

4Q 2018 Earnings Release

HYUNDAI CONSTRUCTION EQUIPMENT



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4Q 2018 Earnings Release

1. Summary of Financial Results
2. Operating Profit Analysis
3. Sales Results by Business
4. Sales Results by Region
5. Financial Statement



1. Summary of Financial Results

2018

- Sales increased 27.8% in YoY as the newly consolidated overseas subsidiaries in China and India.
- Profit increased 51.5% in YoY as the sales growth in Med-Large size excavators and the price realization.

4Q

- Sales increased 13.6% in YoY as the sales growth in China, India and North America.
- Operating Profit increased 127.0% in YoY as the increase in Sales and the price realization.
- Net-profit turned to surplus as the improvement in O/P and gains on foreign currency translation

(Unit: Billion KRW, %)

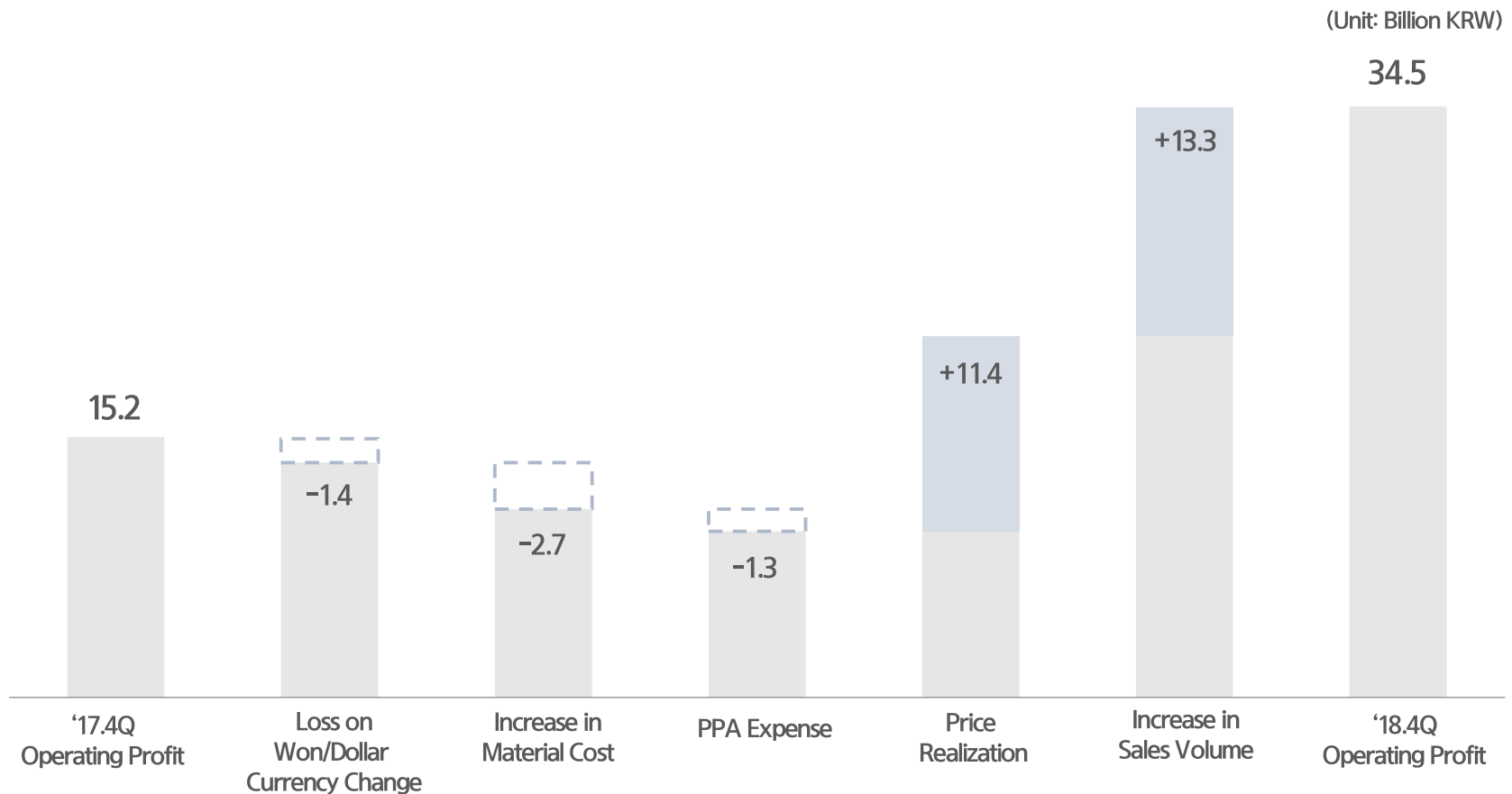
	2018		2017	'18.4Q		'17.4Q
		YoY			YoY	
Sales	3,233.9	+27.8	2,531.1	670.3	+13.6	590.3
Operating Profit	208.7	+51.5	137.8	34.5	+127.0	15.2
O/P Margin(%)	6.5	+1.1p	5.4	5.1	+2.5p	2.6
EBITDA	273.6	+55.3	176.2	50.0	+77.9	28.1
Non-Operating Profit	-32.3	-	-35.6	-0.5	-	-21.9
Interest income	-17.7	-	-16.5	-5.0	-	-3.0
Gains and Losses on Foreign exchange	-3.7	-	-9.2	5.4	(+)	-12.3
Profit before income taxes	176.4	+72.6	102.2	34.0	(+)	-6.7
Net Income	141.1	+96.2	71.9	32.6	(+)	-12.8
Profit attributable to owners of the Company	89.9	+25.0	71.9	19.4	(+)	-12.8

- Note1) '18.4Q : K-IFRS consolidated financial statements basis (consolidated with Belgium, Atlanta, Holding company and subsidiaries in China, India, Indonesia)
- Note2) '17.4Q : K-IFRS consolidated financial statements basis (consolidated with Belgium, Atlanta subsidiaries)
- Note3) 2017 : Including '17.1Q sales performance before spin off from HHI for the reference.
- Note4) EBITDA : Excluding PPA Expense

2. Operating Profit Analysis

- Improved profitability as sales volume increased in China and India. High operating leverage.
- Operating Profit increased 127% YoY due to the sales increased in Med-Large size excavators.

Operating Profit Analysis (YoY)



- Note5) PPA Expense (Purchase Price Allocation) : Allocation of the purchase price paid to the assets and liabilities included in a transaction

3. Sales Results by Business

- Construction Equipment : Sales increased 34.4% YoY thanks to sales increased in Med-Large size excavators in China and India
- Industrial Vehicle: Sales increased 3.9% YoY mainly in the developed markets such as North America and Europe
- Parts: Sales increased 18.5% YoY according to sales growth of equipment globally
- Continuous increase in Operating Profit in all business especially O/P for CE increased 95.6% YoY due to the robust sales growth

Sales

(Unit: Billion KRW, %)

	2018		2017	'18.4Q		'17.4Q
		YoY			YoY	
Construction Equipment	2,530.8	34.4	1,882.5	489.9	10.4	443.7
Industrial Vehicle	465.4	3.9	448.0	122.8	24.7	98.5
Parts	237.7	18.5	200.6	57.6	19.8	48.1

Operating Profit (%)

(Unit: Billion KRW, %)

	2018		2017
		YoY	
Construction Equipment	136.5	95.6	69.8
%	5.4		3.7
Industrial Vehicle	13.2	37.5	9.6
%	2.8		2.1
Parts	59.0	1.0	58.4
%	24.8		29.1

4. Sales by Region

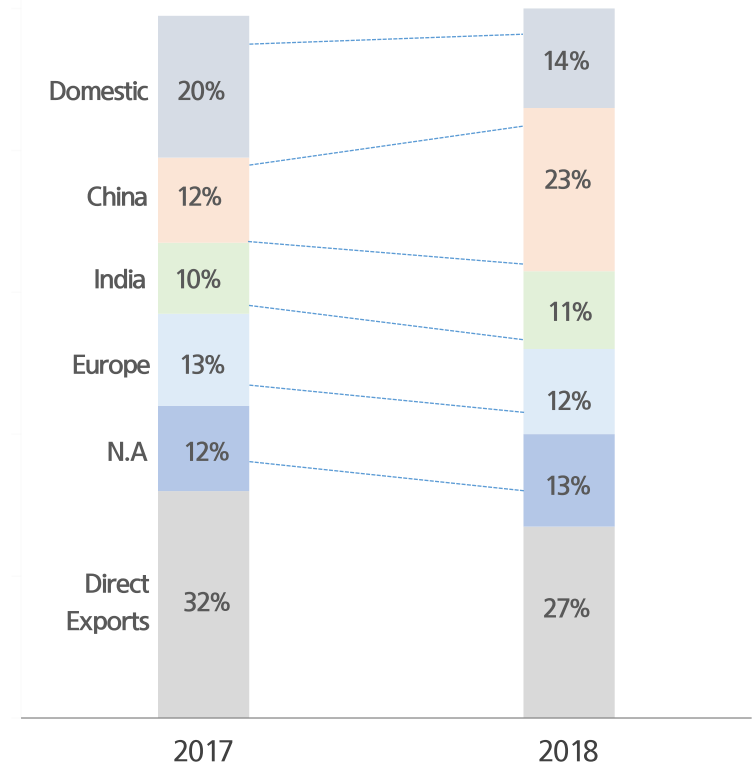
- **Direct Exports** : Sales decreased due to the fluctuations in local currencies resulting from the foreign capital exiting EM after raising US interest rate
- **Overseas Subsidiaries** : Sales increased significantly in Med-Large size excavators as expanding infrastructure investment in CN, IND, NA
- **Domestic** : Continuous downturn of sales due to the decrease in housing and SOC projects

Sales

(Unit: Billion KRW, %)

		2018		2017	'18.4Q		'17.4Q
			YoY			YoY	
Direct Exports	Russica, CIS, Turkey	184.6	-10.3	205.7	32.5	-31.0	47.1
	Latin America	107.5	6.1	101.3	19.0	-38.1	30.7
	Asia, Oceania	259.4	17.6	220.5	63.7	29.7	49.1
	Middle East, Africa	218.6	-24.2	288.5	41.4	-47.9	79.5
	CNHi (OEM)	119.3	0.5	118.7	29.7	6.1	28.0
	Sub-Total	889.4	-4.8	934.7	186.3	-20.5	234.4
Overseas Corp.	North America	436.0	23.0	354.6	110.2	40.0	78.7
	Europe	394.0	5.8	372.5	91.1	4.1	87.5
	India	346.0	21.8	284.1	82.6	6.3	77.7
	China	770.6	117.5	354.2	134.8	37.8	97.8
	Sub-Total	1,946.6	42.6	1,365.4	418.7	22.5	341.7
Domestic		452.3	-22.0	580.2	83.8	-19.1	103.6

Sales Portion by Region



- Note 6) Excluding F/X, CKD Technology Transfer Fee etc.
- Note 7) Overseas Corp. : NOT reflected internal transaction

5. Financial Statement

- Continuous stable financial management with Debt to Equity Ratio 99.4%
- Announced 2018 DPS (Dividend Per Share) at 850 KRW that the dividend yield remains at about 2%

Consolidated Financial Statement

(Unit: Billion KRW)

	2018	2017	'17.04
Total Assets	3,126.5	2,228.7	1,829.5
Current Assets (accounts receivable and other bonds)	2,203.9 (671.0)	1,553.5 (425.5)	1,195.5 (407.9)
Cash and Cash Equivalents	522.2	426.0	295.7
Non-current Assets	922.7	675.2	634.0
Total Liabilities	1,558.3	1,057.7	1,067.8
Current Liabilities (accounts payable and others)	945.1 (439.1)	785.6 (278.6)	574.8 (218.2)
Non-current Liabilities	613.2	272.1	492.9
Borrowings	966.0	673.8	766.9
Net Borrowings	443.7	247.8	471.2
Total Equity	1,568.2	1,170.9	761.7

Analysis

	2018	2017	'17.04
Current Ratio (Current Assets / Current Liabilities)	233%	198%	215%
Debt Ratio (Total Liabilities / Total Assets)	99.4%	90%	85.6%
Borrowing Ratio (Borrowings / Total Equity)	61.6%	57.5%	47.7%

2019 Outlook

1. HCE Outlook
2. Market Outlook



1. 2019 HCE Outlook

- 2019 Revenue is expected to grow by 12% YoY to 3,629.4 Billion KRW
- Increasing M/S in China and India, Launching New models in Developed Market, Focusing on keeping market leader position in EM
- Expanding Global Sales Volume by utilizing Global Production Subsidiaries, Improving Profitability by Changing Product Mix

Sales Outlook by Region

(Unit: Billion KRW)

	2019 Sales Outlook	
		Portion (%)
Emerging Markets (incl. China, India, Others)	2,181.3	60%
Developed Markets (incl. N.A, Europe)	938.4	26%
Domestic Market	483.2	13%

Sales Outlook by Business

(Unit: Billion KRW)

	2019 Sales Outlook	
		Portion (%)
Construction Equipment	2,738.0	75%
Industrial Vehicle	499.6	14%
Parts	3,91.8	11%

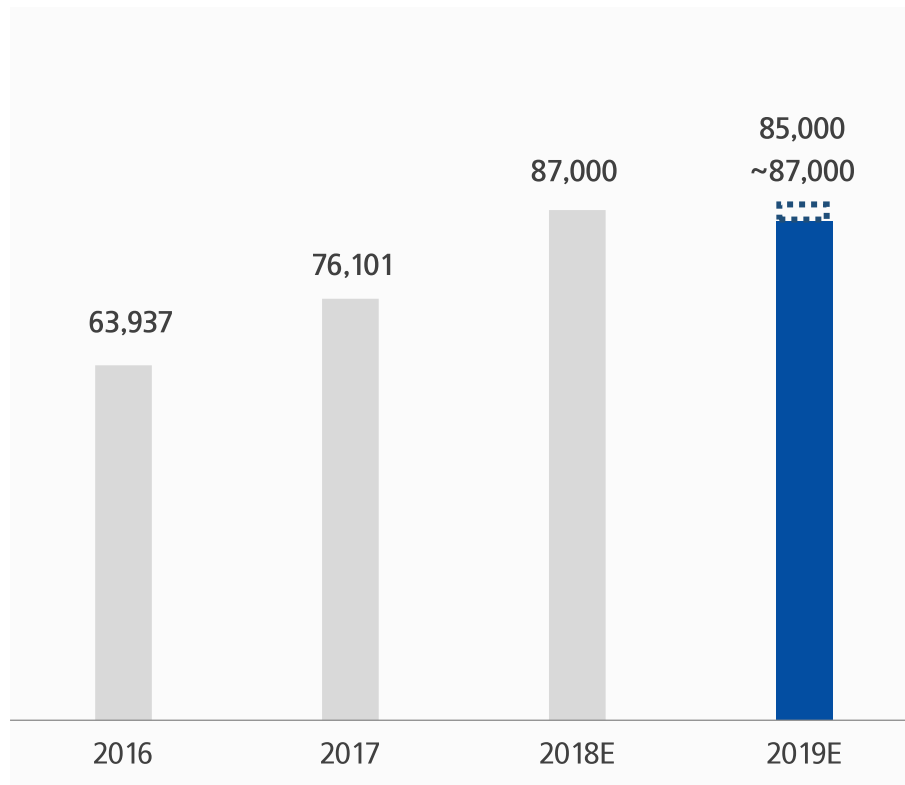
- Note8) NOT Reflected Others Sales

2. Market Outlook(1) – Direct Exports (Emerging Markets excluding China, India)

- Market demand will have an impact on Oil & Raw Material Price even the currency rate gets stable relatively
- Expanding Sales Volume by utilizing Global Production Subsidiaries (Exports India & Brazil equipment to other emerging markets)
- Creating a stable sales and profit fundamental by increasing sales of large equipment
- Expecting sales growth through newly developed dealer network globally

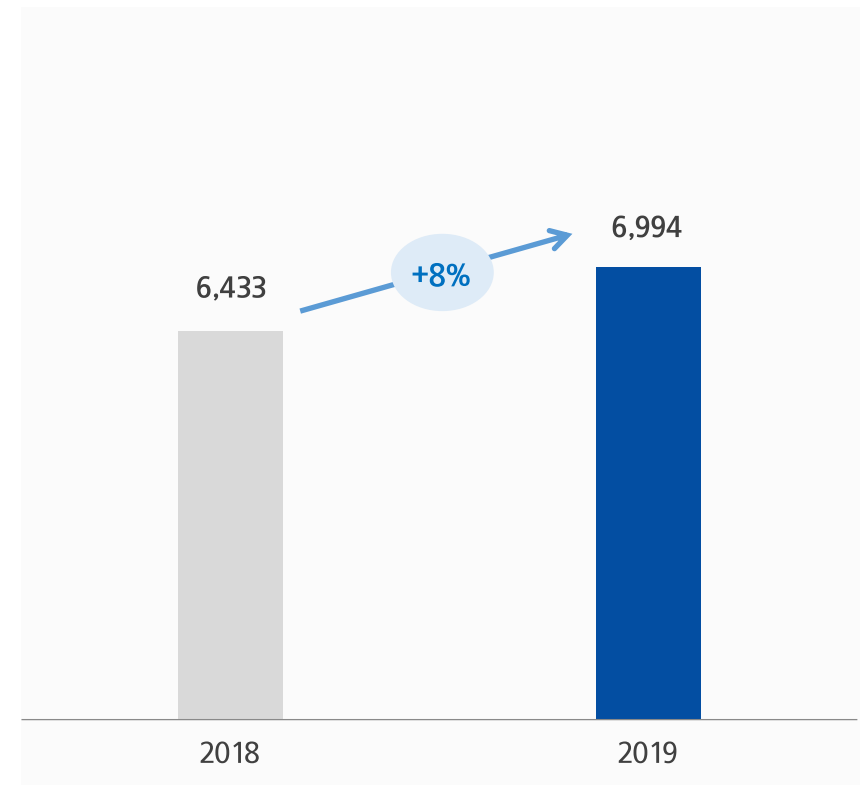
Market Outlook

(Unit: Units)



HCE's Sales Target

(Unit: Units)



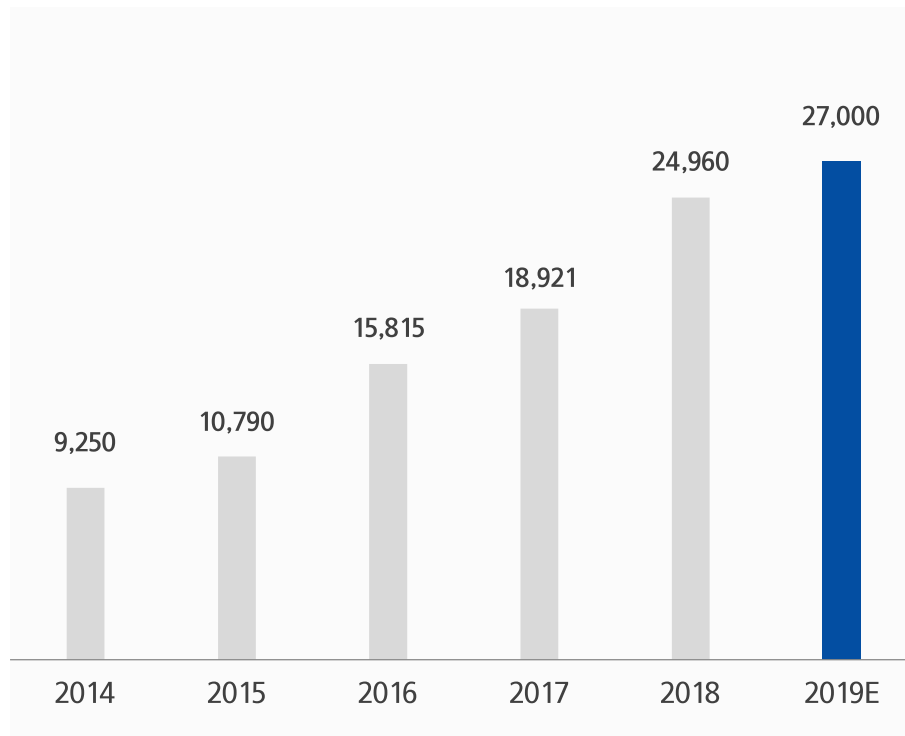
• Source: HCE Data (Excavator, Wheel loader)

2. Market Outlook(2) – India

- Major factors of instability in the market have been eliminated (such as surging exchange rates, oil price and shifting of uncertainty in EM economies)
- Market will continue to grow with 7.5% economy growth forecast and a large scale investment plan for infrastructure
- HCE sales is projected to grow +24% YoY during 2019 together with expanding facility capacity

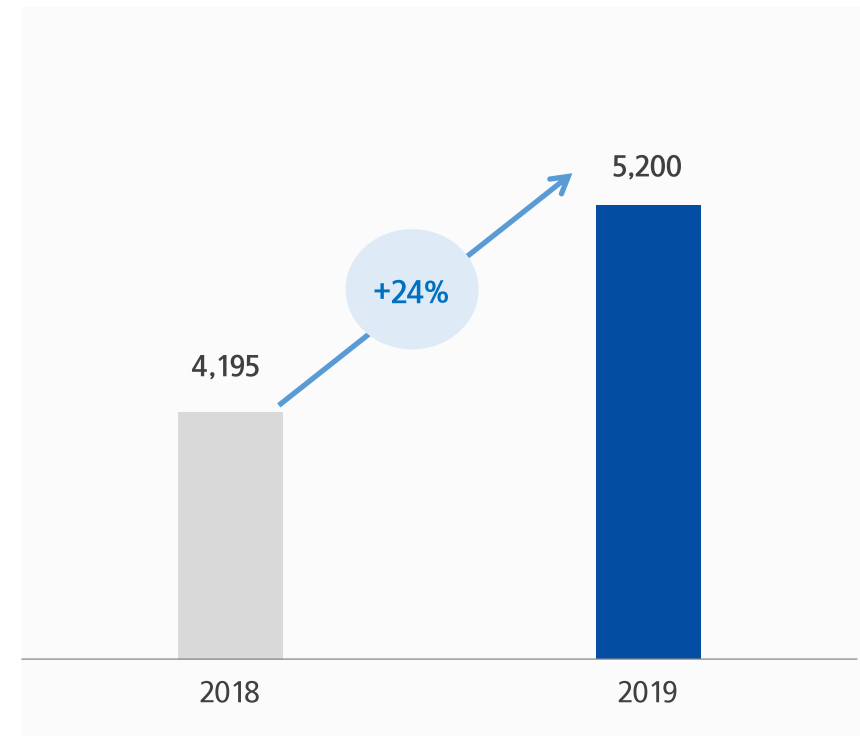
Market Outlook

(Unit: Units)



HCE's Sales Target

(Unit: Units)

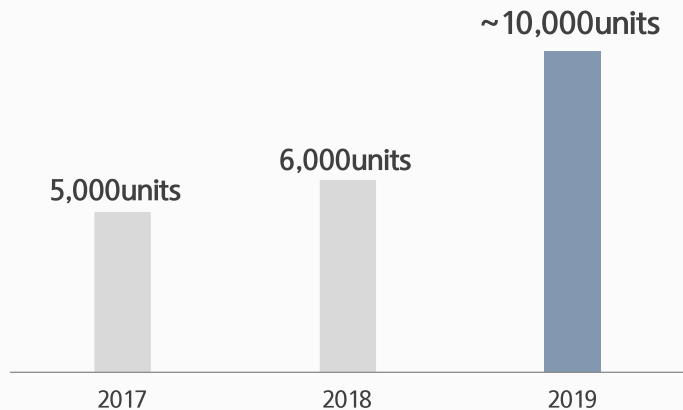


- Source: HCE Data (excluding Exports)

2. Market Outlook(2) – India

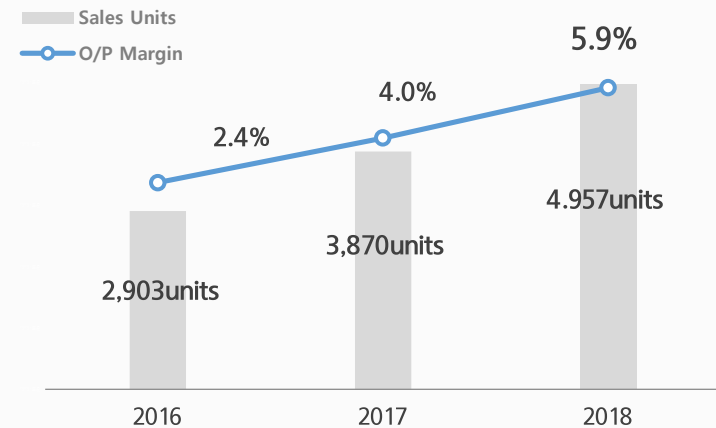
- Expanding facility capacity to 10,000 units per year and Keeping 2nd position of M/S
- HCE India shows continuous growth in Sales, Operating Profit, Market Share in four consequent years and plans to enhance cost competitiveness by expanding localization of parts

Increasing Productivity



- Early implementation of production capacity of 10,000units per year and preemptive response to market growth.
- Expanding product models and increasing exports models with sustainable growth in India domestic market.

Improving Profitability



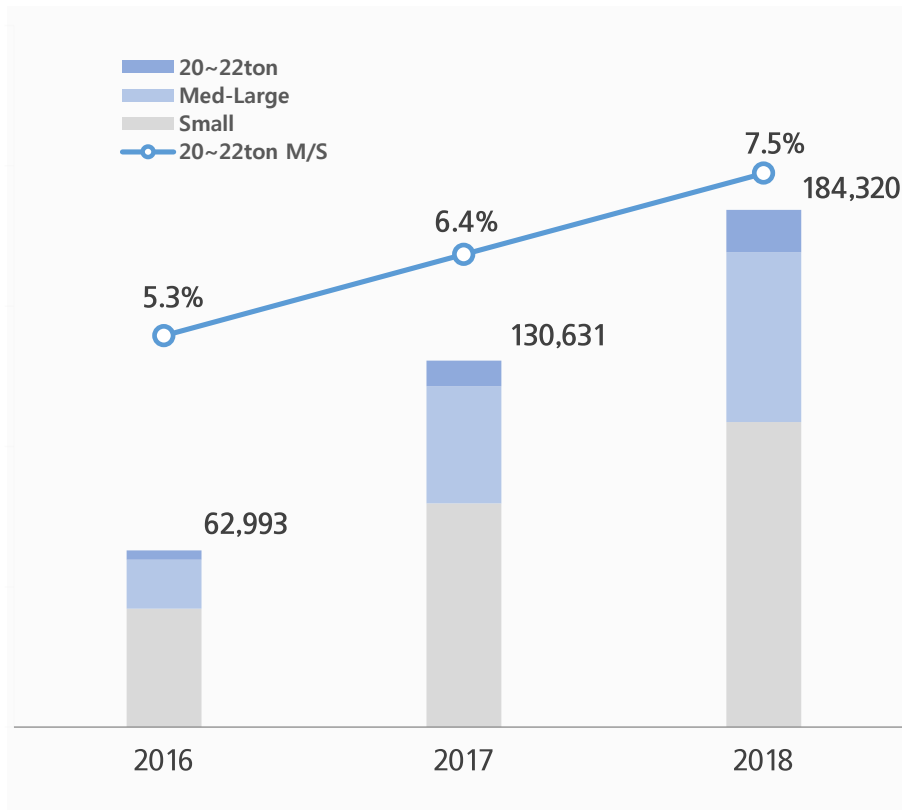
- Note 9) Sales Units: Including Exports Units

- Having competitive advantages compared to other competitors who do not have a local factory.
- Enhancing cost competitiveness by expanding localization of major functional parts. (2018: 34.3% → 2019: 42.3%)

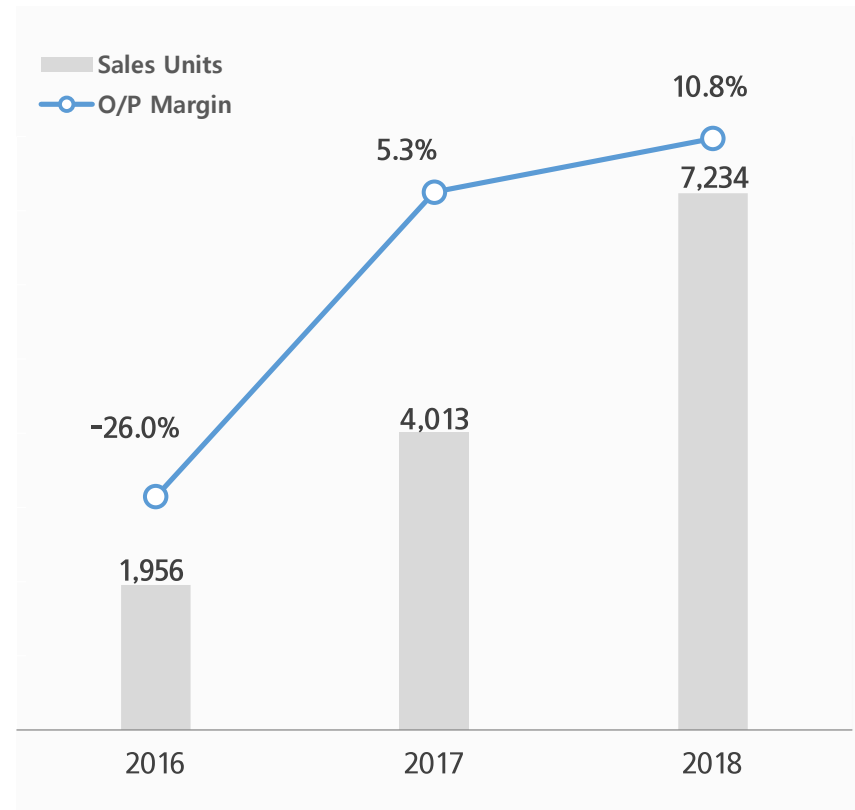
2. Market Outlook(3) – China

- Robust market growth during 2017~2018 due to Chinese government’s infrastructure investment
- Increased HCE’s M/S in 20~22ton Med excavator markets and Improved profitability (2016: 5.3%→2018 7.5%)
- HCE’s priority is profitability and risk management. Gradual M/S increasing is expected.

Market Size and HCE’s M/S in 20~22ton Market (Unit: Units, %)



Improvement Profitability (Unit: Units, %)



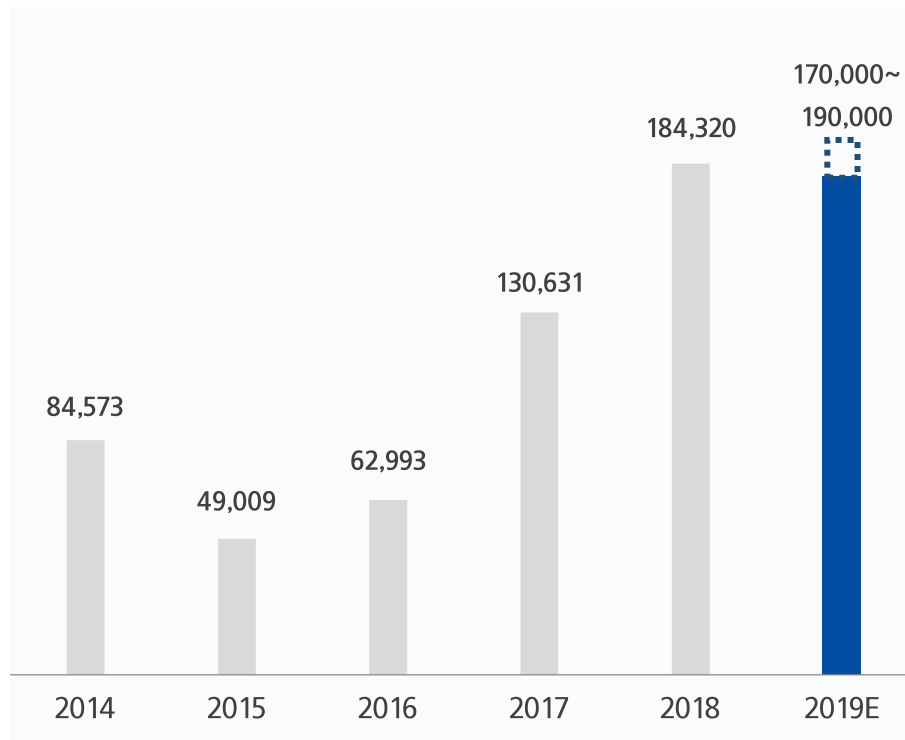
• Source: HCE Data (Excavators)

2. Market Outlook(3) – China

- Market demand will remain at similar levels to 2018 even there are high risk about global economy downturn and high base in 2017-2018
- No big fall in 2019 market due to the pre-buying demand before starting engine emission regulation (Tier4) in 2020 and the schedule for Tier 4 is important to how many orders would be brought forward
- Expecting HCE’s sales growth through newly developed dealer network (Expanding Sales Point: 206 points → 300 points)

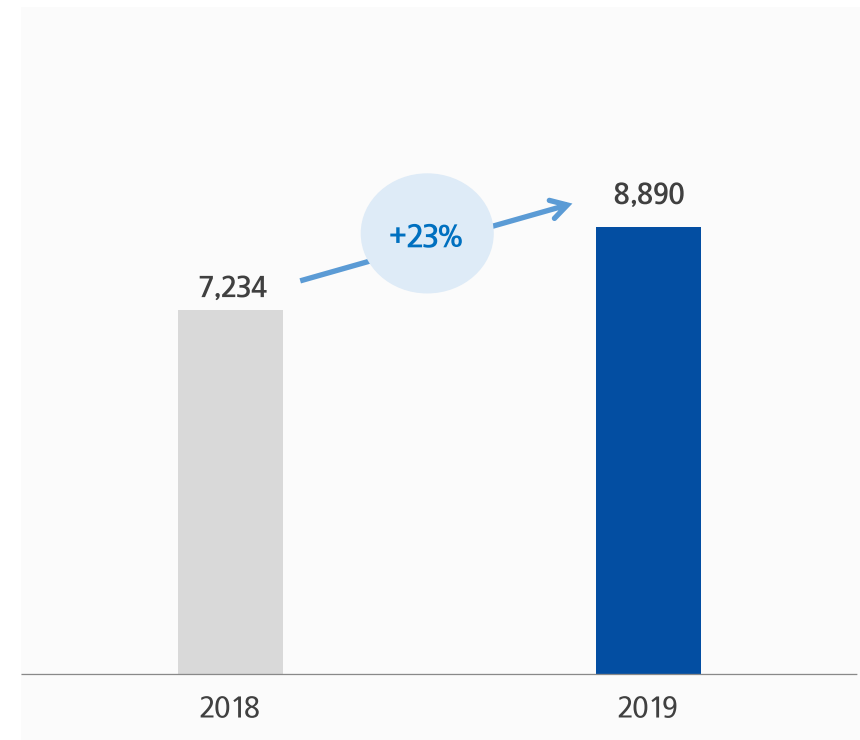
Market Outlook

(Unit: Units)



HCE’s Sales Target

(Unit: Units)

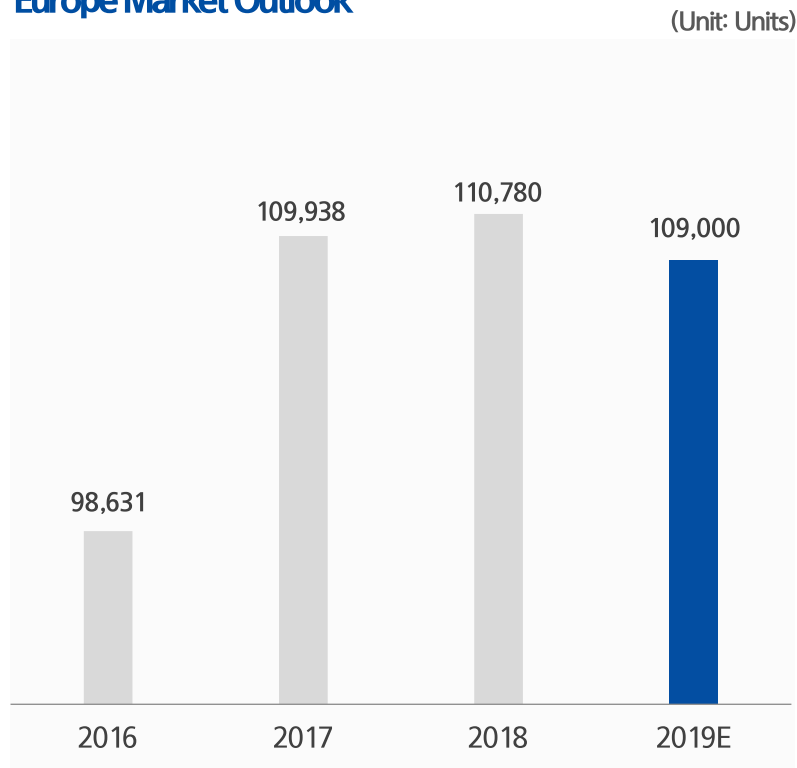


• Source: HCE Data (Excavators)

2. Market Outlook(4) – Europe and North America

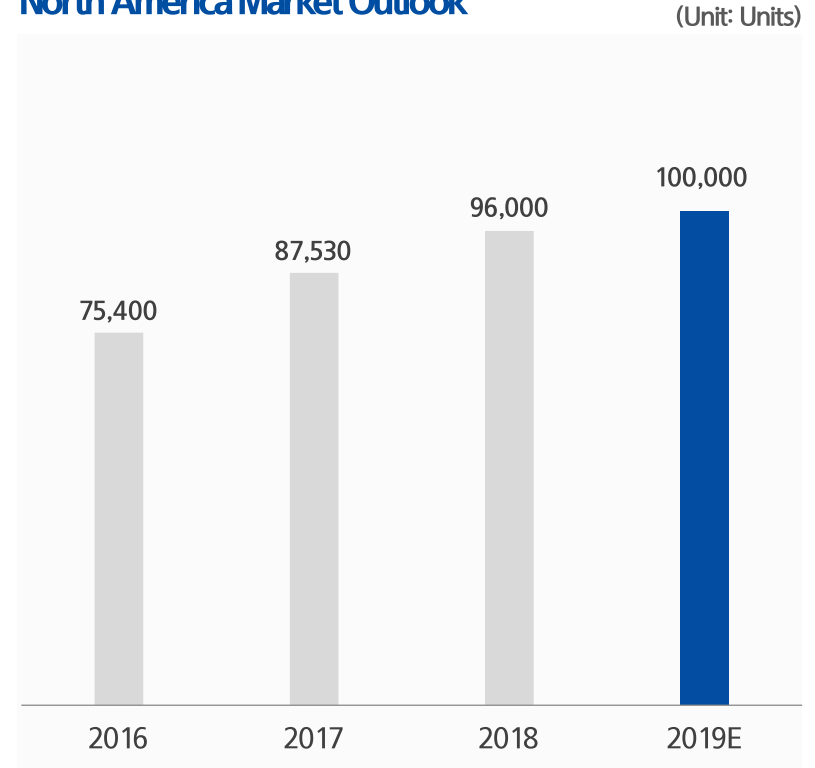
- [Europe] Market demand will be slow down due to ongoing political and economic uncertainties but there will be no big changes
- [North America] Positive on market demand due to the solid growth in economy and large scale investment plan for infrastructure
- Planning to launch Stage V model in developed markets → improve the quality and liability of product → expand market share.

Europe Market Outlook



- Source: HCE Data (Excavator, Wheel loader)

North America Market Outlook



- Source: HCE Data (Excavator, Wheel loader)

Appendix.

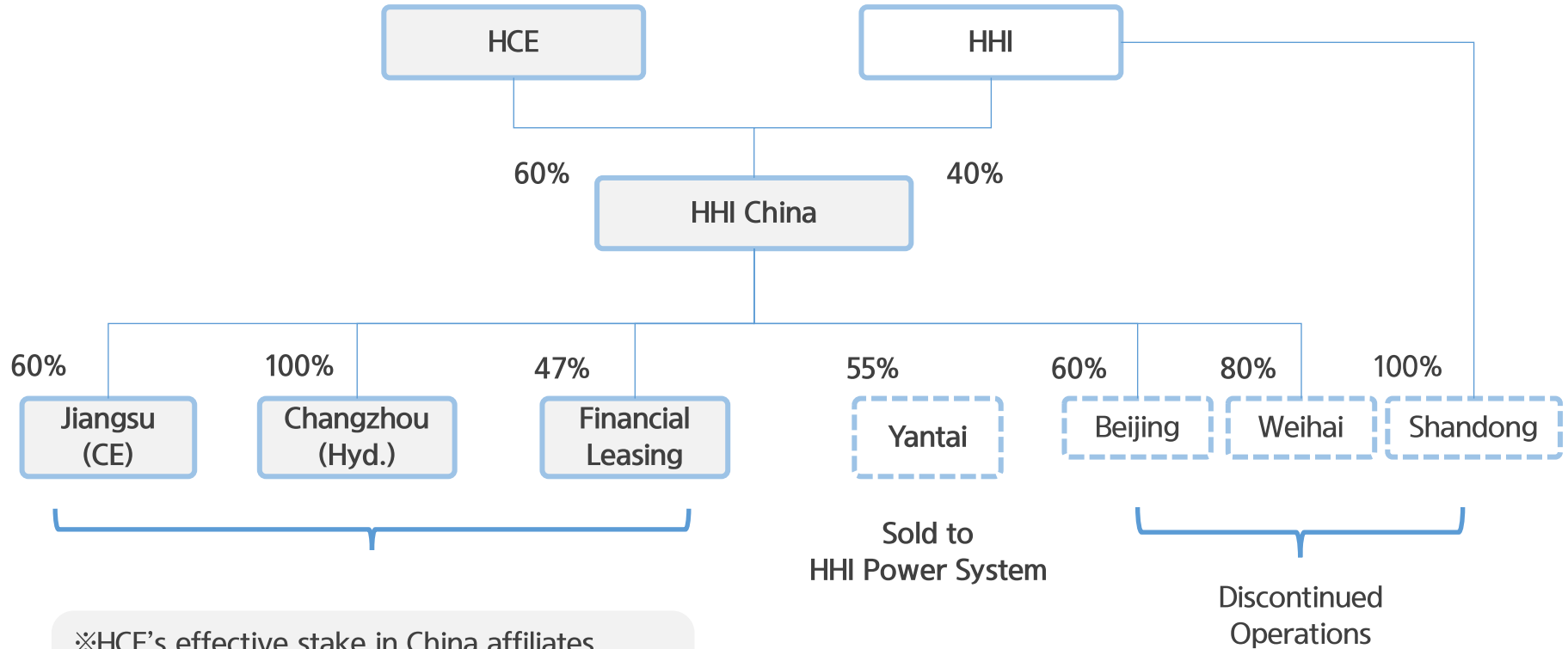
1. Sales Record of India and China
2. Shareholding Structure of HHI China

Appendix. Sales Record of India and China

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	M/S
India Market	2017	1,683	1,588	1,750	1,524	1,475	2,010	918	1,085	1,366	1,348	1,850	2,324	18,921	
	2018	2,300	2,152	2,211	2,010	1,964	1,784	1,625	1,902	2,263	2,200	2,170	2,379	24,960	
	yoy	37%	36%	26%	32%	33%	-11%	77%	75%	66%	63%	17%	2%	32%	
HCE	2017	281	282	303	277	258	349	171	180	209	198	317	312	3,137	16.6%
	2018	400	433	414	340	337	272	268	377	421	331	388	200	4,181	16.8%
	yoy	42%	54%	37%	23%	31%	-22%	57%	109%	101%	67%	22%	-36%	33%	

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	M/S
China Market	2017	3,947	13,918	20,589	13,671	10,493	8,226	6,997	7,957	9,530	9,670	12,900	12,733	130,631	
	2018	9,550	9,726	36,654	25,043	17,790	12,465	9,337	10,106	11,719	13,492	14,160	14,278	184,320	
	yoy	142%	-30%	78%	83%	70%	52%	33%	27%	23%	40%	10%	12%	41%	
HCE	2017	144	500	589	373	295	261	206	297	313	301	454	280	4,013	3.1%
	2018	541	666	1,329	1,008	809	401	323	385	477	595	388	312	7,234	3.9%
	yoy	276%	33%	126%	170%	174%	54%	57%	30%	52%	98%	-15%	11%	80%	

Appendix. Shareholding structure of HHI China



※HCE's effective stake in China affiliates

①	Jiangsu	: 36%	(HHI China 60%)
②	Changzhou	: 60%	(HHI China 100%)
③	Financial Leasing	: 28%	(HHI China 67%)

