

1Q 2019 Earnings Release

HYUNDAI CONSTRUCTION EQUIPMENT



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1Q 2019 Earnings Release



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

1. Summary of Financial Results

1Q

- Revenue decreased 14.2% in YoY as the recessions of global economy and weak sales in major markets.
- Profit increased 1.5% in YoY as the FX gains and impact from ASP hike.
- Net income increased 4.8% in YoY as the improvement in profit and FX gains.

(Unit : Billion KRW, %)

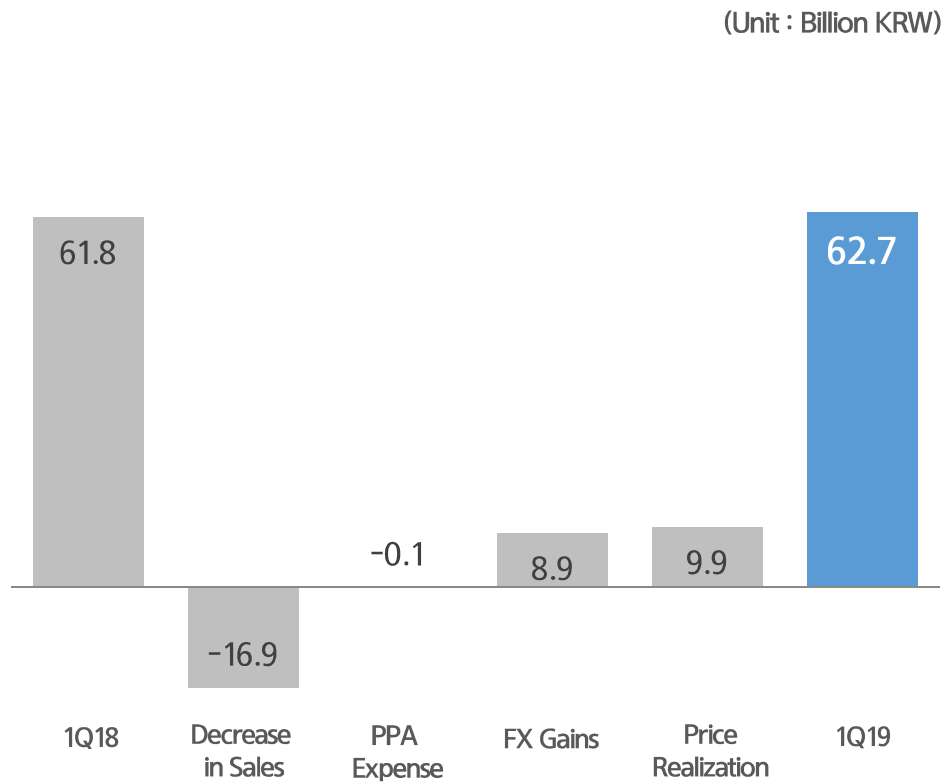
	'19.1Q			'18.1Q	'18.4Q
		YoY	QoQ		
Revenue	798.0	-14.2	19.1	930.5	670.3
Operating Profit	62.7	1.5	81.7	61.8	34.5
O/P Margin(%)	7.9	1.3p	2.8p	6.6	5.1
Non-Operating Profit	-2.6	-	-	-0.8	-0.5
Interest income	-4.1	-	-	-3.6	-5.0
Gains and Losses on Foreign exchange	6.3	-	-	-0.9	5.4
Net Income	52.2	4.8	60.1	49.8	32.6
Profit attributable to owners of the Company	36.6	20.0	88.7	30.5	19.4

- Note1) K-IFRS consolidated financial statements basis (consolidated with Belgium, Atlanta, Holding company and subsidiaries in China, India, Indonesia, TNA)

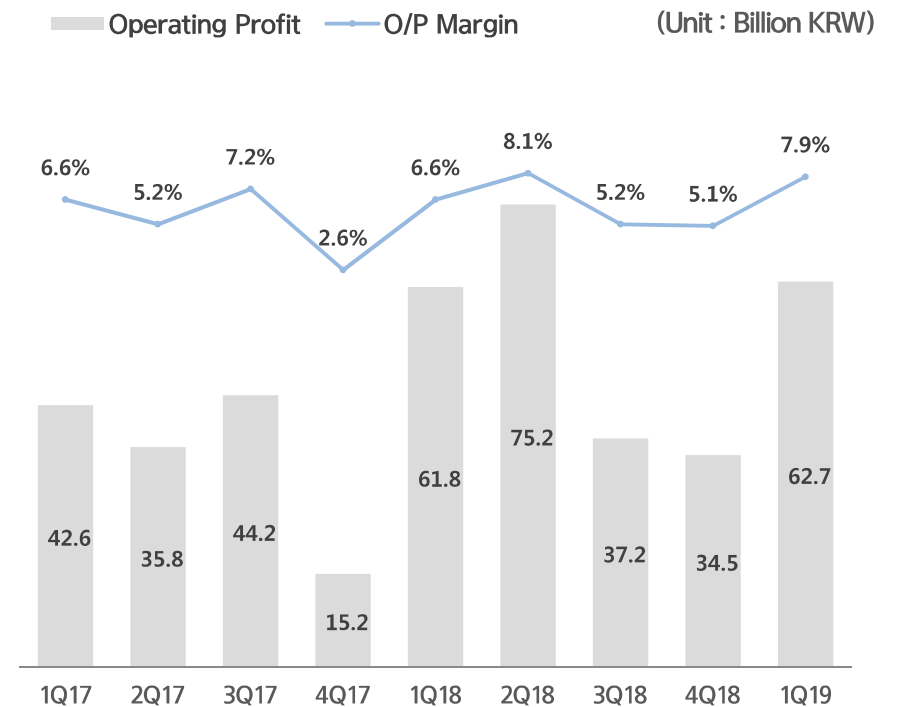
2. Operating Profit Analysis

- Operating Profit increased in YoY from 61.8 billion KRW to 62.7 billion KRW even sales decreased sharply.
- O/P Margin improved in YoY from 6.6% to 7.9%.

Operating Profit Analysis (YoY)



Quarterly changes of Profit



• Note2) PPA Expense (Purchase Price Allocation) : Allocation of the purchase price paid to the assets and liabilities included in a transaction.

3. Sales by Business

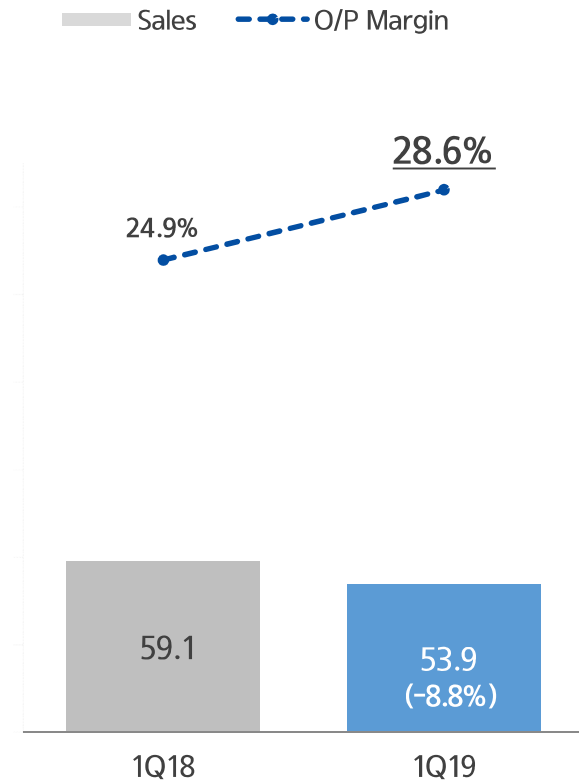
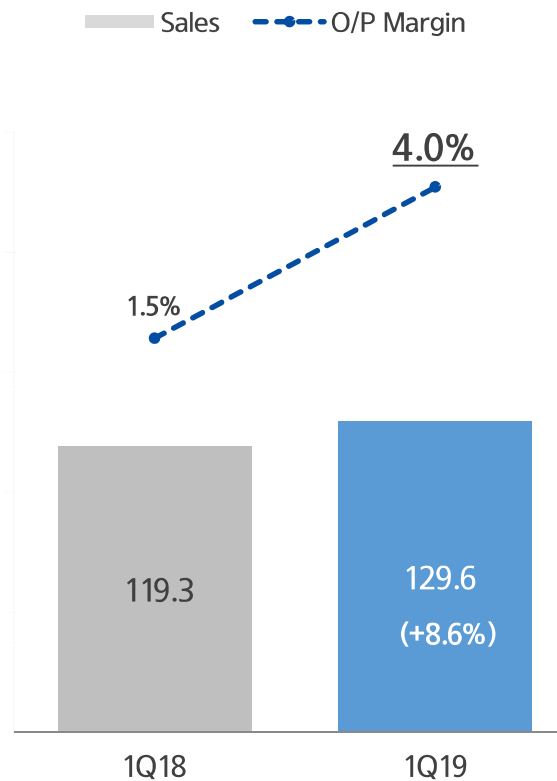
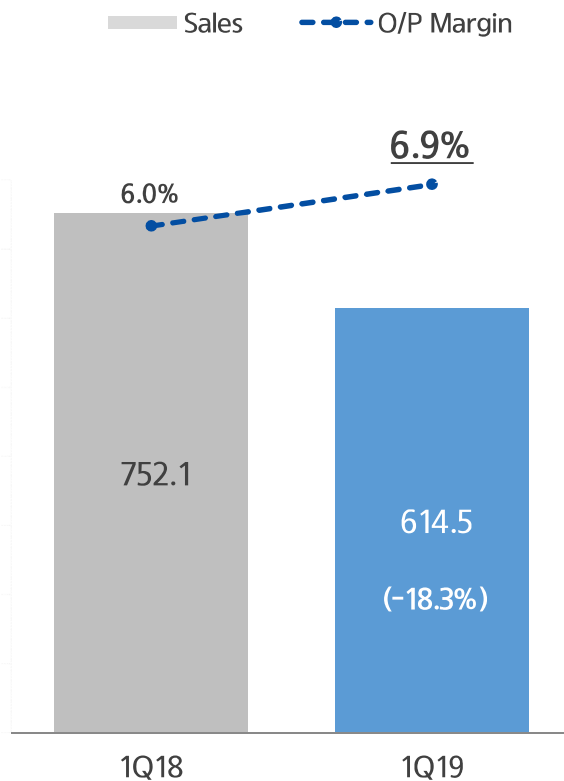
- Construction Equipment and Parts Sales decreased due to the weak demand in major markets arising from the recession of global economy. Meanwhile, Industrial Vehicle Sales increased due to the market expand to EM such as India and Latin America.
- Improved in O/P margin in all business.

Construction Equipment

Industrial Vehicle

Parts

(Unit : Billion KRW)

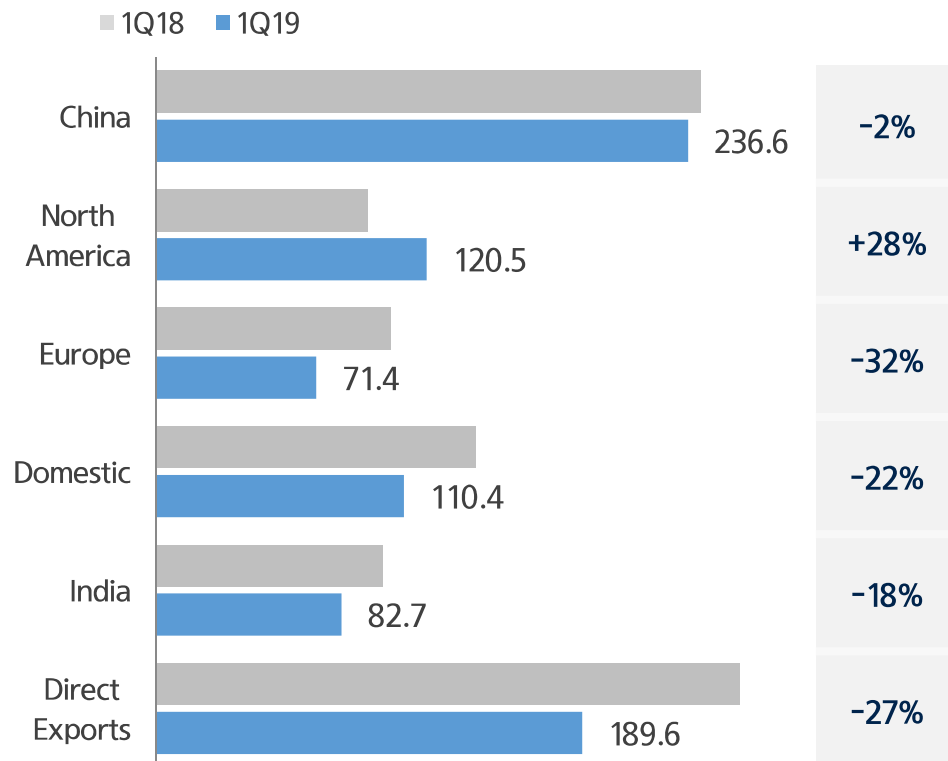


4. Sales by Region

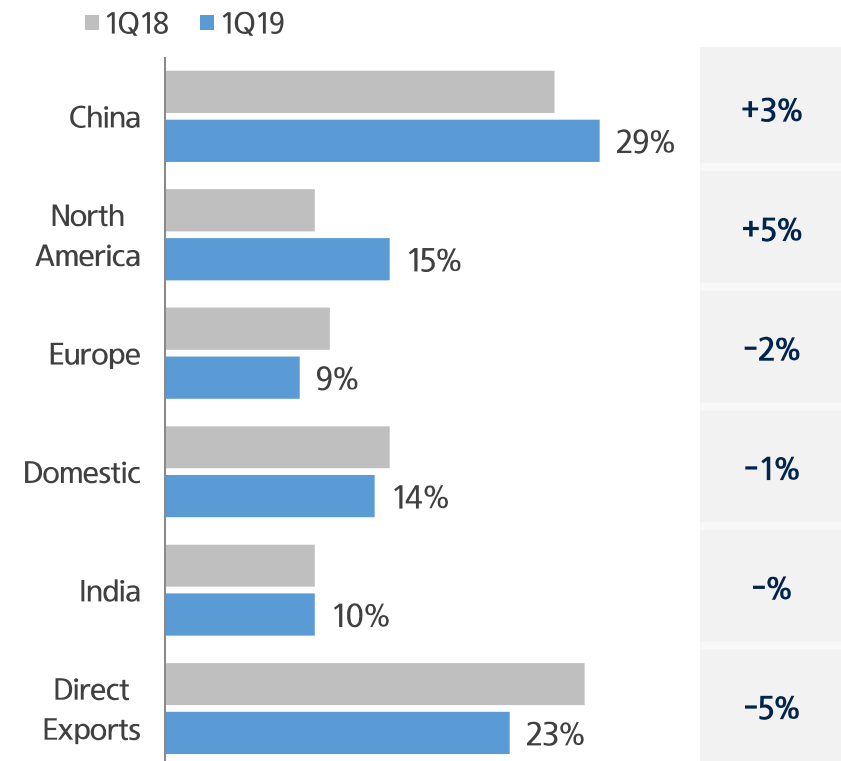
- Direct Exports : Sales decreased due to the weak demand amid US-China Trade war, but Profitability improved mainly due to price hike and product mix changes.
- Overseas Subsidiaries : Continuous sales growth mainly in North America and China.
- Domestic : Continuous downturn of sales due to the weak market conditions.
- Diversified Sales in Global ➡ Keeping balanced sales growth between China (where is becoming more risky market due to excessive competition) and other regions.

Revenue

(Unit : Billion KRW)



Revenue Portion by Region



5. Financial Statement

Consolidated Financial Statement

(Unit : Billion KRW)

	'19.1Q	2018	2017
Total Assets	3,337.6	3,126.5	2,228.7
Current Assets (accounts receivable and other bonds)	2,365.7 (828.5)	2,203.9 (671.0)	1,553.5 (425.5)
Cash and Cash Equivalents	562.8	522.2	426.0
Non-current Assets	971.9	922.7	675.2
Total Liabilities	1,749.2	1,558.3	1,057.7
Current Liabilities (accounts payable and others)	1,158.9 (456.0)	945.1 (439.1)	785.6 (278.6)
Non-current Liabilities	590.2	613.2	272.1
Borrowings	1,067.3	966.0	673.8
Net Borrowings	504.5	443.7	247.8
Total Equity	1,588.5	1,568.2	1,170.9

Analysis

	'19.1Q	2018	2017
Current Ratio (Current Assets / Current Liabilities)	204%	233%	198%
Debt Ratio (Total Liabilities / Total Assets)	110.1%	99.4%	90%
Borrowing Ratio (Borrowings / Total Equity)	67.2%	61.6%	57.5%

Market Highlights

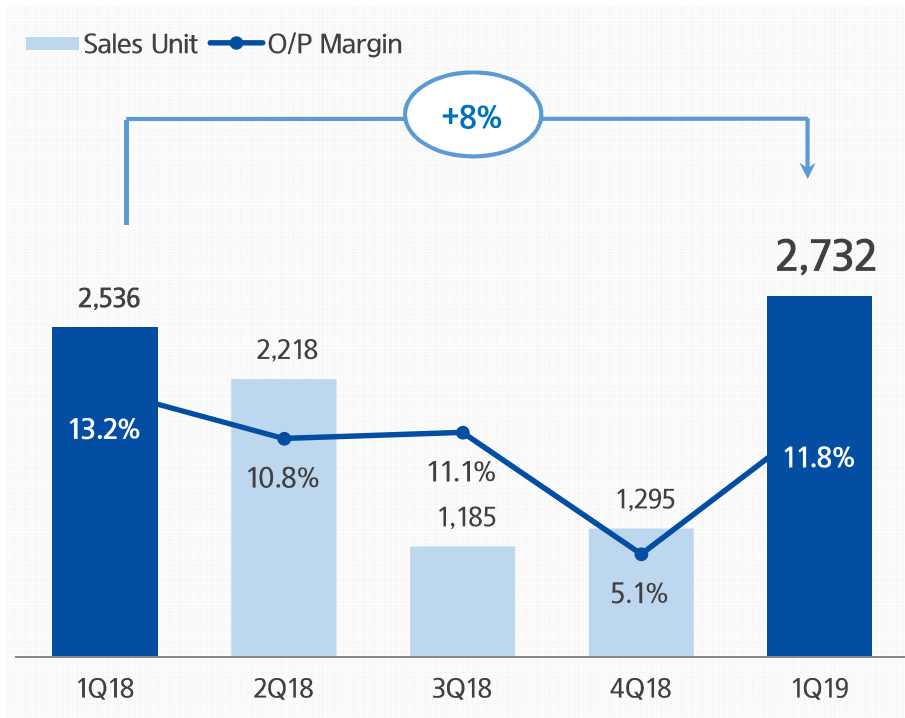


China – Focus on Risk Management & Profitability

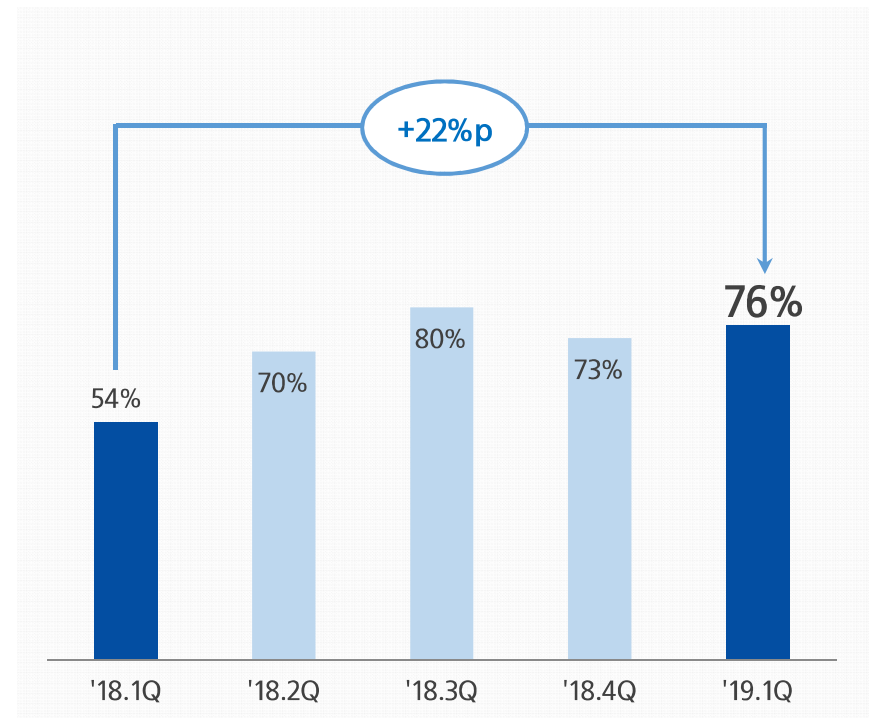
- Continuing steady growth with the government’s aggressive willingness to stimulate the economy. HCE Sales increased 8% YoY.
- Focusing on managing risk of sales receivables and enhancing profitability by increasing the portion of cash and lease sales rather than expanding market share excessively amid aggressive price competition from local companies.
- Increasing profitability and market share gradually by launching new models and improving product mix.

Quarterly changes of Sales

(Unit: unit)



Expanding portion of cash & lease sales



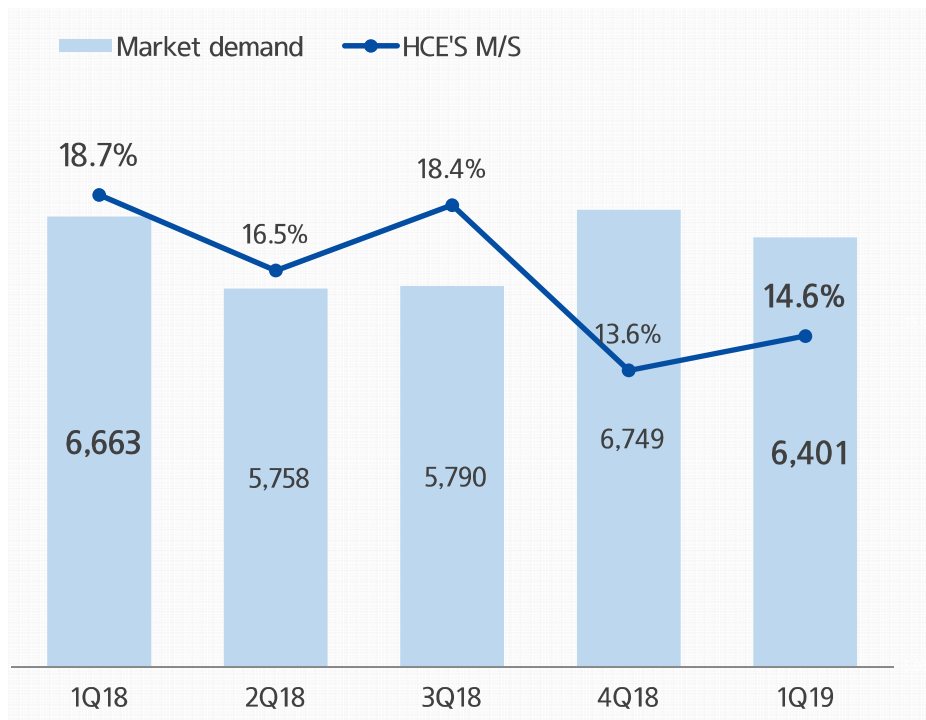
• Source: HCE Data (Excavators)

India – Steady growth outlook

- Sales decreased due to the 2019 general election which is a source of uncertainty in the market.
- Preemptively adjusted dealer inventory level against market uncertainty. (From Dec 2018 to Mar 2019)
- India’s market, which accounts for 7% of global construction machinery sales, is expected to grow steadily by 2023.

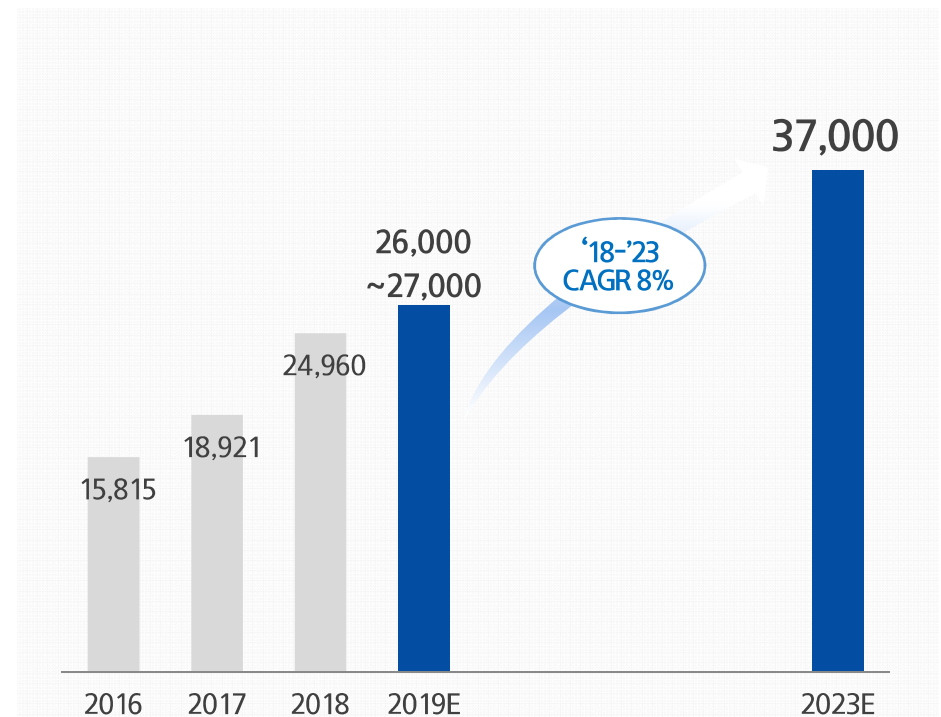
Market demand and HCE’s M/S

(Unit : unit)



Market Outlook

(Unit : unit)

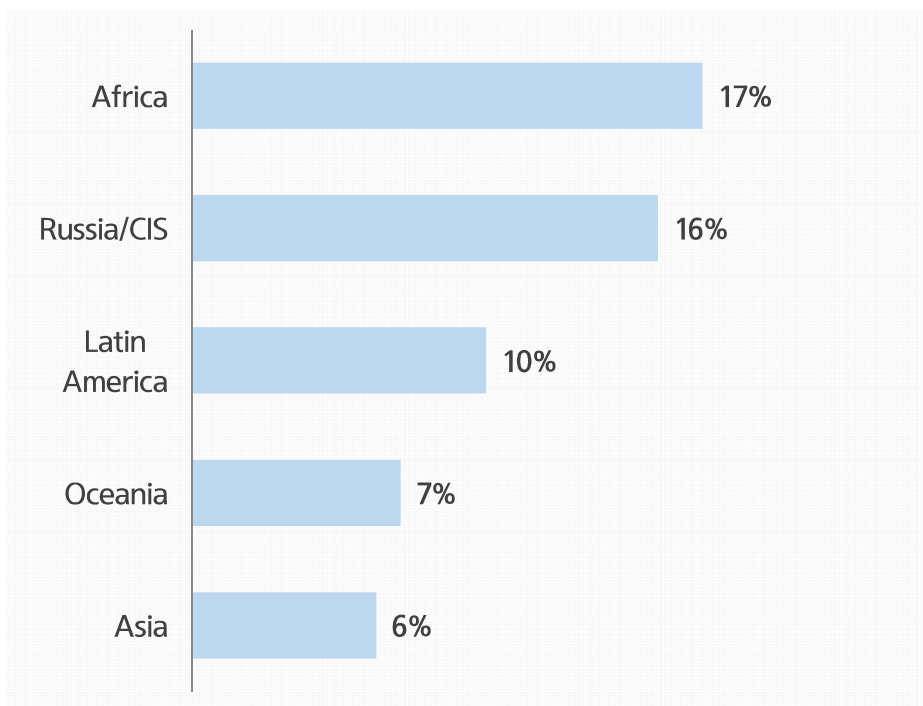


• Source: HCE Data (Excavators) / Off-highway Research

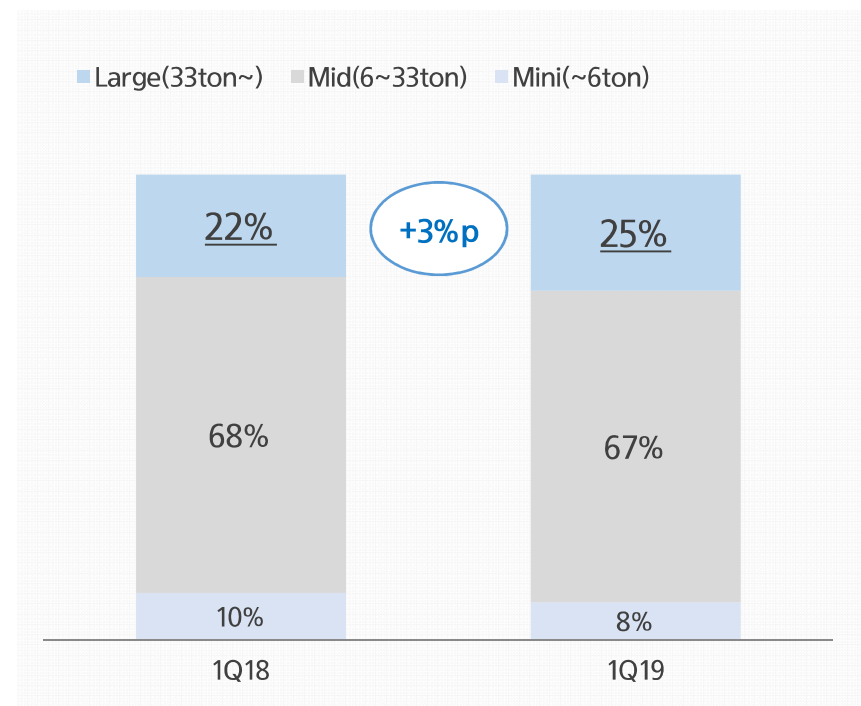
EM (Direct Exports) – Focus on profitability

- EM markets are sensitive to a range of issues which can derail growth such as inflation, currency depreciation, geopolitical instability, financial risks and so on.
- Focusing on strengthening profitability by increasing ASP, improving product mix, using the sales channel of overseas factories.
- Expanding the sales of large size excavators which have a high profitability. (33, 48, 52ton)

Large size excavator market : HCE's M/S



Expanding the sales of large size excavators



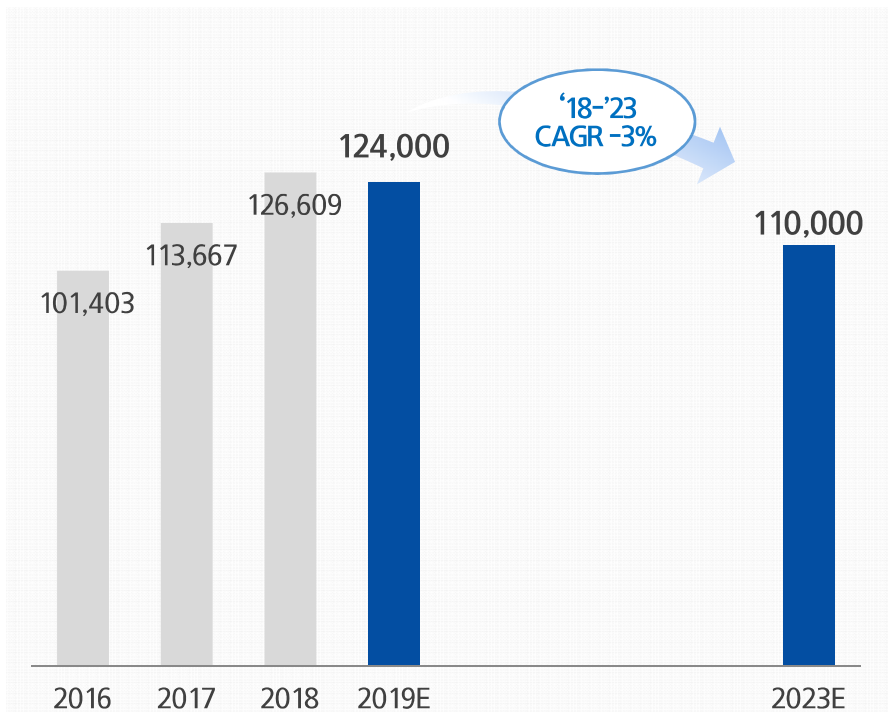
• Note3) Based on 33ton ~ 150ton / YTD Feb 2019

DM— Focus on promoting competitiveness

- The European market looks stable and this relatively steady state is expected to be a combination of moderate declines in Northern European markets.
- In North America spending on infrastructure and general improvements in the non-residential building segment are expected to stimulate demand.

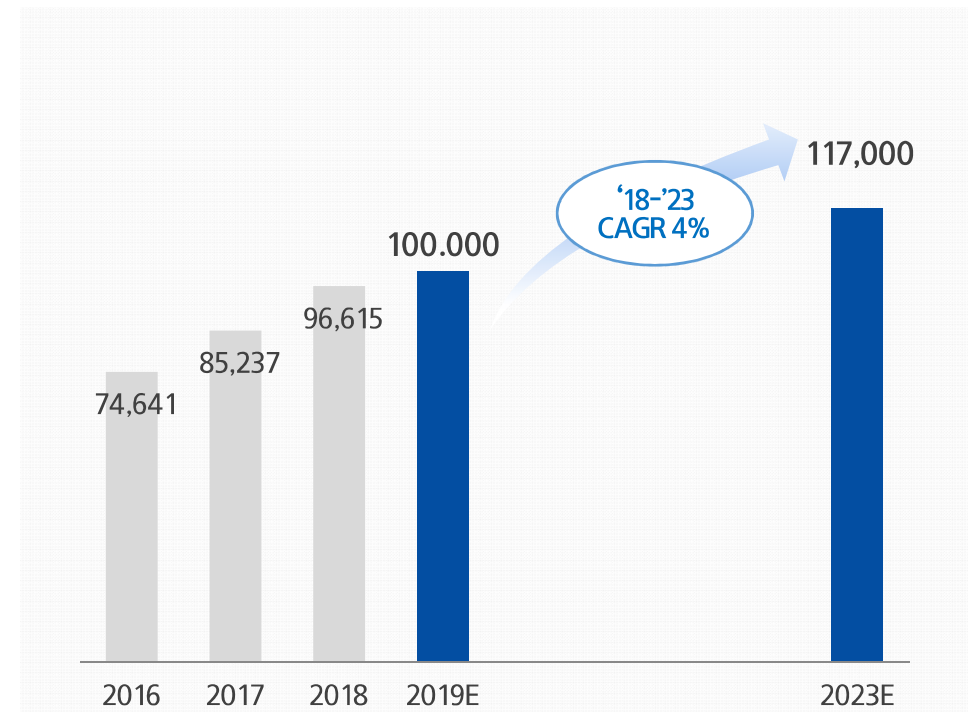
European Market

(Unit: unit)



North America Market

(Unit: unit)



• Source: HCE Data / Off-highway Research

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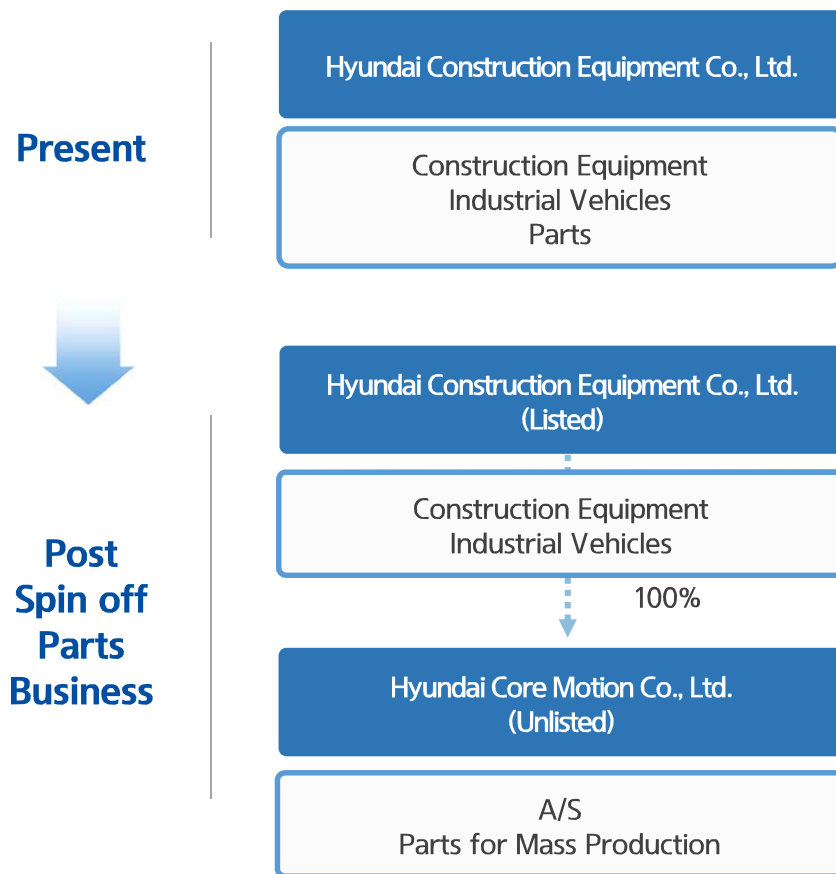
Business Issue - Spin Off



Spin Off – Hyundai Core Motion

Business Reorganization

Spin off Parts Business (from April, 2019)



Benefits of Spin off Parts Business

Expect Higher Profitability

- Compared to finished equipment business, Parts business has higher profitability and stability.
- It is possible to secure synergy effects that increases competitiveness of finished equipment business through development of Parts business.

Enhance Business Competitiveness

- By securing a flexible business structure, it is possible to focus on core projects such as entering new business and promoting M&A.
- By investing profits from A/S part business in the development of new parts business, it is possible to reduce design costs and reinforce cost competitiveness.

Strengthen Risk Management

- It is possible to establish a responsible management system by allowing independent management and objective evaluation each business.
- It is possible to improve the responsiveness of problems through quick and professional decision making.

Appendix.

1. Sales Record of India and 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	
	2019	2,163	2,138	2,100										6,401	
	yoy	-6%	-1%	-5%											
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%
	2019	368	303	263										934	
	yoy	-8%	-30%	-36%											

		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	
	2019	10,142	17,286	41,901										69,329	
	yoy	6%	78%	14%											
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%
	2019	376	727	1,629										2,732	3.9%
	yoy	-30%	9%	23%											

