW 100 million). In 2018, the Company's total GHG emissions amounted to 10,619 tonCO₂e and the intensity was 0.57, which is down by 1.7% from the previous year and by 5.6% from the set target. To reduce its GHG emissions, the Company periodically monitors its energy consumption to identify and improve on operational inefficiencies and disseminates such endeavors across the entire supply chain. In 2019, the Company set its GHG emissions target at 10,300tonCO₂e, down by 3% from the previous year, and is determined to cut its GHG emissions continuously in the upcoming years.

(unit: tonCO ₂ e)	2018	2017	2016
Total emissions	10,619	11,560	11,176
Scope 1	2,369	2,773	2,833
Scope 2	8,069	8,279	7,943
Scope 3	180	508	400
Intensity-based energy consumption (emissions/sales (KRW 100 million))	0.57	0.58	0.64
Change in intensity (%)	-2.4	-8.8	-11.7

Air Pollutant Management

At Hyundai Elevator, air pollutants are processed through control equipment to minimize pollutant substances before they are released into the air. The main pollutant is dust, and the Company strives to reduce the emission of such pollutants through the annual maintenance of control equipment and the periodic replacement of consumables. In 2018, the generation of dust, the main air pollutant, amounted to 0.6 tons, which represents a dramatic drop by 71% from

the previous year, and this is attributable to the shutdown of the wet painting facility in the 2nd half of 2017. Currently, the main sources of dust generation include power coating equipment as well as evaporators installed at the waste treatment facility. The Company will be continuously committed to reducing these pollutants.

(unit: ton)	2018	2017	2016
Dust	0.6	1.9	4.1

Energy Consumption

The Company calculates its energy consumption based on the data from its Head Office in Icheon, Seoul Office, Cheonan Distribution Center, and nation-wide branches. Such data is collected by the integrated environmental management system through energy bills issued by energy providers, and does not include the energy consumption of its subsidiaries or any others along the supply chain. The energy intensity is calculated by dividing total energy consumption by sales (KRW 100 million). In 2018, the Company's total energy consumption amounted to 161TJ, which is down by 6.9% from the previous year thanks to its sustained commitment to reducing energy use.

	2018	2017	2016
Total consumption (TJ)	161	173	159
Electricity (kwh)	12,112,202	12,611,820	11,640,790
Gas (Nm ³)	914,490	1,022,137	881,699
Fuel (ℓ)	141,836	214,114	253,921
Intensity-based consumption (consumption X 1,000/sales (KRW 100 million))	8.58	8.68	11.01
Change in intensity (%)	-1.2	-9.7	-8.3

Water Resource Management

The Company's water consumption is calculated based on the data from its Icheon Head Office and Cheonan Distribution Center. The Company cleans its sumps every year to reduce the wastewater generated from its manufacturing process and improve the quality of wastewater while periodically managing its operational facilities to reduce the discharge of high-concentration wastewater. In 2018, the Company's water resource consumption, including the use of underground water, industrial water, and recycled water, fell by 9.1% from the previous year to 34,900 tons. Its generation of wastewater declined by 23.9% to 2,269 tons, and its intensity-based water resource consumption dropped by 3.5% from the previous year.

	2018	2017	2016
Water resources			
Total consumption (K ton)	34.9	38.4	36.4
Tap water (K ton)	0	0	0
Underground water (K ton)	26.4	28.6	27.7
Industrial water (K ton)	8.5	9.8	8.7
Total recycled water (K ton)	3.4	3.4	3.4
Intensity-based consumption (consumption X 1,000/sales (KRW 100 million))	1.86	1.93	2.07
Change in intensity (%)	-3.5	-6.9	-17.4
Wastewater			
Wastewater generated (ton)	2,269	2,981	3,065

Management of Chemicals

The Company is dedicated to reducing its discharge of chemical substances every year. The Company uses its chemical inventory to perform impact assessments based on its discharge of chemicals in order to minimize any damage to the surrounding environment and to constantly implement review and prevention programs. The Company plans to minimize its use of chemicals and replace harmful chemicals with substances not harmful to the human body. In 2018, the Company's consumption of chemicals dropped by 8.3% from the previous year to 25.15 tons.

(unit: ton)	2018	2017	2016
Total consumption of chemicals	25.15	27.43	35.13

Waste Management

At Hyundai Elevator, waste is lawfully treated in accordance with its waste process management from its generation to transport and treatment. Furthermore, the Company evaluates its waste processing companies to ensure that waste is processed in conformity with applicable laws, and offers environmental training on waste sorting and storage inspection to employees handling and discharging waste. In 2018, the Company generated a total of 327 tons of waste, which is down by 11.4% from the previous year.

(unit: ton)	2018	2017	2016	
Waste	Total waste	327	369	356
	Landfill	7	17	17
	Incineration	10	20	235
	Recycling	310	332	104
	Total designated waste	30	38	34
	Change in waste generation (%)	-11.4	3.5	-6.6

Environmental Investment

Hyundai Elevator makes environmental investments every year to efficiently maintain and operate its environmental facilities. The environmental operational expenses include waste treatment expenses, pollution control facility repair expenses, and sewage treatment expenses. In 2018, the Company's environmental operational expenses inched up from the previous year to KRW 365 million.

(unit: KRW million)	2018	2017	2016	
Environmental costs				
	Environmental operation expenses	365	357	502
	Environmental investments	30	10	80

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Hyundai Elevator Co., Ltd.

OPINION

We have audited the accompanying consolidated financial statements of Hyundai Elevator Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

BASIS FOR OPINION

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KEY AUDIT MATTERS FOR CONSTRUCTION INDUSTRY

Key audit matters for construction industry in accordance with the Practical Guidance of Auditing Standard 2016-1 (amended in 2018) are those matters that, in the auditor's professional judgment and communication with those charged with governance, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A. General Information

Common information applied to the area of focus on construction contract described in this audit report are as follows:

As explained in the Note 2 to the financial statements, the Group recognizes contract revenue and contract costs associated with the construction contract as revenue and expense respectively based on the percentage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. Excluding any contract cost that does not reflect the work performed, the percentage of completion of the contract is the proportion of the cost incurred to date to the estimated total cost of the contract. The Group presents the gross amount due from customer for contract work as contract assets for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, and the gross amount due to customers for contract work as a contract liabilities for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

B. Uncertainty of total estimated contract costs (total estimated costs)

As explained in the Note 24 to the financial statement, total contract costs are estimated based on the future estimates of material costs, labor costs, construction period and others. A 5% increase in these estimates would have a negative effect on profit before income tax amounting to ₩ 64,027 million. Considering the impacts of changes in the estimated total contract costs on the profit or loss for the current year, we identified uncertainty of total estimated contract costs as a significant risk. As at December 31, 2018, in respect of the Group's uncertainty of the estimated total contract costs, we have performed the following audit procedures.

- We performed analytical review procedures on changes in the estimated total contract cost for each reporting period.
- We tested with the associated evidence of the contract project with a significant change in the total contract cost, and inquired about the reason of the significant change.
- We inquired about the contract project with a significant provision for the construction loss, and tested with relevant evidences.
- We identified the contract project with a significant difference on the estimated cost ratio comparing to the actual cost ratio of similar contract projects, and inquired about the reason for the significant difference.
- We compared and analyzed the actual and the estimated cost to identify if there are completed projects with significant differences. For the identified projects with the significant differences, we determined reasons of the significant differences and obtained relevant evidences if necessary.
- We reviewed internal control of the Group in relation to the review and approval processes of a contract by an appropriate approver when a new contract is engaged.

C. Measurement of Percentage of Completion

As explained in the Note 24 to the financial statements, for the year ended December 31, 2018, the changes in the estimated total contract cost amounts to ₩ 7,636 million, and aggregated cost incurred as at December 31, 2018 amounts to ₩1,385,593 million. We identified the measurement of percentage of completion as a significant risk in consideration of volatility in contract cost and uncertainty in the estimated total contract costs. As at December 31, 2018, in respect of the

Group's estimated total contract costs and aggregated costs incurred that have impacts on the measurement of percentage of completion, we have performed the following audit procedures.

- We reviewed internal controls related to the accumulation and allocation of contract cost
- We independently recalculated the percentage of completion for construction contracts.
- We tested the occurrence, accuracy and cut-off assertions for sampled input costs.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations. Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Chihyung Won, Certified Public Accountant.

March 15, 2019
Seoul, Korea

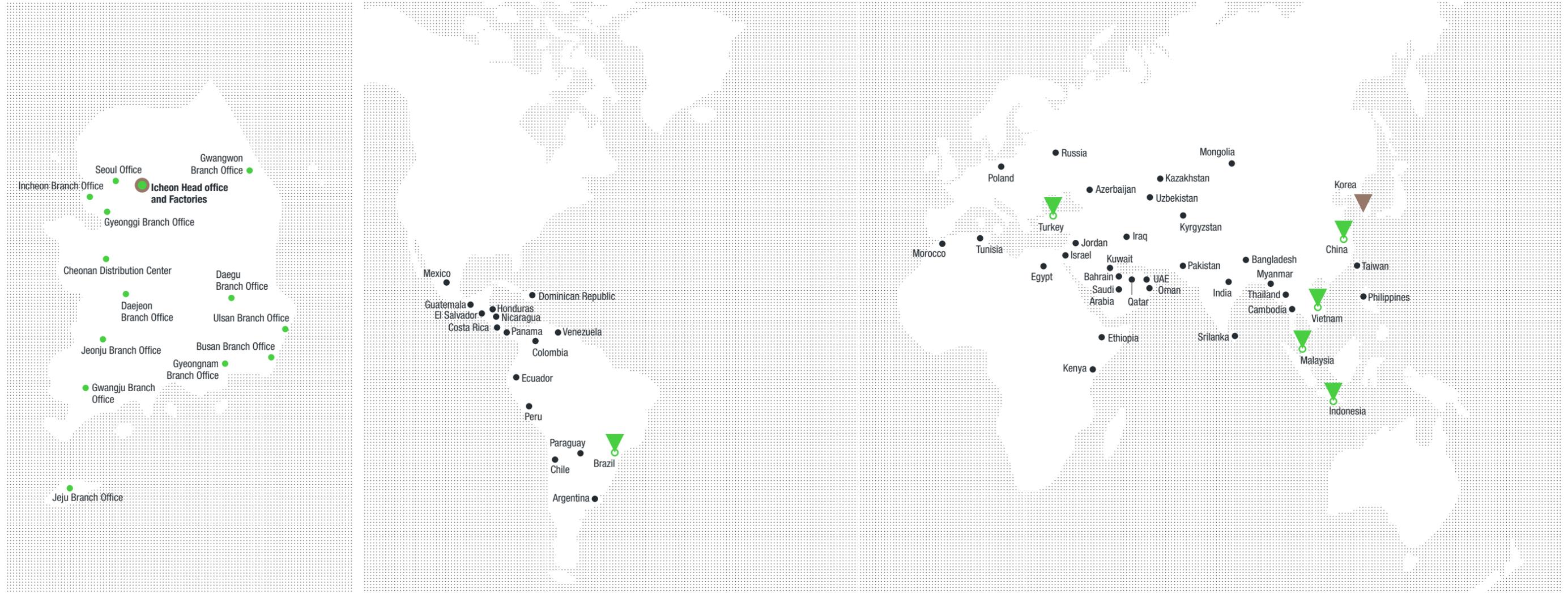


This report is effective as of March 15, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

GLOBAL NETWORK

MAJOR BUSINESS UNITS

At Hyundai Elevator, we operate the Head Office in Icheon and the Seoul Office, along with 12 branch offices throughout Korea. Our overseas establishments include six overseas corporations as well as overseas agencies spanning 45 countries across the globe.



Domestic Worksite

● Head Office/Factory

Icheon Factory 1,2,3, R&D Center, Hyundai Customer Care Center (HCCC)

● Domestic Office

Seoul Office, Gyeonggi Branch Office, Busan Branch Office, Incheon Branch Office, Daejeon Branch Office, Daegu Branch Office, Ulsan Branch Office, Gangwon Branch Office, Jeonju Branch Office, Gwangju Branch Office, Gyeongnam Branch Office, Jeju Branch Office

● Distribution Center

Cheonan Distribution Center

Overseas Worksite

○ Overseas Corporation

China, Malaysia, Vietnam, Indonesia, Turkey, Brazil

● Overseas Agency

8 in Asia, 10 in the Middle East, 15 in the Americas, 5 in Africa, 7 in Europe & CIS

Worksite Data

Head Office (Icheon City, Gyeonggi Province)

- Factory 1,2,3: Situated on a 44,040m² land
- Hyundai Asan Tower: World's top-tier elevator test tower
- Hyundai Customer Care Center (HCCC): Real-time remote management service (HRTS) and customer counseling
- Manufacturing/R&D/Future Innovation Unit, Installation, Quality and Safety

Seoul Office (Yeonji-dong, Jongno-gu, Seoul)

- Sales: Elevator business
- Service: Service business
- Planning & management: Finance & Procurement Unit, Business Support Unit, Ethics Management

Chinese Factory (Shanghai, China)

- Situated on a 28,716m² land
- Manufacturing of elevators and escalators
- Elevator test tower (72m in height)
- A new factory under construction (set for completion by the 2nd half of 2020)

MAJOR REFERENCES

Key Domestic Performance

Site	Elevator	Escalator/Moving Walk			Total No. of units	Note
	Maximum speed (mpm)	No. of units	No. of escalators	No. of moving walks		
Busan International Finance Center	600	32	14		46	Korea's fastest
Songdo G Tower	360	18			18	
Park Hyatt Busan	360	11			11	
KEPCO Head Office in Naju	300	22	4		26	
Seoul Dragon City	240	33	10		43	Korea's 1st-ever LED glass escalators
Hill State Samsung Station	240	30	10		40	
Ilsan The Sharp Gravista	240	31			31	
Ansan Gran City Xii	210	92			92	
Songdo M1 Residential-commercial complex	210	81	4		85	
Hill State Songdo The Terrace	210	69	3		72	Korea's 1st-ever LED glass escalators
Yongin Dongbaek Severance Hospital	210	28	6		34	
Icheon Lotte Castle Gold Sky	210	21		10	31	
LG U+ Yongsan Office Building	240	10	2		12	Korea's 1st-ever double deck elevators
SK Hynix R&D building	180	19			19	
Choji Station Major Town Prugio (Metro, Eco, Park complexes)	150	78			78	
Officetel in the main commercial district of Misa-dong, Hanam City	150	43	29		72	
Unicity Urban Bricks, Changwon	150	24	28		52	
Hyundai Department Store, Pangyo	120	37	82		119	
Dongdaegu Complex Transit Center	105	38	98	8	144	
International Passenger Terminal, Busan Port	105	12	20	18	50	
SK Hynix MF	105	24			24	
Starfield City Wirye				26	26	
Gimpo Han River Central Square			24		24	
Lotte Outlet Gunsan			22		22	
E-Mart Traders Gimpo				18	18	

Key Overseas Performance

Country	Site	Elevator	Escalator		Total No. of units
		Maximum speed (mpm)	No. of units	No. of units	
China	Nanmen Dashijie, Qinghai	240	22	19	41
	Guoji Fuzhuangcheng, Pucheng	105	25	84	109
	Dongping Laohuzhen, Jinan	90	418		418
	Harbin Metro No. 1 (phase 3)	60	10	55	65
Turkey	Metropol	300	99	24	123
	YDA Konya Hospital	105	74	42	116
	Izmir Hospital	105	114	20	134
	Dogus Metro	60	62	196	258
Malaysia	Genting Highland T3 & T4	300	59	44	103
	Suez Domain Block E,F,G & Podium	210	37	52	89
	PPA1M Kota Bahru	150	24		24
Vietnam	D'Capital	210	49		49
	Ecohome 3	150	28		28
Philippines	Manila Bay Mall	150	16	52	68
	SM Four E-Com	105	42		42
Saudi Arabia	MK-955: Al Thakher	150	48		48
	Security Forces Medical City	150	284	24	308
Israel	YBOX Bat Yam L1-L5	240	5		5
Indonesia	Hotel Mercure Lampung	210	15		15
Sri Lanka	Waterfront	180	59	44	103
Myanmar	Yangon Hotel	180	20		20
Qatar	Al Majed Tower	180	10	18	28
Guatemala	Plaza Presidente	120	11	17	28
UAE	Al Qusais Bldg (Pak A)	105	57		57
Costa Rica	Oxigeno	90	18	42	60

COMPANY HISTORY

SINCE

1980s

ESTABLISHMENT

1984 ~ 1989

- May. 1984 Founded Hyundai Elevator Co., Ltd.
- May. 1985 Completed the Icheon Elevator Factory (Factory 1)
- Sep. 1986 Completed the Icheon Escalator Factory and Elevator Test Tower
- Jul. 1988 Completed the Icheon Escalator Factory 2

1990s

MOMENTUM

1990 ~ 1999

- Aug. 1993 Established the Chinese joint venture Shanghai Hyundai Elevator Co., Ltd.
- Sep. 1993 Established a joint venture in the Philippines (Hyundai Elevator Services Phils., Inc.)
- Nov. 1995 Completed the Cheonan Distribution Center
- Jul. 1996 Listed on the Korea Exchange
- Mar. 1998 Obtained the ISO 9001 and ISO 14001 certifications for elevators, Auto-Parking Systems and Materials Handling Systems from DNV

2000s

GROWTH

2000 ~ 2009

- Jul. 2001 Became the first Korean company to obtain the CE Mark (European safety standards) for elevators (DNV)
- Sep. 2004 Awarded with the Golden Tower Industrial Medal at the 28th National Productivity Innovation Competition (granted by the President)
- Feb. 2005 Awarded with the Top Prize at the Most Admired Business and Businessmen Awards 2005 (Federation of Korean Industries, Seoul Economic Daily)
- Mar. 2006 Opened a round-the-clock customer center capable of handling customer complaints and serving customers
- Apr. 2009 **Completed the world's tallest ultra-high-speed elevator test tower 'Hyundai Asan Tower' (205m) and the Chung Mong-hun R&D Center**
 - Installed Korea's fastest elevators (600m/min, Hyundai Asan Tower)
 - Installed the world's fastest observation elevators (420m/min, Hyundai Asan Tower)
- Apr. 2009 Surpassed the 100,000 mark in elevator shipment
- Jul. 2009 Exported ultra-high-speed elevators (480m/min) to the Venezuelan governmental complex
- Nov. 2009 **- Developed and installed the world's fastest elevators (1,080m/min, Hyundai Asan Tower)**
 - Developed and installed the world's fastest double deck elevators (600m/min, Hyundai Asan Tower)

2010s

GO GLOBAL!

2010 ~ 2018

- Jun. 2010 Became the first Korean company to be rated A under the German elevator energy efficiency certification program (TÜV, Germany)
- Feb. 2012 Awarded at the iF Product Design Award 2012 for the Destination Selecting System
- Mar. 2013 Set a record in Korea in exceeding the injury-free target by 15 times (remained injury-free for 5.4 million hours, Korea Occupational Health and Safety Agency)
- Mar. 2013 Opened Hyundai Customer Care Center
- Jan. 2014 Established a Vietnamese joint venture (Hyundai Thanh Cong Elevator Vietnam Co., Limited)
- Jan. 2014 Increased the equity ownership of the Shanghai joint venture to 100%
- Apr. 2014 Completed a factory in Brazil
- Jun. 2014 **Installed Korea's fastest elevators (600m/min, Busan International Finance Center)**
- Dec. 2014 Installed and operated Korea's longest escalators (57m, Shinnam station, Line No. 3, Daegu Metro)
- Feb. 2015 **Installed and operated Korea's first double deck elevators (LG U+ office building in Yongsan)**
- Aug. 2015 Completed Korea's first elevator training center Hyundai Elevator Institute of Technical Education
- Sep. 2015 Awarded with the Golden Industrial Medal at the 39th National Productivity Competition (granted by the President)
- Nov. 2015 **Entered the Hall of Fame that recognizes businesses with outstanding quality competitiveness (Ministry of Trade, Industry, and Energy, Korean Agency for Technology and Standards / Korean Standards Association)**
- Apr. 2016 Announced Hyundai Elevator globalization strategy and Vision 2030
- Jul. 2016 **Exceeded the 2,000 mark in monthly production output at the Icheon Factory**
- Aug. 2016 Surpassed the 200,000 mark in cumulative elevator production (since 1984)
- Sep. 2016 Established a joint venture in Turkey (Hyundai Elevator Asansör ve Servis Sanayive Ticaret Anonim Şirketi)
- Sep. 2016 Declared Vision 2020 at the Shanghai corporation
- Oct. 2016 Surpassed the 20,000 mark in the number of HRTS (Hyundai Real Time Service) units

- Oct. 2016 Became the first elevator maker to obtain the global carbon management certification (CARBON TRUST Standard)
- Nov. 2016 Launched world's first LED glass-adopted elevators and escalators
- Dec. 2016 **Exceeded the 20,000 mark in annual production output at the Icheon Factory**
- Mar. 2017 - Became the first-ever elevator maker in the world to be awarded with the Gold Prize at the iF Design Award for 'ANYVATOR'
- Awarded at the iF Design Award for 'in/out lights' used for parking facility
- Mar. 2017 Ranked 1st in the elevator sector for six consecutive years by the Korea Brand Power Index (K-BPI) 2017 (Korea Management Association Consulting)
- Jun. 2017 **Surpassed 2,000 units in the number of elevators installed per month**
- Jun. 2017 **Rated 'Excellent' for three consecutive years by the Win-Win Index (Korea Commission for Corporate Partnership)**
- Jul. 2017 Spun-off the non-elevator operations (logistics, PSD) / Launched Hyundai Movex
- Oct. 2017 **Surpassed the 130,000 mark in the number of paid maintenance elevators**
- Nov. 2017 **Awarded with the Prime Minister Citation for outstanding performance in sharing business benefits during the 2017 Win-Win Growth Week (Ministry of Trade, Industry and Energy, Korea Commission for Corporate Partnership)**
- Dec. 2017 **Exceeded the 20,000 mark in the number of elevators installed per year**
- Mar. 2018 Started the construction of a new factory in Shanghai, China
- Mar. 2018 Acquired 100% equity of the Turkish joint venture
- Mar. 2018 Ranked 1st for seven consecutive years in the Elevator Sector of the Korea-Brand Power Index published by KMAC
- Jun. 2018 **Graded 'Excellent' for four consecutive years in the Win-Win Growth Index published by the Korea Commission for Corporate Partnership**
- Jun. 2018 **Launched the 'Hyundai Smart System', an AI chatbot-enabled maintenance service**
- Aug. 2018 Acquired 90% equity of the Malaysian joint venture
- Sep. 2018 **Landed Korea's 1st JUMP Elevator order**
- Sep. 2018 Became the 1st-ever elevator maker in the world to be named a Finalist at the IDEA Awards in the U.S.
- Dec. 2018 Launched the VIVALDI, a new low-to-mid speed model

REPORT PREPARATION

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Design Center / Jung-Ho Bang

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Strategy & Marketing Team / Woo-Min Shim

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Production Support Team / Eui-Jun Kwon
Technology Strategy Team / Hong-Ryul Chun
Digital Planning Team / Geun-Baek Lee

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