HD CONSTRUCTION EQUIPMENT

3Q26 Earnings Release

October 2026



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Contents

1. 3Q26 Results
2. EBIT Analysis
3. Analysis by Division
4. Financial Structure
5. Outlook

[Appendix]
1. Sales Breakdown by Region & Division

1. 3Q26 Results

3Q26 Results

Growth of sales +6% YoY and EBIT +24% YoY

- Sales grew +6% YoY thanks to steady sales of generator and industrial engines.
- EBIT also improved +24% YoY on the back of improved profitability from construction equipment division as well as solid profit contribution from the engine division.

(Unit : KRW bn)

	3Q25	2Q26	3Q26	QoQ	YoY
Sales	1,971.7	2,434.2	2,091.5	-14.1%	+6.1%
EBIT	127.3	248.9	157.7	-36.6%	+23.9%
EBIT Margin(%)	6.5%	10.2%	7.5%	-2.7%p	+1.1%p
Net Financial Cost	-17.8	-14.3	-14.8	3.4%	-17.2%
F/X Gains/Loses	35.4	18.3	-146.0	-	-
Pretax Profit	136.1	244.9	-4.0	-	-
Net Profit	101.2	180.7	1.8	-99.0%	-98.2%
Profit attributable to owners of parent	102.5	180.4	1.9	-98.9%	-98.1%

※ Based on K-IFRS consolidated financial statements

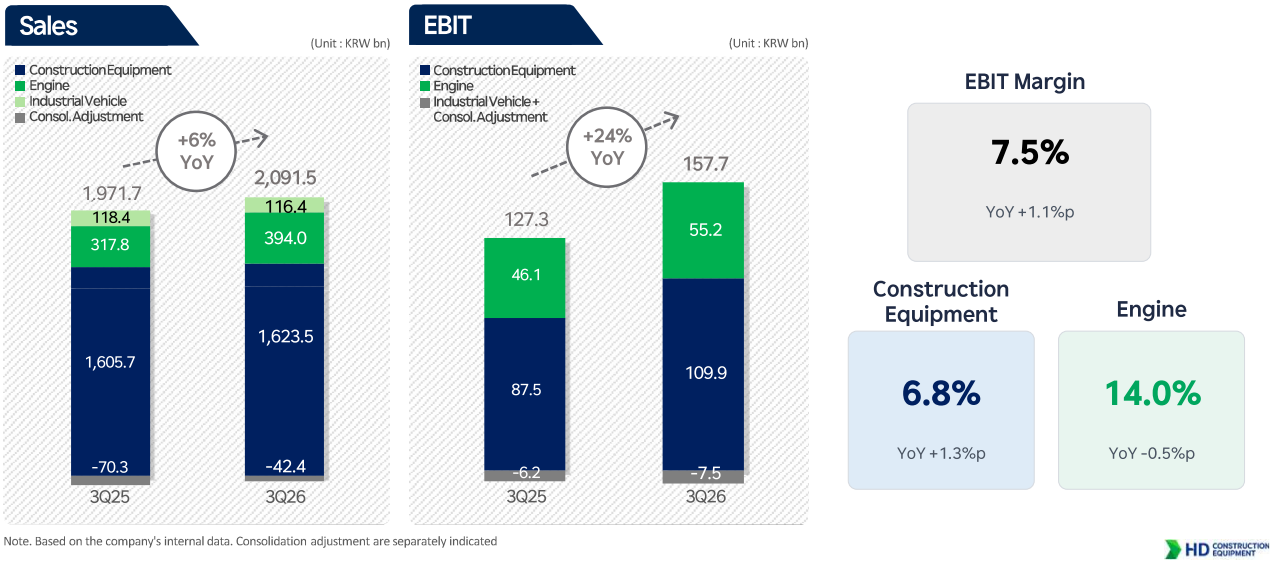
4 ※ 2025 financials are based on internal data under the assumption of a merger and have not been audited.

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Revenue grew 6% year-on-year to KRW 2,091.5 billion.
The construction equipment division posted modest growth year-on-year, while engines for power generation and industrial applications led company-wide revenue growth.
EBIT rose 24% year-on-year to KRW 157.7 billion. In addition to solid revenue growth, this was driven by improved profitability in the construction equipment division and steady profit growth in the engine division.
One point to note: F/X rates moved significantly compared with the previous quarter. As a result, net profit decreased due to large non-operating losses, mainly from foreign currency translation losses and foreign exchange transaction losses.

1. 3Q26 Results

Sales & EBIT



EBIT Margin

7.5%

YoY +1.1%p

Construction Equipment

6.8%

YoY +1.3%p

Engine

14.0%

YoY -0.5%p

5 Note. Based on the company's internal data. Consolidation adjustment are separately indicated

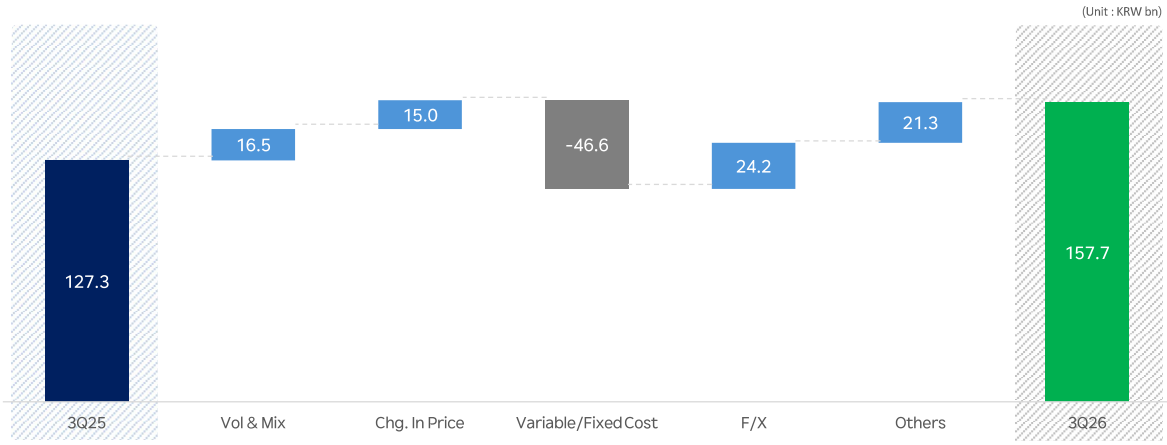
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EBIT margin was 7.5%, up 1.1%pt year-on-year. Profitability improved in the construction equipment division, while engine division maintained double-digit EBIT margin.

2. EBIT Analysis

EBIT Analysis

• EBIT grew +24% YoY thanks to volume growth and improvement in sales mix. Price hike and tariff refunds were additional positive factors towards EBIT. However, costs surged during the quarter due to 1) prolonged geopolitical risk in the Middle East and related increase in raw material costs and logistics expenses and 2) greater fixed costs related to the Gunsan plant expansion.



6 ※ Exchange rate average: 3Q25 1,386 KRW/USD → 3Q26 1,444 KRW/USD, 3Q25 1,619 KRW/EUR → 3Q26 1,636 KRW/EUR

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EBIT increased 24% year-on-year to KRW 157.7 billion.
Volume and product mix improvement contributed a positive KRW 16.5 billion, supported by a healthy recovery in construction equipment demand and higher engine sales. Price increases and lower promotional expenses added KRW 15.0 billion. However, we had a negative impact of KRW 46.6 billion due to higher variable and fixed costs, including increases in material and logistics costs due to the prolonged war in the Middle East. FX contributed a positive KRW 24.2 billion, reflecting a weaker Korean won against the U.S. dollar and the euro compared with the same period last year.
Among the one-off items in "Others," the most notable was a refund of approximately KRW 27.7 billion in U.S. tariffs on construction equipment, following the U.S. Supreme Court ruling that struck down the IEEPA tariffs. Others also reflected some additional provisions, among other items.

3. Analysis by Division – Construction Equipment

Construction Equipment

By Region

(Unit : KRW bn)

		3Q25	3Q26	YoY
Construction Equipment Sales		**1,605.7**	**1,623.5**	**+1.1%**
Equipment Sales		**1,443.0**	**1,447.3**	**+0.3%**
America	NA	191.3	225.2	+17.7%
	LA	174.6	221.4	+26.8%
EMEA	EU	286.2	272.4	-4.8%
	ME/AF	280.9	213.0	-24.2%
APAC/CIS	Korea	154.4	160.4	+3.9%
	China	123.7	99.0	-20.0%
	India	80.2	101.5	+26.6%
	SEA/CIS/OC	113.2	147.4	+30.2%
Others		38.3	6.9	-82.1%
AM/PS Sales		**162.7**	**176.2**	**+8.3%**
Construction Equipment EBIT		**87.5**	**109.9**	**+25.7%**
EBIT Margin (%)		**5.4%**	**6.8%**	**+1.3%p**

Revenue
: Positive on global demand recovery

- Despite weakness in ME/AF due to escalation in the Middle East, demand continued to recover in all other regions.
- In particular, infrastructure and mining demand supported firm sales of mid-to-large equipment.
- We are also expanding the foundation to achieve enhanced profitability via our parts sales strategy.

EBIT : Improved region/product mix

- Continued margin improvement driven by increased sales contribution from high-profitability regions and products

7

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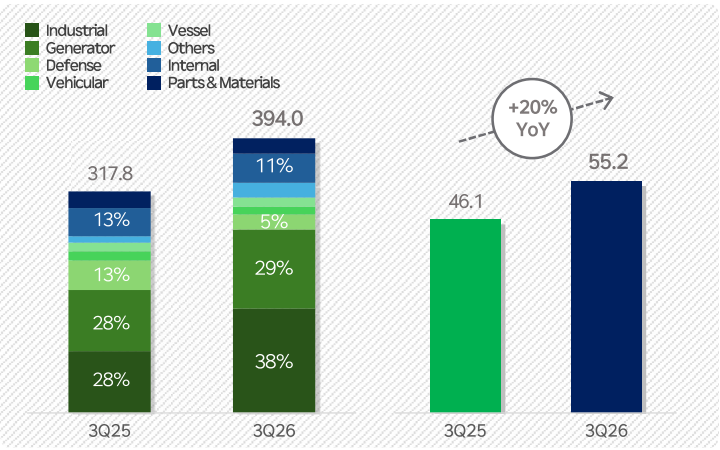
Sales of construction equipment and parts grew 1% year-on-year to KRW 1,623.5 billion. EBIT was KRW 109.9 billion, with EBIT margin of 6.8%.
This quarter, demand continued to grow in emerging markets such as Latin America and APAC/CIS, driven by infrastructure investment and resource development. Non-residential construction demand in North America also held up better than expected, which was a positive. In India, the market environment remains favorable on the back of government-led infrastructure projects. Korea also grew, as we continued to expand our market share amid healthy demand.
However, the prolonged war in the Middle East caused considerable damage in the Middle East and Africa. In China, the domestic market is still growing mainly in small equipment, which reduced China's contribution to our sales.
Based on the current situation, a further decline in the Middle East and Africa appears unavoidable next quarter. That said, once logistics through the Strait of Hormuz normalize, we expect both regions to recover quickly.
The division's profitability improved year-on-year, mainly driven by price increases and the U.S. tariff refund.
To drive future sales growth, we will execute region-specific strategies. We will also continue our efforts to build a stronger parts sales base to further improve profitability.

3. Analysis by Division – Engine

Engine

By Application

(Unit : KRW bn)



Revenue
: Generator engine sales growth

- Revenue grew +24% YoY, driven by growth in power generation engines on rising electricity demand and by higher industrial engine sales on the continued recovery in global construction equipment demand.

EBIT
: Consistent double-digit margin

- EBIT rose 20% YoY on an improved product mix, despite higher costs related to the Gunsan plant.
- Going forward, long-term revenue and EBIT are expected to expand rapidly, driven by sales growth in large electric/gas generator engines and faster synergy creation.

8

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Sales grew 24% year-on-year to KRW 394.0 billion, driven by higher demand across our key product lines. By product, sales of industrial engines for construction and agricultural equipment grew notably, and sales of power generation engines also returned to growth.
Meanwhile, EBIT rose 20% year-on-year to KRW 55.2 billion, supported by an improved product mix. This was despite higher costs after the completion of the Gunsan plant.
For power generation engines, we expect sustained growth going forward, starting from this third quarter. In early October, we announced through a regulatory filing that we had won an order for gas engine long blocks for data centers. We are also in various other discussions with customers, and we will share any progress through regulatory filings and press releases.

4. Financial Structure

Statement of Financial Position

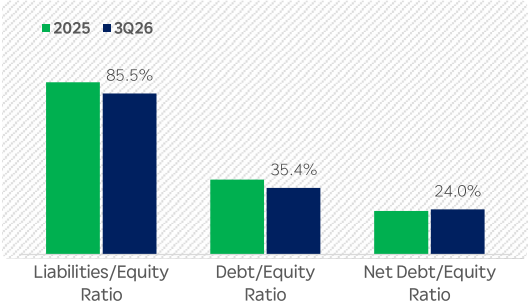
(Unit : KRW bn)

	2025	1Q26	2Q26	3Q26
Total Assets	8,838.9	9,297.1	9,615.3	9,111.7
Cash & Cash Equivalent	768.3	734.7	767.9	561.8
Current Assets	4,947.6	5,361.7	5,621.7	5,202.0
Fixed Assets	3,891.3	3,935.3	3,993.5	3,909.7
Total Liabilities	4,220.3	4,467.3	4,581.6	4,199.5
Debt	1,836.8	1,742.0	1,705.2	1,738.7
Net Debt	1,068.6	1,007.3	937.3	1,176.8
Total Shareholder's Equity	4,618.5	4,829.8	5,033.6	4,912.1
Liabilities/Equity Ratio	91.4%	92.5%	91.0%	85.5%

※ Based on K-IFRS consolidated financial statements

※ 2025 financials are based on internal data under the assumption of a merger and have not been audited.

Key Financial Ratios



- Key financial ratios improved thanks to capital expansion and debt reduction.
- On top of investment for future growth and plans to enhance shareholders' return, we will endeavor to further improve our financial structure.

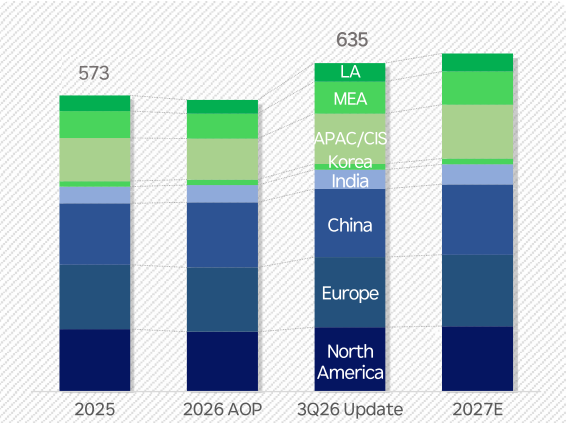
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At the end of the third quarter, our liabilities-to-equity ratio was 85.5%, an improvement of 5.9%pt from the end of last year, as equity grew on accumulated earnings and liabilities decreased. Our debt-to-equity ratio also improved by 4.4%pt to 35.4%.
For reference, last year's year-end figures are based on internal data prepared to reflect the merger. Going forward, based on our solid financial position, we will continue to invest in securing future growth drivers, while doing our best to enhance shareholder value through an active and sustainable shareholder return policy.

5. Outlook – Construction Equipment (Market)

Market Outlook

(Based on sales volume, '000 units)



- Risk factors: Logistics disruptions from the prolonged Middle East war, crude oil supply disruptions and slowing demand in emerging markets, interest rate policies in key countries and tariff uncertainty.

North America, Europe

- NA: Data center investment and expanding rental demand lifts market outlook, despite high interest rates and a sluggish housing market.
- Europe: Growth continues on rental and replacement demand. Sluggish housing starts remain a constraint.

APAC/CIS, MEA, LA

- APAC/CIS: Market grows on expanding infrastructure investment and mining demand.
- MEA: Infrastructure investment and mining demand in AF remain solid. However, disruptions from the prolonged Middle East war creates uncertainty in 2H.
- LA: Solid demand thanks to mining and infrastructure investment, despite political and economic uncertainty.

India, China, Korea

- India: Growth continues as government-led infrastructure investment expands.
- China: Market is recovering on expanding infrastructure investment and replacement demand, but price competition among local players is intensifying.
- Korea: Moderate growth continues thanks to replacement demand, despite weak construction activity.

10

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The global construction equipment market stood at around 570,000 units last year and is expected to grow 11% to around 630,000 units this year. Most regions are performing better than we expected when we set our business plan at the beginning of the year, and better than our estimates last quarter. For next year, it is still too early to give specific figures, but we expect most regions to continue growing.

In North America, the residential construction market remains somewhat weak due to high interest rates, and tariff uncertainty persists. However, with data center investment, manufacturing onshoring and growing rental demand, the construction equipment market is significantly outperforming the initial outlook, and we expect this trend to continue into next year.

Europe grew mainly on the back of the rental market, and the recovery in major countries such as the U.K. and Germany is encouraging. However, housing starts were weak due to interest rate hikes and risks such as fiscal instability in France remain. Although the pace of growth may slow somewhat, we do not expect the overall recovery trend to change significantly with the market bottoming out.

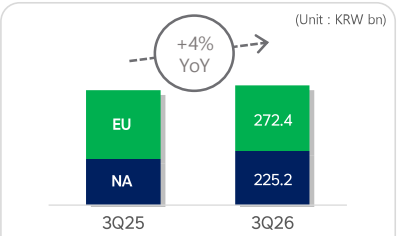
In APAC/CIS and Latin America, political uncertainty in Latin America is somewhat of a concern. However, demand related to mining and government-led infrastructure investment has driven market growth, and we expect this growth to continue.
In the Middle East and Africa, demand remains solid, including reconstruction demand in the Middle East and infrastructure and mining-related demand in Africa. However, constraints such as logistics in the Middle East and diesel supply in Africa are causing supply disruptions. We expect the impact to be unavoidable through the fourth quarter, and we expect a rapid recovery once logistics normalize.

In India, construction equipment demand remains solid as government construction projects move forward, and we expect stable growth to continue.
In China, the domestic market continues to grow steadily, driven by expanded infrastructure investment and replacement demand. However, growth is still concentrated in compact equipment, and price competition is intensifying, led by local manufacturers. We are preparing product and sales strategies as countermeasures.
In Korea, although the recovery in construction and housing remains limited, steady demand for new equipment to replace aging fleets is supporting moderate growth.

As for risk factors, we are already facing negative effects from the U.S.–Iran war, including higher material/logistics costs and logistics disruptions. There are also concerns about a further slowdown in demand in emerging markets due to crude oil supply issues and the resulting decline in equipment utilization. Furthermore, we need to closely watch how the interest rate hike stance in major economies such as Europe and the U.S. actually unfolds and how it affects market demand. Amid these various risks, we will monitor the situation closely and respond swiftly to minimize the impact and capture more opportunities.

5. Outlook – Construction Equipment (Sales)

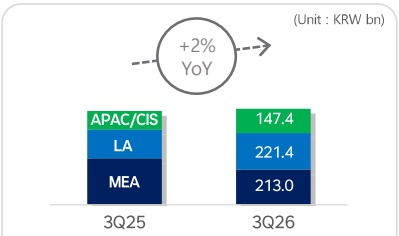
NA/EU



Growth from truck sales and new launches in core product lines

- NA : rowth and profitability both improve through expanded sales centered on next-generation new models and trucks, plus inventory normalization.
- EU : Growth was somewhat limited by a weak housing market and fewer sales of old models. Going forward, growth is expected to shift toward new products, including a broader next-generation lineup and a stronger 14T excavator/wheel loader.

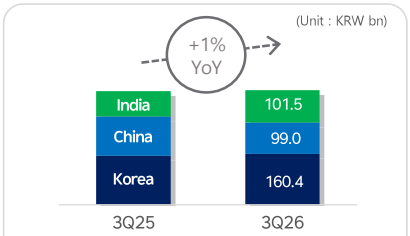
APAC/CIS / MEA / LA



High growth in LA and APAC/CIS offsets the decline in MEA sales

- MEA: Weak due to ME logistics constraints and diesel supply disruption in some regions. Recovery expected once logistics normalize.
- APAC/CIS: Strong compact equipment sales in Oceania, expanded sales of ultra-large equipment in CIS, stronger channel support, and launch of a 20T ultra-economy model will accelerate growth.
- LA: Stable growth continues thanks to solid mining demand.

India/China/Korea



Demand driven growth continues in the region

- India: Government-led infrastructure investment as well as expanded MEX/wheel loader sales sustains high growth.
- China: Growth is slowing due to intensified price competition and export logistics disruption. However, we remain profitability-centered backed by cost-improved model and focus on overseas construction volume.
- Korea: Expanded sales of 6/15T core models and next-generation new models.

11

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As mentioned on page 10, market demand has been more resilient than expected throughout this year, and we expect the growth trend to continue next year. As we expect the pace of growth to slow somewhat, we will execute measures to continue outperforming the market as we did this year, through region-specific product strategies and stronger channel capabilities.

Third-quarter sales in North America and Europe increased 4% year-on-year.
In North America, sales grew significantly. Our next-generation models were successfully launched, and expanded sales led by trucks and healthier inventory levels also had a positive effect. In Europe, growth was somewhat limited this quarter due to the weak housing market and lower sales of older models. We plan to expand sales again through new products, including an expanded next-generation lineup and stronger competitiveness in 14-ton excavators and wheel loaders.

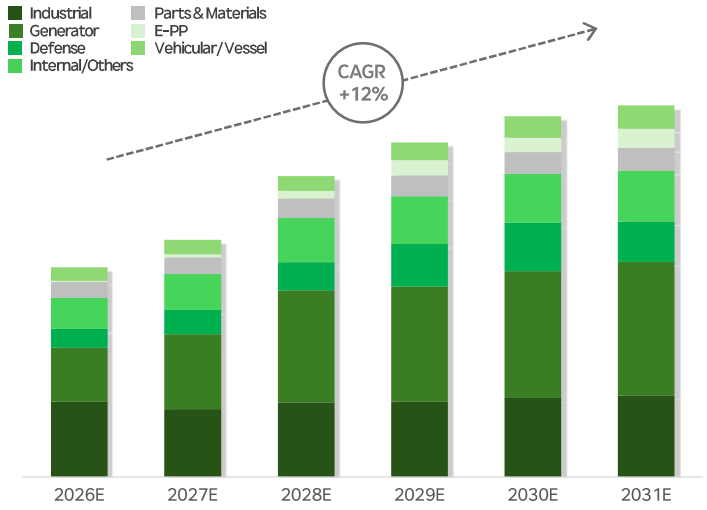
This quarter, strong growth in Latin America and APAC/CIS offset weakness in the Middle East and Africa. In APAC/CIS, strong compact equipment sales in Oceania and higher sales of ultra-large equipment in the CIS were positive. We plan to accelerate growth in Asia by taking measures such as the launch of a 20-ton value model. In Latin America, strength in resource-rich countries, including gold mining projects and oil-producing countries, was positive. We will fully introduce our value lineup, including India-made value excavators and China-made wheel loaders, to expand sales and strengthen our competitiveness in the region.

In India, active government-led infrastructure investment, combined with our strategy to expand sales of mini excavators and wheel loaders, is sustaining strong growth. In China, intensifying competition in the domestic market is a concern. However, we plan to defend our sales with China-made cost-improved models and by targeting overseas construction projects, while maintaining a profitability-focused approach. In Korea, amid stable market demand, we plan to continue expanding our market share by increasing sales of our main 6-ton and 15-ton excavators and next-generation models.

Until the third quarter, we maintained stable growth based on strong demand in key markets. However, in the fourth quarter, external uncertainties such as changes in the exchange rate environment and supply constraints in the Middle East and Africa may materialize. Accordingly, growth may be somewhat affected in the short term, but we will minimize the impact by expanding regional sales, improving product mix, and strengthening channel competitiveness. Additionally, to respond to such short-term volatility, we will continue to strengthen our sales base and profitability improvement activities that could lead to next year's growth.

5. Outlook – Engine

Sales Outlook



Growth Driver

Power Generation
: Growing global electricity demand

Incheon Plant Capacity Expansion (GX22)

Gunsan Plant Completion
: Ultra-Large / Defense / EPP

Industrial
: Expand presence in North America

Future Growth Platform
: Electrification & Hydrogen

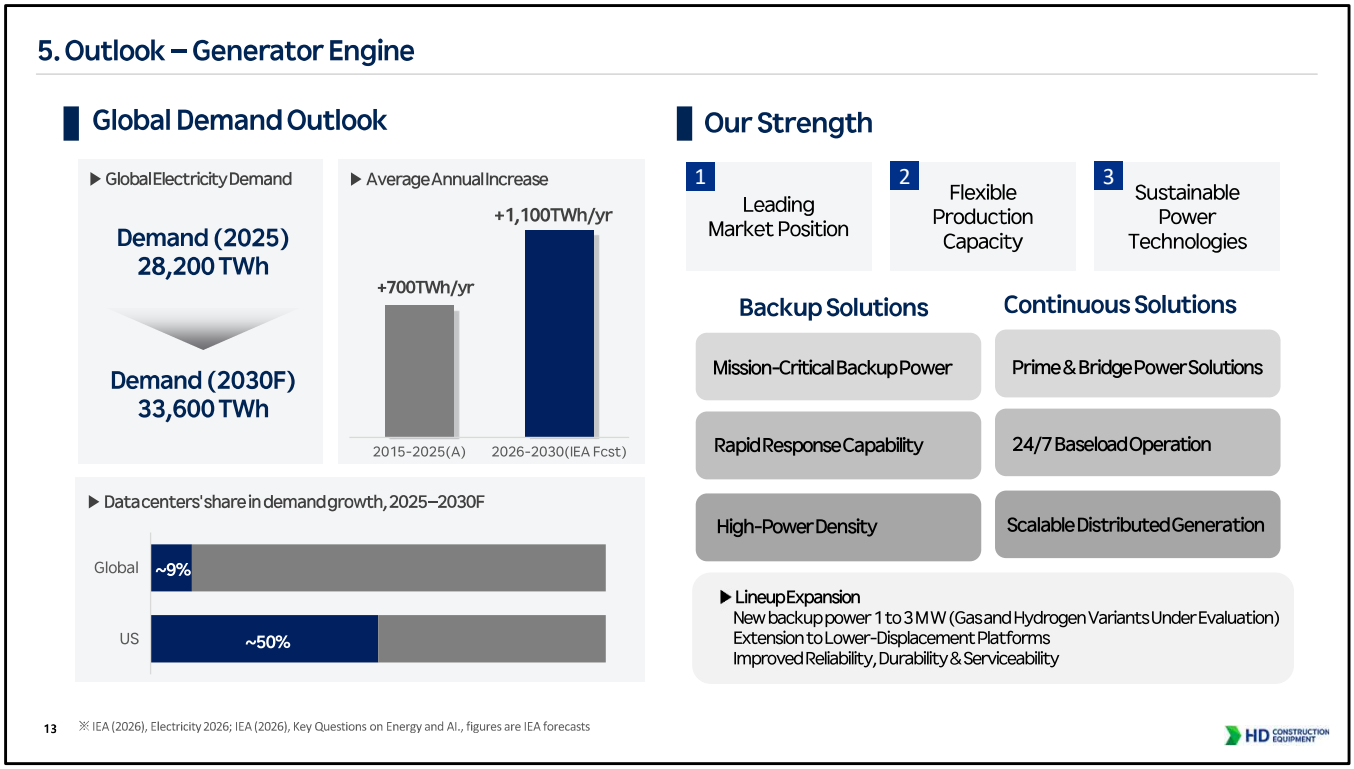
12

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3Q26 results for the engine division have already been explained earlier, and in the fourth quarter, some external uncertainties are expected for the engine division, similar to the construction equipment division. However, as seen in the third quarter, we aim to offset these impacts with the sales growth of power generation and industrial engines.

In our business plan at the beginning of the year, we presented a 2030 sales target of over KRW 2.5 trillion for the engine division. As we are currently establishing a new business plan, it is too early to provide updated figures. However, the target we are setting reflects an average annual growth rate of 12% or more, incorporating additional growth engines such as rising global power demand, which would lead to greater power generation engine sales. This figure is about twice the average annual growth rate over the past decade.

To achieve this, we have built a new production plant in Gunsan to expand capacity, and last quarter we announced a capacity increase for power generation engines at our Incheon plant.
At the Gunsan plant, mass production of the E-Powerpack began at the end of August, and the completion ceremony will be held at the end of October. Mass production of defense engines is scheduled to begin soon, followed by ultra-large power generation engines early next year.
We also expect the expansion of large engine capacity at our Incheon plant to be a key pillar of the structural growth in power generation engine sales, which will be reflected from the second half of next year.
Defense and power generation engines will drive the engine division's sales growth going forward. As they also carry high margins, they will contribute positively to both sales and profits.



There are various reports on power demand forecasts related to data centers. However, there is no disagreement about the growth in demand.
According to the IEA, global electricity demand is expected to increase from 28,200 TWh in 2025 to 33,600 TWh in 2030. The average annual increase, which was around 700 TWh from 2015 to 2025, is projected to rise to around 1,100 TWh from 2026 to 2030.
Data centers are expected to account for about 9% of this increase globally, and about 50% in the U.S. In other words, about half of the growth in U.S. electricity demand is expected to come from data centers.

The problem is that power supply is not keeping pace with demand growth. The U.S. in particular faces severe power shortages, and grid connections take a long time. As a result, data centers are increasingly generating the power they need on-site.
As gas turbines, which can serve as prime power, are in short supply, power generation demand is moving down to medium-speed engines, and further down to small engines that can be supplied quickly. Data center locations are also expanding toward smaller, distributed sites.

We have a lineup of diesel and gas engines that can address both backup and continuous power generation needs.
Backup solutions provide emergency power for mission-critical facilities such as data centers, where power supply must never be interrupted. They require fast start-up and high output relative to installation space.
Continuous power generation solutions are used for prime power and bridge power, and support 24-hour baseload operation and scalable distributed generation.

Our competitive edge lies in three areas.
First, our leading market position. Based on its long track record in the U.S. market, our 22L gas engine has secured long-term supply contracts, and various additional discussions are underway.
Second, our flexible production capability. We are expanding capacity at our Incheon and Gunsan plants to meet growing demand, and we can respond flexibly to additional demand.
Third, sustainable, eco-friendly powertrains. We are developing gas versions of our diesel power generation engines and reviewing hydrogen engine development, which will allow us to respond to the shift toward cleaner energy.
We are also expanding our lineup. We are developing 1–3 MW diesel engines for emergency power, to be produced in Gunsan, and are reviewing additional gas and hydrogen versions. We will also broaden our product range with a small engine platform and continue to improve reliability, durability and ease of maintenance to actively capture growing demand.

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[Reference] Sales Breakdown by Region & Division

(Unit : KRW bn)

		1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26	3Q26	YoY
Sales		**1,887.9**	**2,058.8**	**1,971.6**	**2,008.4**	**7,926.9**	**2,304.9**	**2,434.2**	**2,091.5**	**+6.1%**
Construction Equipment		**1,340.0**	**1,472.9**	**1,443.0**	**1,474.6**	**5,730.5**	**1,748.8**	**1,823.4**	**1,447.3**	**+0.3%**
America	NA	147.3	187.5	191.3	183.4	709.6	185.5	200.6	225.2	+17.7%
	LA	131.0	160.0	174.6	163.6	629.3	191.7	207.8	221.4	+26.8%
EMEA	EU	176.8	250.3	286.2	278.7	992.1	281.2	316.0	272.4	-4.8%
	ME/AF	197.1	274.8	280.9	304.7	1,057.5	331.3	416.1	213.0	-24.2%
APAC/CIS	Korea	244.6	173.0	154.4	103.2	675.3	285.4	216.3	160.4	+3.9%
	China	145.0	152.7	123.7	189.5	610.9	169.6	174.1	99.0	-20.0%
	India	146.0	100.9	80.2	110.8	437.9	157.0	123.2	101.5	+26.6%
	SEA/CIS/OC	135.0	141.1	113.2	106.7	496.0	133.3	165.9	147.4	+30.2%
Other		17.3	32.4	38.3	33.9	122.0	13.8	3.3	6.9	-82.1%
AM/PS		**179.4**	**181.3**	**162.7**	**160.9**	**684.3**	**178.7**	**194.9**	**176.2**	**+8.3%**
Engine		**304.9**	**369.0**	**317.8**	**334.6**	**1,326.4**	**336.1**	**386.1**	**394.0**	**+24.0%**
Industrial Vehicle		**118.9**	**114.7**	**118.4**	**113.1**	**465.2**	**97.4**	**103.2**	**116.4**	**-1.7%**
Consolidation Adjustment		**-55.3**	**-79.1**	**-70.3**	**-74.8**	**-279.5**	**-56.1**	**-73.4**	**-42.4**	-

※ Note: Company source, Engine sales figures are presented before consolidation adjustments

[Q&A] 3Q 2026 Earnings Release

Construction Equipment

Q. 2H Outlook

- Alongside the typical seasonality, risks such as FX and the war in the Middle East remain in 2H. However, we will continue strengthening our competitiveness through flexible promotions by region/product.

Q. Market Outlook for Construction Equipment

- After a surge in demand post-COVID, replacement cycle has kicked in. Also, 1) Data center/power infrastructure investment in developed markets and 2) mining demand in emerging markets are driving demand growth.

Q. Outlook for the Middle East and African markets

- Middle East: Shipments declined due to logistics disruptions, but demand and profitability remain solid. Volume should recover once risks ease.
- Africa: High resource prices support demand, and retail sales are recovering after the temporary fuel supply issue. Efforts to expand dealer coverage should lay the groundwork for future growth.

Engine

Q. Profitability outlook for engine business

- Despite seasonality and FX headwinds, Q4 profitability should remain solid, supported by greater sales contribution from high-margin products such as gas power generation engines in North America .

Q. Market outlook for power generation engines

- Major North American customers are expanding from oil & gas into data centers, supporting a positive long-term outlook on rising power demand.
- Expanded production capacity for large gas engines announced in Q2 will help capture further sales opportunities.

Q. Sales outlook for defense engines

- Defense engine sales should normalize in Q4 after the temporary setback in Q3.
  The Gunsan plant began operation in October on the backdrop of solid order backlog.

General

Q. Outlook for Q4 and 2027

- Despite uncertainties, demand for construction equipment should remain on an upswing driven by replacement, infrastructure, and mining demand. As for the engine business, rising contribution from high-margin power generators should support profitability.

Q. Background behind YoY decline in net income

- A sharp fluctuation in exchange rate widened FX losses.
  F/X hedging mitigates volatility, but impact should remain in the short-term on our financials.

HD CONSTRUCTION EQUIPMENT