



NEW Horizons

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HHI Revving Up For Takeoff

With the mid-year mark drawing near, we are called upon to assess how far we have progressed in our journey to achieve our goals for this year and determine what we need to do further.

In the first quarter, Hyundai Heavy Industries (HHI) recorded a consolidated operating loss of 192.4 billion Korean won and net loss of 125.2 billion Korean won, due in no small measure to one-off voluntary retirement payout and cost overruns in our shipbuilding and offshore businesses. However, as the ongoing realignment bears fruit, we expect to see a turnaround in the remainder of this year.

At this juncture, we believe it would be appropriate to present to our stakeholders

an outline of our strategies to put the company back on the right track and to achieve a breakthrough toward renewed growth. For that matter, we hope that a highlight of the key measures that our business divisions have taken thus far will give our stakeholders a better idea of where we are headed.

In view of the growing global demand for eco-friendly ships, the Shipbuilding and Engine & Machinery divisions are working together to secure a stable backlog of orders through sustained technological development tailored to the needs of our clients: gas-fuelled ships, efficient hull design, fuel-saving propulsion systems, IT-combined optimal navigation system and “smart” ships.

Over the past four decades, we have

cemented a leadership position in the shipbuilding industry. Accordingly, we are ideally positioned to provide total marine solutions through optimum systems, components, and equipment for ships and offshore facilities on the back of our strong technological platform built through our extensive experience in shipbuilding, offshore and engineering, marine engine and electric machinery. Furthermore, we plan to localize and standardize major equipment and components in conjunction with our suppliers and clients. We expect that this will certainly benefit our clients in their project management.

The Offshore & Plant Division devotes its full attention to completing the ongoing project to the full satisfaction of our clients. The Division’s commitment to intensive



Choi Kil-seon

Choi Kil-seon, Chairman & CEO



Kwon Oh-gap

Kwon Oh-gap, President & CEO

project management focuses on minimizing overruns in cost and delivery schedule. In that regard, the recently deployed world’s largest floating crane, Hyundai-10000, will be of much help to increase production efficiency by economizing the installation process at our yard. We believe that the Division’s all-out efforts to improve project management, production process, engineering capability and cost efficiency will lead to winning more offshore project orders.

The Construction Equipment Division pulls together all resources in sales, marketing and product support from its headquarters, overseas branches and global dealers. The Division is waging a major drive to launch new models of excavators, wheel

loaders and forklifts to meet the Tier 4/ EU Stage IV emissions regulations. In line with this new model line-up the division endeavors to reposition Hyundai-brand machines in each market segment by enhancing after sales services and expanding dealer network around the world.

At the heart of all these initiatives are our people who are the cornerstone of our competitiveness. We seek to reinvent a corporate culture where our employees work with a sense of safety and enthusiasm. We pay consistent attention on creating a safe workplace on the strength of higher safety standards at work, better safety training and awareness campaign. We also encourage our employees to enjoy more quality time with their families and colleagues. The

case in point is the revival this year of the traditional company-wide soccer tournament “Hyundaisliga,” where 147 teams from across HHI compete against each other for seven months.

Our external business environment is still beset with uncertainties. However, as the management guru Peter Drucker once remarked, “the best way to predict the future is to create it,” since ultimately we are the ones who will determine our own success and prosperity in the coming years. Our sustained reform drive will ensure that we will be able to reap the harvest of our endeavors at an opportune time. We appreciate continued support of all our stakeholders towards this end. **HHI**

Exploring New Growth Opportunities

The market is undergoing a transition. The year of sufficient demand is over and a global supply glut has intensified. Because of increased competition, we will not be able to survive without great products.

Alex Lee



HHI is eager to breathe new life into its weakening business by raising its brand value and strengthening dealer network and support for customers across the globe.

Global construction equipment manufacturers are bracing for another year of hardship in 2015. The economic conditions in many parts of the world are far from good and it could be a long while before they bounce back to full strength.

With the outlook for the global construction equipment business still bleak and grey, Hyundai Heavy Industries (HHI) is eager to breathe new life into its weakening business by raising its brand value and strengthening dealer network and support for customers across the globe.

Largely propelled by a construction boom in China, HHI was able to quickly emerge as a global player in early 2000s. The company's construction equipment business took a direct hit from the global economic recession between 2007 and 2009 but made a remarkable turnaround later to post its highest ever annual sales of \$3.7 billion in 2011.

Last year, HHI's Construction Equipment





Division recorded \$2.71 billion in annual sales, down from \$3 billion in 2013 and \$3.37 billion in 2012.

Rhee Sang-gi, executive vice president and chief operating officer of the division, said a prolonged economic slump in many parts of the world has transformed the landscape of the global construction equipment market in recent years.

“The market is undergoing a transition. The year of sufficient demand is over and a global supply glut has intensified. Because of increased competition, we will not be able to survive without great products,” said Rhee, 56, who was appointed in April this year to head the division, which employs 4,000 workers at home and abroad.

Rhee, a veteran overseas sales expert, said HHI had tried to sell on price because of its lack of brand recognition. “But price is no longer a big advantage at a time of supply glut. We need to compete with really good equipment that has great durability and price competitiveness.”

To survive in the increasingly challenging market conditions, the company will remain focused on values of machines and how to improve customer support and parts delivery system.

“It is important to remain committed to basics in times of difficulties. I believe a careless pursuit of expansion will only cause us unbearable pain,” said Rhee.

This year’s worldwide demand in the construction equipment market will remain at last year’s levels or decrease, and his division set this year’s sales target at \$2.87 billion.

Rhee added he was particularly concerned about the won’s continued strength against the yen, which has put the Korean company under heavy pressure in the price competition with Japanese makers such as Komatsu, Hitachi and Kobelco.

“Yen’s weakness has greatly boosted price competitiveness of Japanese companies. In response to their offensive, we are closely working with our subcontractors to increase our own price competitiveness,” said Rhee.

He said China, Brazil and Russia will witness a sharp drop in demand this year

due to unfavorable economic conditions in those countries while North America and Europe will show a modest recovery.

China Slowdown

HHI aggressively expanded its construction equipment business in China, with its excavator sales surpassing 18,000 units and market share reaching about 20 percent in 2011, but a slowdown in the world’s second biggest economy has put a brake on its sales growth.

HHI’s sales in China declined for the third year in a row in 2014, selling only 3,700 units of excavators as the company struggled to unload inventories as the construction sector slowed down and local competitors increased their market share. This year, HHI aims to sell 3,500 units of excavators in China.

Last year, HHI’s Construction Equipment Division recorded 33.4 billion Korean won in operating loss, mainly because it had to set aside massive provisions against nonperforming loans linked to financing package for construction equipment purchases in China.

Foreign heavy equipment makers that had bet on a construction boom in China took hit from a pullback brought on by the government’s measures to cool the overheated property market and higher borrowing costs. Some of the world’s major makers of earthmoving equipment have recently exported inventory from China to other markets.

HHI currently has six overseas construction equipment plants, including four in China, whose combined production exceeds 25,000 units of excavators, wheel loaders, and forklifts. Rhee foresees demand in China will drop by as much as 15 percent this year.

Industry experts say HHI will need to scale down or streamline its Chinese operations if its sales remain sluggish.

China’s economy grew 7.4 percent in 2014, the weakest since 1990, but things are set to get worse. The Chinese government has cut its 2015 growth target to seven percent and the weakness of the world’s second largest economy has intensified Bei-

The company is proceeding well with plans to roll out new series of excavators, wheel loaders and forklifts with Tier 4-compliant engines in Europe and North America. This series focuses on quality, comfort upgrades and the new industry standard engine.



Mr. Rhee Sang-gi
COO of Construction Equipment Division

China's struggle to find the right policy mix to shore up activity. But measures to support the property sector and a series of cuts in interest rates and bank reserve requirements appear to have delivered less support to the economy than hoped.

With market and macroeconomic fundamentals in China looking increasingly challenging, it looks natural that HHI is turning its eyes to other regions.

Focus on New Series with Tier 4 Engines

Rhee indicated the division's more direct focus will be on the North American market, where it will broaden its market share through an expanded product line and dealer network, improved dealer support and maintenance and training programs.

HHI opened its construction equipment sales outlet in Chicago in 1991 to make inroads into the North American market. Its headquarters was strategically relocated to Atlanta in 2001, enabling the company to expand parts capacity into two parts warehouses to improve customer support. The company has more parts available in inventory and quicker delivery times.

Rhee said with the U.S. relatively performing better than other economies, HHI will aggressively seek to increase its market share in North America to about three percent from the current two percent in excavator sales. HHI's global market share in the excavator market is about seven percent, ranking fifth in the world after Caterpillar, Komatsu, Hitachi and Kobelco.

He said market demand for construction equipment in North America will be increased by five to six percent this year.

"The North American market has been growing in size, but we failed to eat the pie well," said Rhee. He said one of HHI's core strategies is the establishment of a strong dealer network and improvement of dealer support which includes greater parts availability. HHI has added thousands of line items to its North American parts sales, achieving a 97 percent fill-up rate on part orders.

HHI also plans to extend warranty to up

to three years/ 5,000 hours from two years/ 3,000 hours, Rhee said.

Rhee also sees the weakness of Euro will put a damper on the construction equipment sector in Europe, where the company has rapidly expanded its market share in a diversified but saturated market. He served as head of the European sales unit between 2011 and 2014.

"We expect one or two percent growth of the European market because of Euro's weakness."

In 1993, HHI entered the European market with the establishment of regional sales unit in Netherlands, which moved two years later to Geel, Belgium. The European headquarters will be relocated in 2016.

Rhee said the company will keep promoting the Hyundai brand on a corporate level to end-users across the globe as well as coming up with new models that will address the needs of customers, especially in terms of efficiency, eco-friendliness and operator comfort.

The company is proceeding well with plans to roll out new series of excavators, wheel loaders and forklifts with Tier 4-compliant engines in Europe and North America. This series focuses on quality, comfort upgrades and the new industry standard engine.

HHI is also developing hybrid and battery-type excavators which will significantly improve fuel efficiency by up to 70 percent.

"Battery-type excavators may be available in the market around 2018. The battery is currently highly expensive and it will take a while for it to be commercialized," he said.

HHI's 9A series equipment features the Hi-mate Remote Management System, which allows operators and dealer service personnel to access a machine's vital service and diagnostic information from anywhere with internet access. **HHI**

The writer is a journalist based in Seoul.

Legend: ● Sales Subsidiary Production Subsidiary ● Sales & Service Office

Locations marked on the map include: Belgium Subsidiary (Geel), Moscow Office, Istanbul Office, Beijing Plant, Shandong Plant, Changzhou Hyd. Plant, Ulsan Headquarters / Plant, Jiangsu Plant, India Plant (Pune), Indonesia Subsidiary, Brazil Plant, Atlanta Subsidiary, Chicago Office, Morocco Office, Jebel Ali Office, and Dubai Office.

140 Countries 530 Dealers

Strategic footholds have been established in Asia, Europe, the Middle East, Africa, and the Americas that will ensure HHI's geographical connectivity through a global managment system. HHI plans to expand its current network of 19 overseas branch offices and 20 overseas subsidiaries.



Companywide
Shipbuilding
Offshore & Engineering
Industrial Plant & Engineering
Engine & Machinery
Electro Electric Systems
Construction Equipment
Green Energy



Companywide

Indian Prime Minister Narendra Modi Visits HHI



Prime Minister of India visited HHI to discuss various ways to expand cooperation on shipbuilding technology.

On May 19, Narendra Modi, Prime Minister of India, visited HHI to seek increased partnership between Indian shipyards and HHI to ensure India's shipbuilding industry can benefit from the shipbuilding expertise and experience of HHI. HHI is reported to be the only Korean company the Prime Minister visits during his two-day stay in Korea.

During the meeting, the Prime Minister and the HHI management discussed various ways to expand cooperation on naval defense, LNG carrier construction and shipbuilding technology. The Prime Minister has shown particular interest in HHI's technological prowess in building a wide range of naval vessels as well as high value-added vessels such as LNG carriers.

Meanwhile, HHI recently signed an MOU with India-based engineering major Larson & Toubro on technological support for construction of LNG carriers. The visit of the Prime Minister this time is expected to cement the ties between HHI and its Indian counterpart.

Companywide

HHI Holds 41st Annual General Meeting of Shareholders



HHI held its 41st Annual General Meeting of Shareholders at Hanmaeum Cultural Center, Ulsan on March 27.

At the meeting, HHI reported its business performance for 2014. Its revenues for the full year of 2014 reached 23.46 trillion Korean won. Its operating loss and net loss stood at 1.92 trillion Korean won and 1.75 trillion Korean won respectively with total current assets of 32 trillion Korean won. The company announced 2015 annual sales target of 24.33 trillion Korean won and new orders target of \$22.95 billion.

The Board of Directors appointed Mr. Ka Sam-hyun, COO of HHI Group Ship Sales Division, as a new inside director; and appointed Yoo Kook-hyun, an attorney in Kim & Chang, a Korean legal firm, as a new external director and a member of audit committee.

Companywide

HHI Integrates Overlap of Functions



HHI integrates overlapping roles and responsibilities across HHI and its shipbuilding affiliates, Hyundai Mipo Dockyard and Hyundai Samho Heavy Industries, as part of a drive to realign the business on March 24.

HHI recently identified four areas of overlap for phase one of functional integration, namely, finance, accounting, IT and public relations. Going forward, the scope of business coordination will eventually expand into other functions as well as to other affiliates under the HHI group.

The business realignment is geared toward achieving increased synergy among affiliates by minimizing redundant investment, enhancing coordination and ensuring efficiency in HR management.

Offshore & Engineering

HHI Added 10,000 ton Heavy Lift Vessel to Its Offshore Yard



HHI and its local offshore equipment supply partners completed developing 74 equipment.

HHI put a 10,000 ton heavy lift vessel (HVL), Hyundai-10000, which had been completed at Hyundai Samho Heavy Industries, into production at the end of March.

The HVL joined HHI's existing offshore-facility-building infrastructure in Ulsan and began operation from April. The vessel equipped with 8 double truss jib cranes measures 182 m in length, 70 m in width and 11 m in depth.

With the addition of HVL, HHI's maximum lifting capacity per module will increase more than six-fold from 1,200 tons to 8,000 tons. With the new HVL, HHI can install bigger modularized blocks built on-ground onto offshore facilities at a time, and therefore minimize the potential risks of working at height.

The addition of HVL can help HHI reduce construction time of a variety of offshore structures, bringing about 24 billion Korean won (\$21.9 million) in cost reduction each year to HHI.

Offshore & Engineering

Steel Cutting Ceremony for Bergarding Complex



HHI held a steel cutting ceremony for a central processing platform for Bergarding Complex on March 3. The 33,000 ton platform can produce 430 million cubic feet of natural gas and 15,000 barrels of condensate daily. The offshore platform will be installed 150km northeast of Kota Bharu, Malaysia. The offshore hook-up and commissioning of the Bergarding Complex comprising a central processing platform (CPP), a bridge and a wellhead platform is scheduled to take place by the end of 2016.

Shipbuilding

Naming Ceremony for Three 14,100 TEU Containerships



HHI held a naming ceremony for three 14,100 TEU containerships ordered by Seaspan on April 1. The vessels were named *YM Wish*, *YM World*, and *YM Wellhead* respectively, at the simultaneous naming ceremony, attended by Mr. Choi Kil-seon, chairman and CEO of HHI and Mr. Kyle Washington, co-chairman of Seaspan. *YM Wish* was delivered on that day and the others were delivered on April 10 and 17. The containerships measure 368 m in length, 51 m in width and 29.85 m in depth with a service speed of 23 knots.

Construction Equipment

Eight Tier 4 / EU Stage IV Compliant Models at INTERMAT 2015



With 8 to 12 percent improved fuel efficiency in comparison with its previous Robex 9 series

HHI announced that it showcased 29 construction equipment including the eight brand new Tier 4 / EU Stage IV compliant construction equipment models at INTERMAT 2015 on April 21. The all-new six HX* (Hyundai excavator) excavators, ranging from 22-ton HX220L to 52-ton HX520L, are powered by eco-friendly and fuel efficient engines meeting the Tier 4 / EU Stage IV emission regulations and reducing NOx emission to one-tenth from compatible models.

With 8 to 12 percent improved fuel efficiency in comparison with its previous Robex 9 series, the new excavators feature Eco-Gauge Guidance on the control panel that shows the status of engine torque and fuel efficiency information using colors and gauge level.

The HL* (Hyundai wheel loader) 955 and HL960 wheel loaders also improved fuel economy by 7 to 10 percent from its previous models with Tier 4 / EU Stage IV compliant engines.

Shipbuilding

Three Ships Launched in Gunsan Shipyard



HHI's Gunsan shipyard expects to increase the dry dock turnover ratio as it launched three ships simultaneously for the first time in its dry dock on March 6. A 208,000 DWT bulk carrier for Oden-dorff, a 181,000 DWT bulk carrier for Golden Union and a 115,000 DWT product carrier for Kyklades were launched on that day. The 208,000 DWT bulk carrier measuring 291.5 m in length, 50 m in width and 25 m in depth was delivered on May 26. Other ships are scheduled to be completed in June.

Shipbuilding

A Boxship Built by Hyundai Samho Heavy Industries Named "Green Ship of the Year"



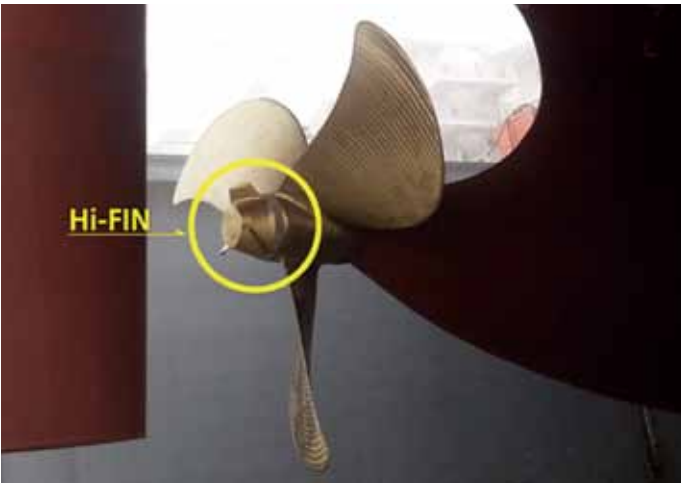
Hyundai Samho Heavy Industries, a shipbuilding affiliate of HHI, announced that UASC *Umm Qasr*, a 9,000 TEU containership built by HSHI, has recently been designated "Green Ship of the Year" by the Maritime & Port Authority of Singapore on April 21.

The containership, which measures 300 m in length, 24.8 m in height and 48.2 m in width, was delivered to Singapore-based Asiatic Lloyd on July 31, 2014 and is currently chartered to Dubai-based United Arab Shipping Company (UASC).

The main features of the containership are an electronically-controlled main engine, a ballast water treatment system and AMP (Alternative Maritime Power) system.

Engine & Machinery

HHI Puts Its Fuel Saving Propeller Attachment, Hi-FIN, into Service



After a year-long trial of the energy-saving device installed on a 162,000 m³ LNG carrier ordered from Maran Gas

HHI announced its fuel saving propeller attachment, Hi-FIN, proves beneficial to shipowners and operators.

After a year-long trial of the energy-saving device, HHI found that Hi-FIN can save up to 2.5 percent of fuel in comparison with the same type of vessels without Hi-FIN. If the fuel saving ratio is calculated on the basis of an 8,600 TEU containership, the owners or operators of the containership can save about \$750,000 per year or \$19 million for 25 years, an estimated lifetime of the ship.

The energy-saving device attached at the hub of the propeller generates countering swirls that offset the swirls generated by the propeller, and thus improves propulsion efficiency.

HHI has won orders of Hi-FIN for over 30 ships to date, and the company expects more orders now that it can install the device on broader types of ships from LNG carriers to almost all types of ships.

Construction Equipment

Tier 4 Final Compliant 30 ton Forklift



HHI announced it unveiled the new 30 ton forklift meeting Tier 4 final emission regulations for the first time among Korean earth-mover manufacturers on April 29.

Equipped with a selective catalytic reduction unit, the new 30 ton forklift engine can slash NOx emissions. The 278 hp engine featuring the new fuel system HPCR (High Pressure Common Rail) also improved its fuel efficiency to up to 12.5 percent compared to the 25 ton forklifts. The new forklift's ergonomically designed seat enhances operator comfort and the load indicator enables operators to check the exact load weight. Clients can also have HHI's proprietary remote management system, Hi-Mate, as an option for the new forklift.

Engine & Machinery

HHI Develops 10.5-Generation LCD Handling Robot



HHI unveiled a new 10.5th generation LCD handling robot on March 11. The new generation robot can handle LCD panels measuring 3,370 mm by 2,940 mm, about 1.8 times bigger than the 8th generation panels.

The robot's foldable structure maximizes users' convenience in transportation and installation. The machine, weighing 120 kg and operable at a maximum height of 6.9 m, features enhanced joints providing 10 percent improvement in speed. Its lighter and stronger structure from previous generations also enables the machine to conduct much more precise operations.

Art of Procurement: Expertise in Variety

Teresa Lee

“Our procurement process should become more strategic and farsighted. We need to choose suppliers who can contribute to increasing the total value of our products on the base of a win-win relationship.”



Mr. Kim Jae-hoon, the Head of the Corporate Procurement Center

Kim Jae-hoon, the exacting and driven head of procurement at Hyundai Heavy Industries (HHI), is just the kind of man to entrust the purchase of some \$13.7 billion yearly in raw materials and equipment for HHI and its two ship-building affiliates.

“Although central procurement for steel materials has more than 15 years of history, it’s only been four years since we achieved an economy of scale through combining the purchase of all other materials and equipment as well,” said Kim.

Sourcing a wide variety of materials from steel plates to building equipment from at least 50 countries, HHI Corporate Procurement Center has the difficult task of managing costs and running the widely-flung supply chains of HHI, Hyundai Samho Heavy

neering knowledge allows the procurement people to make strategic purchases that are not simply the cheapest material available, but be able to choose by considering the total cost that the material will incur across the whole process or the total value of the purchase over the long-term.

“In a nutshell, our procurement process should become more strategic and farsighted. For example in selecting prospective suppliers, we need to choose those who can provide us with quality components that can contribute to increasing the total value of the ship we produce and build a win-win relationship with them, instead of focusing on cutting the procurement costs at a micro level.”

Although Kim encourages his employees to grasp complicated engineering concepts, when it comes to communication,

practice should be widely implemented,” said Kim.

“For effective administration of purchasing and logistics, being familiar with many fields of work not only raises individual but the company’s overall competitiveness. In such terms, I can say I have half-succeeded.”

“The procurement center’s greatest strength is that young talents that entered the division in the past five years are working diligently, and we have the biggest procurement scale among our competitors,” said Kim.

“You need the wisdom to see both the tree and the forest when negotiating for procurement. Your knowledge of the product, the seller’s internal affairs, supply chains, fluctuations in material costs and industry trends is vitally important. To be an

Corporate
Procurement
Center in
Numbers

\$13.7 billion

Total value of yearly
purchase

50

Number of countries that
supply materials

250

Approximate number of
employees

Industries and Hyundai Mipo Dockyard.

The procurement center is currently pushing hard to standardize and localize the procurement of materials for offshore plants since late last year as oil majors are keen to cut development costs due to lower oil prices.

Coming from a background of mechanical engineering from the University of Ulsan, Kim believes some 250 procurement division employees could use a large dose of technical expertise to buy better quality materials at a more competitive price.

“To be good at procurement work, we need to spend more time to communicate with engineers designing our products and acquire their points of view, rather than just talking to people in the procurement field just because we are in procurement,” said Kim, who took up his current position in February.

Mr. Kim emphasized that basic engi-

neering knowledge allows the procurement people to make strategic purchases in keeping with his considered demeanor.

“Although bottom-up communication is increasingly frequent and important these days, top-down communication is still the norm and its efficiency is the key. The person talking always believes he explained in full, but there’s always something missing for the listener. You need to put yourself in the listener’s shoes. For that matter, I cannot overemphasize the need for detailed communication.”

Kim, who has worked in HHI’s London office, on the fields at Qatar, and managed the company’s general affairs including PR among other positions since he entered HHI 32 years ago, counts the variety of his experience as a strength.

“One of the lessons I’ve learned is the importance of job rotation, where workers switch jobs every three to five years. Such

effective negotiator, you need to invest a lot of time in preparation for the negotiation, no matter how short it is.”

Throughout an hour-long interview, Kim’s serious demeanor softens just once – when he recalls the first time he entered an equipment factory on HHI’s grounds after being newly hired in 1983.

“I looked up, and saw long rows of mechanical equipment as big as houses. It made my heart beat faster, as a student of mechanical engineering. Now you see our factory – it’s two, three times bigger.”

Kim, who picks “Man proposes, God disposes,” as his favorite phrase to remind himself to do his best and accept outcomes as they are, says newcomers to HHI should not just look at how the company is now but what it can be 20 to 30 years from now. **HHI**

The writer is a journalist based in Seoul.

Buy the Confidence Ernest Doe

Lee Erin



Mr. Colin Ernest Doe, Managing Director of Ernest Doe & Sons Ltd.

from & Sons

“Our strapline is ‘where you can buy the confidence.’ We trade with honor and integrity and stick by what we have said. This is the philosophy that we instill in all our staff.”

“In essence with each new generation of machine, Hyundai Heavy Industries (HHI) just gets better and better,” remarks Colin Doe, managing director of a long-established family firm Ernest Doe, which supplies a wide array of machines from garden mowers and chainsaws to construction excavators to its UK clients.

Headquartered in a small village called Ulting, 30 miles east of London, Ernest Doe was founded in 1898 by Doe’s namesake great grandfather, and started importation of a cable operated backhoe. The business had since been passed down to generations, with Colin Doe being the fourth generation of the family in its 100-plus years of trading.

The firm now has 19 sites across the southern part of England, employing 520 staff for its diversified business mix: agricultural, ground care and construction businesses. Having worked with HHI for the last 25 years, the company records the second largest sales among HHI’s numerous dealerships overseas.

Ernest Doe’s first encounter with HHI came in the late 1980s when one of their existing offerings, Hymac excavators, was ceased from production. While researching the construction equipment market in detail, HHI caught their eye. Ernest Doe, together with the general sales manager and top salespersons, wanted to check out the machines beforehand, so they visited a Hitachi dealer who had just started to import and retail HHI products, and were immediately impressed with their speed and productivity. This led them to visit the factory in South Korea to meet the design teams for a weeklong negotiation, and they finally struck a deal to import HHI excavators into the UK on the very morning of their departure.

It wasn’t an easy start though. At the time, HHI had only two models to sell, Robex 200LC and Robex 280LC. Also, there was a huge difference in size to the average British excavator operator and the Korean counterpart, which meant they had to throw away a lot of new seats and fit larg-

er ones. They also had to organize sound tests and carry out sound modifications to comply with local construction equipment regulations. “But what we have found is that, if HHI says they are going to do something, they do it,” Doe says, recalling his trip to Korea back in 1990 to meet the HHI management.

HHI promised to produce a 13 ton machine in just 12 months, the fastest selling weight class in the UK at the time. Doe remained unconvinced until proven wrong by HHI’s on-time delivery of Hyundai 130LC, the first HHI 13 ton machine to be seen in the UK. “To be successful in the construction machinery market, you need the right product, the right price and good product availability, and HHI certainly satisfies all of them.”

Ernest Doe has a robust sales forecast of HHI products as well as the construction machinery market in the UK. He says the growth, which he believes would be sustained for the next two to three years, will be mostly driven by the blooming housing market with the British Government having pledged to keep building houses to meet growing demand. Their construction machinery sales plunged by over 70 percent from 2007 and 2009, but started to bounce back in 2010 and finally took off in 2013 with the end of the construction recession. 2015 is anticipated to be a record year for Ernest Doe’s construction machinery division.

When asked about the business philosophy, he says, “Our strapline is ‘where you can buy the confidence.’ We have been in the business a long time, and we like to think that we trade with honor and integrity. We try to stick by what we have said, and this is the philosophy that we instill in all our staff.” **HHI**

The writer is a copy editor of New Horizons.



Edda Fortis, The World's Biggest Floatel

Kim Moon-ju

Home to 2,000-plus gigantic ships currently operating on the seas worldwide, Hyundai Heavy Industries (HHI), the world's biggest and most prolific shipbuilder, has churned out a long list of vessels winning "the world's biggest" or "the most advanced" titles. Among the vessels that HHI has built to date, there is one unique vessel that may deserve a close attention from around 160,000 visitors who come to HHI's shipyard every year. Its name is Edda Fortis, the world's biggest accommodation vessel to date.

Edda Fortis

Unlike most of other vessels built for carrying commodities or container boxes, the orange-colored Edda Fortis currently under construction at HHI's shipyard is specially built to serve as a floatel (floating hotel) to accommodate offshore project personnel. Edda Fortis, measuring 155 m in length, 32 m in width and 8 m in depth with a maximum service speed of 13 knots, can accomo-



Mr. Johan Rokstad, CEO of Edda Accommodation

date 804 persons—a capacity of 200 more persons-on-board compared to its predecessor Edda Fides delivered to Edda Accommodation in 2011. The vessel is operable even in arctic waters due to winterization and ICE 1C classification.

The purpose built monohull vessel has a 57 m telescopic heave-compensated offshore gangway that works as a bridge connecting the ship to the offshore facilities to enable the crew to come and go safely from one to the other. The gangway is fixed to an adjustable pedestal that can move up and down within the range of 18-36 m above sea level. A sophisticated dynamic positioning system automatically maintains the vessel's position with six 4,050 kW Schottel Azimuth thrusters, delivering stability to the ship even against five meter high waves in the Arctic Ocean. As the title "floatel" suggests, Edda Fortis has a variety of hotel-class amenities for the crews' convenience including spacious beds, two outdoor swimming pools, a sauna, four 175 seat auditoriums, a 700 m² conference room, etc.

Floatel vs. Semi-Submersible Accommodation Rigs

Although the origin of accommodation rigs goes back to the 1970s, the concept of accommodation vessels is relatively unknown to the public. Workers in the offshore oil and gas industry used to stay on the offshore rigs or on small boats during the construction or installation period of the facilities. However, as the offshore projects have pioneered into deeper seas over the past years, the need for new types of vessels arose.

Hence the accommodation rigs, most of which were born through vessel conversion. The monohull floatel moves faster (saving costs moving from one project site to another) and is cheaper to build and operate than a semi-submersible.

Mr. Johan Rokstad, who has been serving as CEO of Edda Accommodation, the owner of Edda Fortis, since 1998 said, "There are semi-submersible rigs operating as accommodation, but they don't offer the same flexibility as we do. In contrast, Edda Fortis can safely, and swiftly, transport platform employees away from harsh weather conditions such as cyclones and hurricanes. These vessels can be attractive options for both potential clients and anyone working on them since they are a unique combination of a working vessel and a passenger ship."

Reporting for Duty

Mr. Rokstad added, "We believe that Edda Fortis will provide flexible accommodation services for the oil and offshore industry. With the installation of dynamic positioning system, the ship will be an optimal choice for offshore installation projects worldwide. The vessel can also be used as an accommodation unit for any shore side project where the vessel simply stays moored alongside a pier."

HHI is at the final stage of building the floatel it won from Edda Accommodation in March 2013. After putting finishing touches, HHI plans to hand over Edda Fortis in the early third quarter of this year. Upon delivery, like its predecessor Edda Fides mobilized for offshore projects including Shell UK's Gannet A Project on UK Sector in 2011 and UTE CASGAS' Castor Project offshore Spain in 2011/12, Edda Fortis, the manifestation of HHI's shipbuilding expertise and determination to build quality ships, will surely perform her intended service during her lifetime. **HHI**

The writer is a copy editor of New Horizons.

A Good Blend of Experience And Youth for Victory

Ha Jeong-su

HHI members love and enjoy Hyundaisliga just like Germans enjoy Bundesliga, the professional football league in Germany.



It is one fine day of March, and a special day for Kim Sang-woo, senior communications officer in Shipbuilding Contract Management Department of Hyundai Heavy Industries (HHI). It is because he has to play three roles today. First, Kim makes reports on the conditions of several shipbuilding projects in progress as usual. Recently, Kim has been focusing on LNG/LPG carriers building projects for Singapore-based BW Maritime. After completing the reports, Kim intensifies the efforts to improve living and working conditions of the supervisors from shipowners and classification societies, since he's also in charge of their welfare. But this is not the end. He has one last mission to complete: being a referee in a soccer game. The game he referees today is an opening match between Maintenance Department and Ulsan University Hospital, an HHI affiliate, in Hyundai Soccer League, also known as "Hyundaisliga."


Hyundaisliga is the name of one of the world's largest intra-company soccer competition. HHI members love and enjoy Hyundaisliga just like Germans enjoy Bundesliga, the professional football league in Germany. Hyundaisliga, which celebrated its 35th anniversary this year,



Seobu Soccer Field

| Hyundaisliga 2015 | |
|-------------------|--|
| Duration | Mar 25 – Oct 29 |
| Place | Seobu Soccer Field 257-47, Seobu-dong, Dong-gu, Ulsan, Korea Ulsan College Soccer Field 101, Bongsu-ro, Dong-gu, Ulsan, Korea |

 **\$9,800**
TOTAL PRIZE MONEY

 **147**
TEAMS
2,940
PLAYERS

 **277**
GAMES

kicked off this year’s game on March 25 in Seobu soccer field close to HHI headquarters. It will run until the end of October. A total of 147 teams will compete to be the champion through a whopping 277 games. It’s a kind of a grand festival involving 2,940 players and more than 30,000 supporters.

Superb Players and Infrastructure

Hyundaisliga not only boasts a sheer scale but also outstanding players and infrastructure. Hiring more than 60,000 workers including subcontractors, HHI has over 100 workers who were formerly soccer players. Also, about 10 workers are domestically and internationally qualified soccer referees – Kim Sang-woo is just one of them. He has refereed in more than 30 international A matches. “I’ve performed as a referee in Hyundaisliga since 2003. I’ve mostly refereed in opening and final matches. Although the games in Hyundaisliga are not classified as A matches, I’ve always felt fascinated and even jittery whenever I refereed in Hyundaisliga. My first experience as a referee in A match was the game of Japan versus Scotland in 2009. It was a big match, but I could make a successful debut in the A match through several experiences in Hyundaisliga,” Kim said.

The soccer fields for Hyundaisliga are just like the stadiums used by professional football clubs. The two soccer fields on which HHI members will play this year are Seobu Soccer Field and Ulsan College Soccer Field. Of note, Seobu Soccer Field is a renowned football pitch, which served as a training camp for Spanish and Turkish national teams during the 2002 World Cup. The lawn is kept well-groomed to ensure players’ safety through daily maintenance.

Communication and Harmony

It was once said, “Sports are the fairest thing in the world. Sports know no ranks, political leanings, appearance, religions, beliefs, or whatever. Sports require only one thing: skill.” As such, sports are fair and democratic.

Yet, Hyundaisliga has one more special charm to it. Compared to other football leagues, Hyundaisliga has put a strong emphasis on communication and harmony, for which a strict rule is applied to team composition. Each 10-strong team should have one member in their 20s, three in early 30s, three in late 30s and three over 40. When changing the players, the substitute has to be the same age or older than the one being replaced. Also, all teams could place a maximum of three subcontractors to the entry list. Communication and harmony among the team members, whose age gap may be as wide as that between father and son, are the first prerequisite for victory than individual skills. Kim Taekyu, a 29-year-old communications officer in Overseas PR Department, said, “In order to win, it’s important that I keep in tune with senior members who have worked here for more than twenty or thirty years. It is a good chance to be friends and develop a bond with them.”

The theme of harmony is best illustrated in the kind of scene where a quick newbie in his 20s scores a goal assisted by a 50-something veteran player, or where a successful young kicker gets a warm hug from his teammates who are probably as old as his father. **HHI**

The writer is a copy editor of New Horizons.



Vibrant Work Environment, The Secret to Happy Careers

Hyundai Heavy Industries (HHI) has undertaken a number of initiatives to create a vibrant work environment, including the revival of an intra-company soccer competition that had been suspended for the last five years. These initiatives have become an “energizer” to its members who had seemed to be losing their sparkle due to their busy work schedules.

One of the most representative programs in the company’s work environment enhancements is the “Culture & Family Day.” Launched in March, the program encourages employees to leave work on time so they can enjoy the various cultural and sports activities that are offered and spend quality time with their families. The goal is to reinvigorate a diversity of in-house clubs and activities, by department, division or work category, fostering an environment of teamwork and interpersonal relationships amongst co-workers through sports, hobbies and other common interests.

The company is also developing other art, culture, and sports programs beneficial to all, utilizing the cultural facilities and infrastructure of their local communities. To stimulate cultural awareness in the community, a number of cultural events will be held in association with the cul-

ture centers HHI operates. The centers offer diverse cultural programs including concerts, exhibitions, sports, and other events to the residents of Ulsan Metropolitan City.

A number of seasonal events are also conducted by the company, with the goal of promoting the employees’ health and welfare. The 15th Ulsan Hyundai Climathon Festival held on April 26 enjoyed the participation of more than twenty marathon clubs, including Pohang Marathon Club, WithRun, and many of the in-house running clubs, such as HHI Runners and HiMSEN Engine Marathon. Participants started from the Ulsan West Football Stadium and traversed the challenging route through the Yeomposan Mountain area, 206 m above sea level. Afterwards, the runners joined together in various cultural events such as face painting, cocktail shows, and a fusion music performance, savoring the festive mood.

On May 9, 2015, HHI organized International Supervisors’ Spring Festival in the same stadium. Supervisors and their families from more than 50 countries around the world participated. Participants all had a good time competing in a range of colorful games such as soccer, three legged races, obstacle courses, and a tug of war. **HHI**

Korean Shipbuilders To Keep Their Sway In Coming Decades

Shin Dong-shik

Korean shipbuilders far outperform in vessel efficiency, a key factor that determines who wins the technological competition.



“**T**hough your beginning was small, yet your latter end should greatly increase.” As Job 8:7 says, Korea grew from one of the most impoverished countries in the world to become the world’s largest maritime powerhouse in just half a century. However, Korea’s shipbuilding industry has been put to the test in the aftermaths of the unprecedented financial crisis, and now needs to weather some storms presented by the supply glut, feverish competition, lackluster economic growth, a depressed shipping industry and a plunge in offshore orders, for the coming two to three years. Can Korean shipyards rise over these daunting challenges and retain its seagoing preeminence?

I would say yes, reflecting on my six-decade-long career in the world of shipbuilding and the underlying strengths of Korean shipbuilders. Their future is never gloomy but awash with opportunities. First, technically sophisticated Korean shipyards will gather traction faster than their competitors amid phased enforcement of environment regulations set forth by International Maritime Organization; second, robust demand outlook for eco-ships will benefit Korean shipbuilders armed with cleaner technologies and an increasing number of EEDI-compliant ships; third, growing transit traffic in Northern Sea Route with global warming thawing sea ice, and increased attempts to capitalize on supra-polar routes can add to the competitiveness; fourth, ongoing efforts to venture into uncharted territories, such as yacht construction, can reap substantial results.

To put things into perspective, it would be essential to see how Korea will fare versus its neighboring shipbuilding forces, China and Japan. Although they constitute a grave threat, the future will be bright for Korea if it stays ahead of the competition. China has emerged to be a formidable competitor since it first displaced Korea in newbuild orders in 2012. Its focus on value-added vessels, for example the world’s first bespoke underwater deepsea mining support vessel, has indeed paid off. It also

seems to be ready to start the construction of cruise ships, a segment where Japan had fallen short. Arnold Donald, chief executive of the world’s largest cruise liner Carnival which recently signed an MOU with China State Shipbuilding Corporation, said he anticipates China to begin building cruise ships in the near future to meet the country’s own high expected demand, a sign that Chinese shipyards have almost set the stage for cutting-edge, high-value vessels.

Japan is now waking up from its long hiatus, powered by technology prowess and a weakening yen. Its global market share, which had been stifled at a 10 percent-range from 2007 to 2013, soared to 20 percent last year with fast diversification of its offerings, threatening to take over what had long been the traditional turf of Korean shipyards, i.e., containership, gas carrier and tanker segments.

Nonetheless, Korean shipbuilders far outperform in vessel efficiency, a key factor that determines who wins the technology competition. The ever-tightening regulatory environment can only reinforce Korean shipbuilders who are able to build eco-ships that are cheaper to run. Yet, the technology gap between the Asian shipbuilding giants will eventually narrow, or even close after a generation of time, which means the first one to develop new technology will be the one to win the race. The three countries, though competing neck to neck, share a common fate as the world’s leading maritime power. With this cluster of three shipbuilding nations keeping a tight rein, other marine powers such as Russia, Brazil, India, as well as Southeastern Asian countries like Singapore, Taiwan and Vietnam, will find it hard to corner the market even after three decades: this is because the strong lead of the trio has been and is likely to be retained by competition-fueled technology innovation and synergy effects emanating from geographical proximity. As such, competition is the way for the three to survive and thrive together. As the world’s shipbuilding hub, it is important to weave a mutually beneficial path in or-

der to keep the hegemony intact.

For Korean shipbuilders to keep its lead, the following tasks need to be fulfilled: first, nurture next-generation designers and engineers, as the key to success lies in people. Second, address the aging workforce. Third, improve the labor-management relationship with fair and reasonable wage system and win-win cooperation. Among many things, labor cost is as important to win the shipbuilding market as technology. The age of cheap labor is over, but the labor cost should not be too onerous as to jeopardize the whole industry. Fourth, continue to roll out next-generation technology. Fifth, advance and foster relevant machinery and equipment in lockstep with shipbuilding efforts. In the meantime, the government should provide aggressive and long-term support to its mainstay industries, namely shipping, shipbuilding and offshore. A control tower which gives a firm political underpinning to the industries is essential.

Shipbuilders at home and abroad are now making proactive responses to tide over the current industry headwinds, making painful changes where needed. Building on the footprint of the pioneers and the geographical strength, Korean shipbuilders are forecast to ride out the storm and lead the shipbuilding renaissance for decades to come. **HHI**



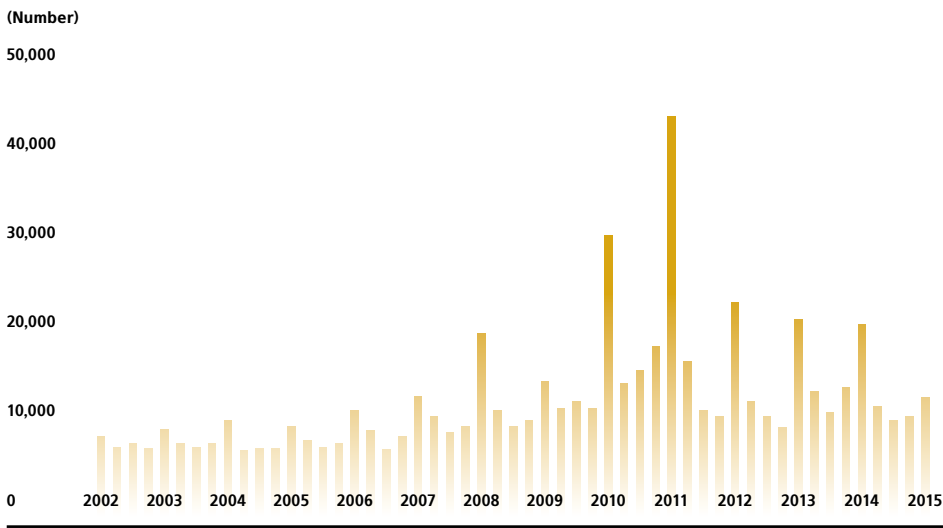
Mr. Shin Dong-shik
CEO of Korea Marine Consultants Co., LTD.

Fuel Efficiency, The Key to the Excavator Market

Park Moo-hyun

Sales Volume of Excavator in China

Source: Bloomberg, Hana Daetoo Securities



A New Change In the Excavator Market

In 1Q15, China's excavator market nearly halved to 17,694 from same time last year. The market has in fact floundered since 2011 due to softening growth of fixed-asset investment, while competition is getting even tougher with an increasing number of local competitors eating into the market share. Since China accounts for roughly half of the global excavator market, it would be difficult to assume a bullish outlook for the global market in the foreseeable future. In other words, global demand no longer underpins the growth of the excavator market.

Product Competitiveness That Stands Out

Fuel efficiency and eco-friendliness, widely advocated in many industries, have also become the recurring theme of the construction equipment market; namely, technology is creating new demand for the highly versatile construction machines. Of note, Hyundai Heavy Industries (HHI) is ahead of the competition with its set of next-generation excavators and wheel loaders, respectively named HX and HL series that are compliant with Tier 4 emission

Fuel efficiency and eco-friendliness have become the recurring theme of the construction equipment market.

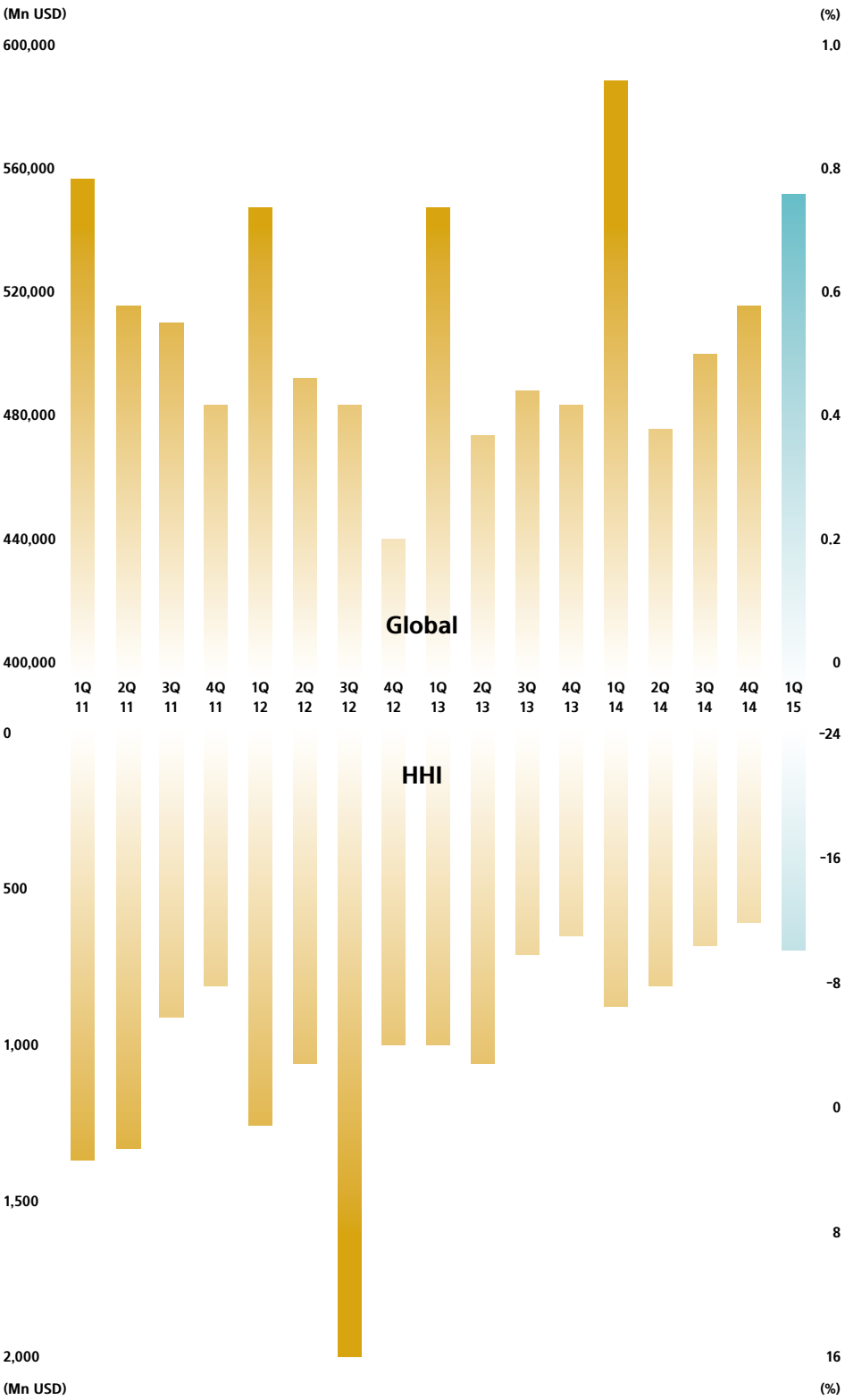
standards. For instance, HX series, ranging from 22 tons to 52 tons, consume more than 10 % less fuel compared to existing ones thanks to their proprietary power control technology. HHI excavators represented 4.9 % of the Chinese market in 1Q, up 4.5 % from last year. The new Tier 4 regulations, which are geared towards curbing emissions of nitrogen oxide and particulate matters, came into effect in North America, Europe and Japan last year, and in Korea this year.

Construction Equipment Sector Picking Up

Globally, the construction equipment industry is gaining steam in terms of profitability. The aggregate profitability of key players such as Caterpillar, Komatsu, Sany Heavy Industry, Doosan Infracore and HHI was 0.4 % in 1Q15. Caterpillar achieved a 12 % operating profit margin in 1Q15 in its construction equipment business, while HHI slightly exceeded the breakeven point in the same period. Considering the operating profit margin of -2.4 % last year and -15.7 % in 4Q14, HHI's performance seems to be recovering albeit at a measured pace. **HHI**

The writer is an analyst based in Seoul.

Excavators Sales Volume: Global vs. HHI

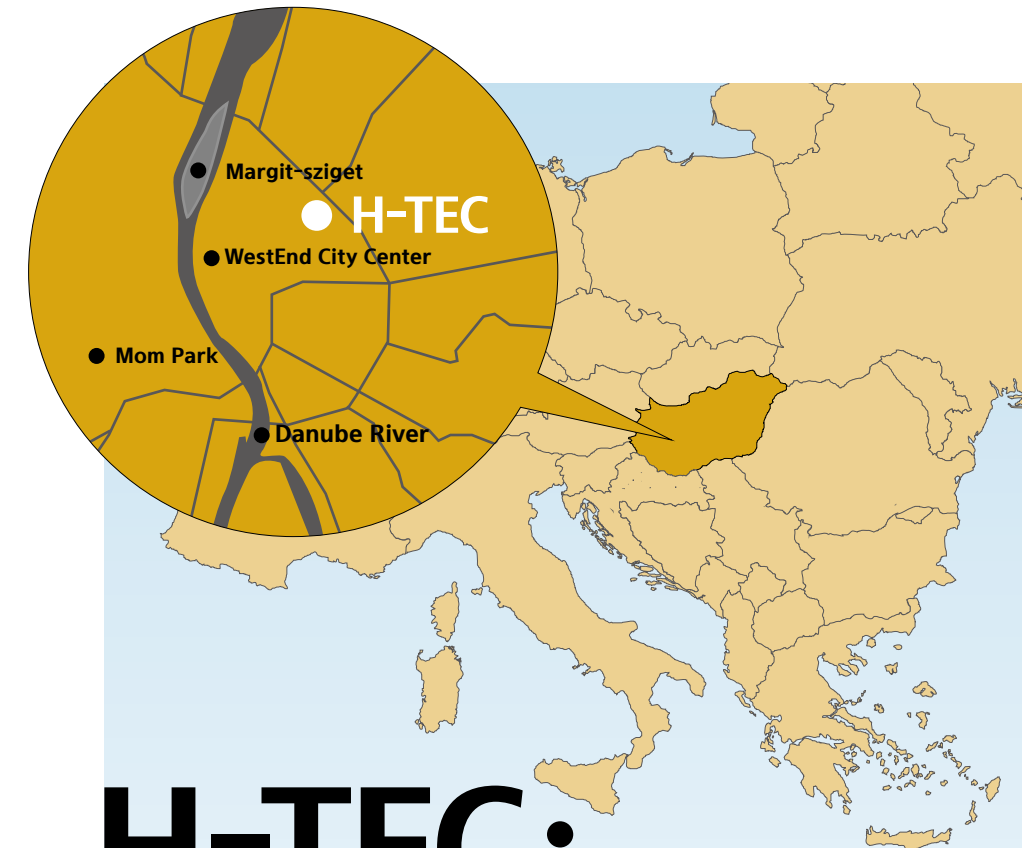


Source: Bloomberg, Hana Daetoo Securities



Photo © János Ecsedy in Flickr

Global HHI



H-TEC: Hyundai Technologies Center Hungary

Yun Il-sung

H-TEC is responsible for setting out product and technology roadmaps in cooperation with the Electro Electric Systems Division and its institute.



H1146 Budapest Hermina ut 22, Hungary

Foundation

Hungary is an important bellwether in basic science: it is home to a staggering 16 Nobel laureates including 12 natural scientists, and also to a vast pool of highly skilled engineers with work experience in globally renowned companies such as ABB, Siemens, GE and Ansaldo. Hungary excels in electrical design technologies among others, and provides opportunities to tap skillful engineers educated in Budapest University of Technology.

Since it has become practically impossible to receive capability transfer from major electric companies, H-TEC was founded in Hungary to attract and retain local talents with experience in such companies so that their expertise can be embedded into Hyundai Heavy Industries (HHI). Capitalizing on the body of accumulated knowledge, it seeks to roll out innovative products and attain sophisticated technologies for the Electro Electric Systems Division of HHI.

History

In October 1998, H-TEC was established with \$20,000 in capital stock, kicking off with motors as the organization was built upon seasoned engineers and designers who had been involved in designing large motors of Ganz-Ansaldo, a joint venture between Italy's Ansaldo and Hungary's Ganz which has over 100 years of history in motor manufacturing. H-TEC eventually added teams dedicated to ultra-high-voltage circuit breakers and switchgears in 2000, transformers in 2001 and power control in 2007. As of April 2015, it has five teams under its roof.

For existing offerings, H-TEC makes steady improvements to the design to cut costs and enhance efficiency.

Performance and Achievements

H-TEC is responsible for setting out product and technology roadmaps in cooperation with the Electro Electric Systems Division and its institute. For existing offerings, H-TEC makes steady improvements to the design to cut costs and enhance efficiency so as to increase their marketing power and consequently, sales. They also work to make sure that products in the pipeline are catering to the varying needs of the market. Furthermore, their role includes ongoing analysis of latest technology or product trends in Europe and share the outcome with the headquarters to keep them well-informed of latest developments and changes in the global market.

Of note is their long and fruitful track record. The product mix shows a set of high-capacity and high-efficiency devices such as vertical induction motor and large synchronous motor series from the motor team, and eco-friendly GIS, 145kV, 245kV and 420kV GIS from the high-voltage circuit breaker team which are poised to hit the Middle Eastern market shortly. The switchgear team is working on developing ring main units, metal-clad switchgears and improving the performance

of existing C-GIS, and the transformer team undertakes design quotation of special transformers and cost control of strategic models for the Middle East and America. The power control team studies standardized low-voltage inverters and high-capacity outdoor photovoltaic power conditioning system in cooperation with the Electro Electric Systems Institute.

Future Plans

To become a forward-looking and insightful engineering center of HHI's Electro Electric Systems Division, they seek to add experienced professionals and build more test facilities to further improve core technologies and new offerings. In the long term, H-TEC seeks to act as a bridge between HHI and the European market by sharing the technical information it has gathered here with the headquarters, to keep them abreast of changes and trends and help them build a larger presence in Europe. Also, they will continue to focus on new technologies through industry-university collaboration with Budapest University of Technology. **HHI**

The writer is a general manager at H-TEC.



Photo © 2015 Sziget

Sziget Festival, a Week’s Getaway On the Island of Freedom

The Grand Budapest Hotel, a box office hit in South Korea in 2014, revealed the beautiful colors and fairytale buildings of Budapest to the world. Its director Wes Anderson said that he actually derived inspiration from traveling through Budapest and other parts of Eastern Europe. The capital city of Hungary boasts such beautiful sceneries that it is called the “Pearl of Danube.”¹ There is also one more thing of note that hails from Budapest, the renowned Sziget Festival, which attracts music maniacs from all over the world every summer.

Launched in 1993 and celebrating its 23rd anniversary this year, the Sziget Festival was singled out as one of the top 10 rock festivals in Europe, and won the Best Major Festival Award at the European Festival Awards from the European Festival Association. Sziget in Hungar-

ian means “island”, and the festival in fact is held on Óbudai Island on the Danube River.

An average of 400,000 people gather here every year from more than 70 countries around the world to enjoy this festival. The entire island is transformed into a festival venue overflowing with fervor and passion during the event. This year, the festival will feature over 200 programs that will be held in about 50 places over one week from August 10 through 17.

World-renowned musicians such as Robbie Williams, Kasabian, Ellie Goulding, and Limp Bizkit will be appearing, providing spectators with a range of musical genres to enjoy including electronic music, folk, jazz, blues, and rock. A variety of cultural events will be also held during the festival, including movie premiers, circuses and exhibitions. **HHI**

1. The Danube: It is also known as Dunaj in Czech and Duna in Hungarian, all of which were derived from the Latin Danubius. The 2,860km-long Danube is Europe's second-longest river. It starts from southern Germany, passes through northern Austria and Hungary, and flows into the Black Sea through the eastern coast of Rumania.

Driving Mr. Chung

His Hyundai Placed Home Nation in the Ranks of Automotive Powers

Shim Sung-won

There is a pithy quotation about driving that makes us smile and nod automatically: “Driving a brand new car feels like riding around in an open billfold with the dollars flapping by your ears as they fly out the window.”

The late Hyundai Group founder Chung Ju-yung enabled his fellow countrymen — on indigenous, Korean-made cars at that — to feel and experience what the above mentioned saying exactly means. This is one of the notable achievements the Hyundai conglomerate has contributed to Korea.

Rolling its automobiles into nearly 200 countries across the globe, Hyundai Motor sold some 5 million units of cars at home and abroad last year to consolidate its post as the world’s fifth largest automaker.

Following is another legend-like story of the late business tycoon.

As is well known, Chung was born in November 1915 as the first son of a large impoverished peasant family in a village which became a part of North Korea after the 1950-53 Korean War. To escape from the excruciating poverty, he left home at an early age to get a job and after he started achieving business success, he supported his family as the faithful eldest son.

After a few attempts to run his own businesses, which turned out to be all in

vain in the late 1930s, left him with only the reality of the restrictions imposed on Koreans in certain industries by the Japanese colonial government, the 20-something Chung came up with a new business idea.

Using a service garage he purchased from a friend, Chung started the A-do Service Garage, a car repair shop, in 1940. Within three years, the number of employees grew to 70 and Chung was able to bring in a good income. However, he had to face another trial in 1943, when the Japanese Occupational Government forced the garage to be folded into a steel plant as part of the war effort. Of course, nobody imagined at that time that the career would provide the fodder for what the Hyundai Motor Group has achieved to date.

Although Chung began his own car-related business in the 1940s at a small garage, a probably apocryphal story that kindled in Chung a passion to launch a “real” automobile business in earnest happened three decades later.

In 1970, at a ribbon-cutting ceremony to open the Highway 1 of the Gyeongbu Expressway, now one of the most well-known pieces of nation-building lore written by Hyundai, Chairman Chung stood next to the then President Park Chung-Hee, the late father of incumbent President Park

Geun-Hye. The senior Park, who was silently staring at the roadway and knew all of the cars in Korea would barely fill up a portion of the new highway, turned to Chung and asked, “What do you know about making cars?” With visions and experience of his youthful days spent in an auto repair shop probably running through his mind, Chung simply replied, “I can do it, sir!”

Chung’s response appeared to be more than self-indulgent confidence as he knew a lot about cars with his company, Hyundai Motor, having built them over the past couple of years. However, what Hyundai Motor, established by Chung in 1967, was really doing was simply assembling a kit of auto parts manufactured by Ford in the United States to produce the assembler’s first compact brand, “Cortina” sold in Korea.

Chung knew exactly what Park, whose 18-year rule until his death in 1979 brought the “Miracle on the Han River” to the southern half of the divided Korean Peninsula, wanted to do at that moment.

Both gentlemen knew they did not want to be a subcontractor for Ford any longer. They were craving to compete with U.S. carmakers in the world market. The Cortina assembly plant gave the company a nucleus around which to build a real automobile company. In this context, Hyun-

dai put an end to the partnership with Ford and began looking for a partner that would transfer technology for it to build the real car company Chung wanted.

Toyota of Japan, General Motors of the U.S. and Volkswagen of Germany were among the list of candidates under consideration by Hyundai but none of them was apt to grant technology licensing for the possible Korean partner. However, the then fledgling Japanese automaker, Mitsubishi, provided Hyundai with a ray of hope for future partnership by offering the required technology, although it did not fully satisfy the needs for a Korean car. Furthermore, Mitsubishi was seeking a similar deal with Daewoo founded by Kim Woo-choong as a construction company and turned into a full-fledged conglomerate like Hyundai later. Kim then was determined to enter the car business but he did not choose to walk on the same path as Chung did. By the early 1970s, Daewoo churned out GM car kits in its Korean factory.

On the other hand, Chung took a harder way to realize his own automobile building business. With the technical assistance garnered from Mitsubishi, he began to build a car-production base. He invited Italian designers and a British executive, named George Turnbull, to oversee the construc-



tion of the new factory in Ulsan. In line with his efforts to funnel government-guaranteed loans into the project and owing to President Park's backing, a consortium of U.S. banks joined Korean and Japanese partners to underwrite the loans for Hyundai Motor Company. This marked the first time for a major Korean industrial project to be awarded private foreign capital.

As Korea continued to industrialize at breakneck speed, Chung's dream of building a car using only indigenous technology and expertise came true at a similar velocity. In 1975, Hyundai released its first Korean-made car "Pony" amid a burst of national pride and then the "Pony Excel" in 1986. Since then Chung continued to explore new technologies until the 1990s, incorporating semiconductors and magnetic levitation train technology into Hyundai automobiles.

The Pony was introduced with styling by Giorgio Giugiaro of ItalDesign and powertrain technology provided by Mitsubishi Motors. Its exports began in the following year to Ecuador and soon thereafter to some European nations. In 1984, Hyundai exported the Pony to Canada where its sales greatly exceeded expectations. It once became the top-selling car on the Canadian market. In 1985, Hyundai Mo-

tor's production capacity topped one million, with its exports to the United States kicking off the following year. The Pony Excel was nominated as "Best Product 10" by the Fortune Magazine largely because of its affordability.

Keeping a tight rein, Hyundai Motor began to produce models with its own technology in 1988, beginning with the midsize "Sonata." In the spring of 1990, the aggregate production of Hyundai automobiles reached the four million mark and the next year, the company succeeded in developing its first proprietary gasoline engine, Alpha, and also its own transmission, thus paving the way for complete technological independence. Among other overseas plants, Hyundai Motor India Limited was established with a production plant in India's southern industrial city of Chennai in 1998, which now has an annual production capacity of 600,000 cars.

As part of Hyundai Motor's corporate overhauling program to be reborn as a world-class brand, Chung Ju-yung transferred leadership of the automaker to his son, Mong-koo in 1999. Hyundai is now one of the world's top 100 most valuable brands and one of the worldwide official sponsors of the FIFA World Cup since 2002.

In a regulatory filing earlier this year,

the largest Korean carmaker announced that its sales in 2014 rose 2.2 percent from a year earlier to 89.26 trillion Korean won. It added, it sold a total of 4,961,877 units globally (Korea: 683,532 / overseas: 4,278,345), a 4.8 percent increase from a year earlier.

Last December, Hyundai Motor took the wraps off its epoch-making, eco-friendly Sonata Plug-in Hybrid Electric Vehicle (PHEV) at a motor show in the United States. The Sonata PHEV is Hyundai's first-ever car that can be recharged to run on both gasoline and electricity.

"The Sonata Plug-in Hybrid is a first of its kind engineered and built by a South Korean company, and will be a symbol of our outstanding green vehicle technology," said the late tycoon's grandson and Hyundai Motor's Vice Chairman Chung Eui-sun at the show.

The junior Chung's remarks remind us of this saying left by an unknown driving lover: "I am all about sharing the road with other drivers — as long as they use the part that's behind me."

His late grandfather could have smiled over. **HHI**

The writer is a journalist based in Seoul.



The 2nd Generation of Sonata (1988)



Plug-in Hybrid Sonata (2015)



Photo © National Museum of Korean Contemporary History Collection

Pony 2 PR Postcard, an Icon of The South Korean Automobile History

Pony is one of the iconic monuments that changed the lives of South Koreans. The appearance of the Pony brought about the popularization of automobiles in the Korean society, reflecting enormous innovation efforts at the time. A postcard recording the history of Pony is the "Pony 2 PR Postcard". This postcard was issued by Hyundai Motor in commemoration of the high profile launch of its Pony 2 in 1982.

The postcard was designed as a car pictorial. On the front is a red Pony 2 hatchback model with a snow-covered mountain peak and lake as the backdrop. Written in the top right corner is the phrase "New Pony 2 Model." The back of the card is vertically divided into two parts and printed on the right is an introduction to the product under the title, "Introducing you to the new passenger car model Pony 2." The message is as follows:

"Introducing the new passenger car model, Pony 2. We deeply appreciate your unwavering support as always. We have just

developed a Pony 2, five-door model in a brand new style, based on the technology and experience that we have steadily accumulated since the production of our first, unique Pony model in 1976. The new model has been designed with a slanted front and a hatchback-style back, reflecting the world's latest trends... Having achieved a top-notch level of performance, safety, and comfort as well as the status of the 'national car' of the 1980s, Pony 2 will bring vitality and relaxation to your life."

This postcard is a valuable collector's item, documenting the early history of Hyundai Motor that today has grown into a global brand with the fifth largest sales volume in the world. It also allows us to examine the nation's automobile history in modern times. This postcard was printed commemorating Pony's achievement of 300,000 units in production and 100,000 in exports, conveying its pride and glory, which continues to the present day. **HHI**



“Success or failure of all tasks depends on the mind and attitude of the person who does them. A pioneering spirit is the key to miracles.”

Chung Ju-yung, Hyundai Group Founder

Overseas Offices

Asia

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|---------------|--|
| Tokyo, Japan | Tel 81-3-3211-4792 Fax 81-3-3216-0728 |
| Osaka, Japan | Tel 81-6-6261-5766~7 Fax 81-6-6261-5818 |
| Singapore | Tel 65-6337-2366 Fax 65-6337-8966 |
| Mumbai, India | Tel 91-22-2653-3420~26 Fax 91-22-2653-3429~30 |

Americas

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| New Jersey, US | Tel 1-201-816-4080~2 Fax 1-201-816-4083 |
| Houston, US | Tel 1-281-578-7097, 7802 Fax 1-281-578-7330 |
| Atlanta, US | Tel 1-678-823-7839 Fax 1-678-823-7553 |

Europe

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| London, UK | Tel 44-20-8741-0501 Fax 44-20-8741-5620 |
| Oslo, Norway | Tel 47-2310-0890 Fax 47-2310-0899 |
| Athens, Greece | Tel 30-210-428-2992~3 Fax 30-210-428-2144 |
| Rotterdam, The Netherlands | Tel 31-10-212-1567 Fax 31-10-212-5134 |
| Madrid, Spain | Tel 34-91-732-0454 Fax 34-91-733-2389 |
| Moscow, Russia | Tel 7-495-258-1381 Fax 7-495-258-1382 |

Africa

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| Luanda, Angola | Tel 244-923-585-130 Fax 244-222-370-669 |
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Middle East

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|-------------------------|---|
| Dubai (Fujairah), UAE | Tel 971-4-425-7995 Fax 971-4-425-7996 |
| Abu Dhabi, UAE | Tel 971-2-666-1656 Fax 971-2-666-0631 |
| Jebel Ali, UAE | Tel 971-4-884-0566 Fax 971-4-884-0567 |
| Riyadh, Saudi Arabia | Tel 966-11-464-4696/9366 Fax 966-11-462-2352 |
| Al Khobar, Saudi Arabia | Tel 966-013-849-3876~7 |
| Kuwait City, Kuwait | Tel 965-2291-5354 Fax 965-2291-5355 |
| Istanbul, Turkey | Tel 90-212-290-2860~1 Fax 90-212-290-2862 |

Overseas Incorporated Firms

Asia

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| Beijing, China | Beijing Hyundai Jingcheng Construction Machinery Co., Ltd. Tel 86-10-8321-8347~8 Fax 86-10-8321-1353 |
| Changzhou, China | Hyundai Construction Machinery Co., Ltd. Tel 86-519-8519-1002, 1020 Fax 86-519-8519-1385 |
| Yangzhong, China | Hyundai Heavy Industries Electric Co., Ltd. Tel 86-511-8842-0666, 0500, 0212, 0250 Fax 86-511-8842-0668, 0231 |
| Taian, China | Hyundai (Shandong) Heavy Industries Machinery Co., Ltd. Tel 86-538-349-0110 Fax 86-538-349-0098 |
| Yantai, China | Yantai Hyundai Heavy Industries. Co., Ltd. Tel 86-535-216-5800~1 Fax 86-535-216-5810, 5830 |
| Wendeng, China | Weihai Hyundai Wind Power Technology Co., Ltd. Tel 86-631-896-6000 Fax 86-631-896-6799 |
| Shanghai, China | Hyundai Heavy Industries China Investment Co.,Ltd. Tel 86-21-3357-5888 Fax 86-21-3357-5808 |
| | Hyundai Financial Leasing Co., Ltd. Tel 86-21-2033-2000 Fax 86-21-2033-2033 |
| | China R&D Center Tel 86-21-5013-3393 Fax 86-21-5013-3393 #105 |
| Pune, India | Hyundai Construction Equipment India Pvt., Ltd. Tel 91-21-3530-1700 Fax 91-21-3530-1712 |
| Jakarta, Indonesia | Pt. Hyundai Machinery Indonesia Tel 62-21-2945-5019 Fax 62-21-2945-5020 |

Americas

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| Norcross, US | Hyundai Construction Equipment Americas, Inc. Tel 1-678-823-7777 Fax 1-678-823-7778 |
| Mansfield, US | Hyundai Ideal Electric Company Tel 1-419-522-3611 Fax 1-419-522-9386 |
| Montgomery, US | Hyundai Power Transformers USA, Inc. Tel 1-334-481-2000 Fax 1-334-481-2098 |
| Itatiaia, Brazil | Hyundai Heavy Industries Brazil Tel 55-24-3352-2338 |

Europe

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| Geel, Belgium | Hyundai Heavy Industries Europe N.V. Tel 32-14-56-2211, 2214 Fax 32-14-59-3405, 3406 |
| Sofia, Bulgaria | Hyundai Heavy Industires Co, - Bulgaria Tel 359-2-803-3200, 3210, 3220 Fax 359-2-803-3203, 3242 |
| Bochum, Germany | Jahnel-Kestermann Getriebewrke GmbH Tel 49-234-339-0 Fax 49-234-339-257 |
| Paris, France | Hyundai Heavy Industries France SAS Tel 33-1-4637-1761 Fax 33-1-4637-1295 |
| Budapest, Hungary | Hyundai Technologies Center Hungary Ltd. Tel 36-1-273-3733 Fax 36-1-220-6708 |
| Artem, Russia | Hyundai Electrosystems Co., Ltd. Tel 7-924-730-0321 Fax 7-423-201-0110 |

Africa

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| Lagos, Nigeria | Hyundai Heavy Industries Co., Nigeria Ltd. Tel 234-1-342-7729 |
| Abuja, Nigeria | Nikorma Transport Ltd. Tel 234-9-460-85503 234-803-775-6984 |

Middle East

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| Kuwait City, Kuwait | Hyundai Green Industries Co., W.L.L. Tel 965-6096-6639 Fax 965-2241-3963 |
| Al Khobar, Saudi Arabia | Hyundai Arabia Co., Ltd. Tel 966-887-7602 |

HHI Global Network



Heavy Industries Happy Industries

Technology helps create the world that we dream of. Hyundai Heavy Industries pursues the happiness of the global community with its advanced technology. In the realm of heavy industries, our technology is everywhere, improving the quality of life and happiness of everyone. We are building a world of shared dreams.



Shipbuilding



Offshore & Engineering



Engine & Machinery



Electro Electric Systems



Construction Equipment



Green Energy