

HYUNDAI CONSTRUCTION EQUIPMENT

IR PRESENTATION

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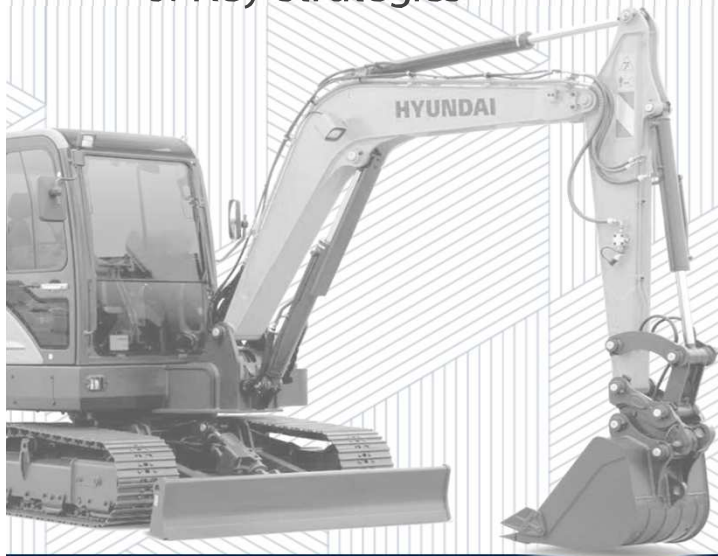
II. 'Business Performance (2017. 2Q)

III. Capital Increase

Chapter 1.

Company Profile

1. Company Introduction
2. Product Portfolio
3. The Story of our Business Growth Over the past 30 years
4. Key Competitiveness
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1. Company Introduction

Global synthesized machine manufacturer with over 30 years of history

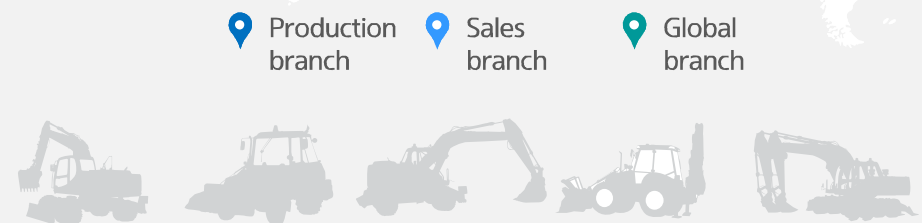
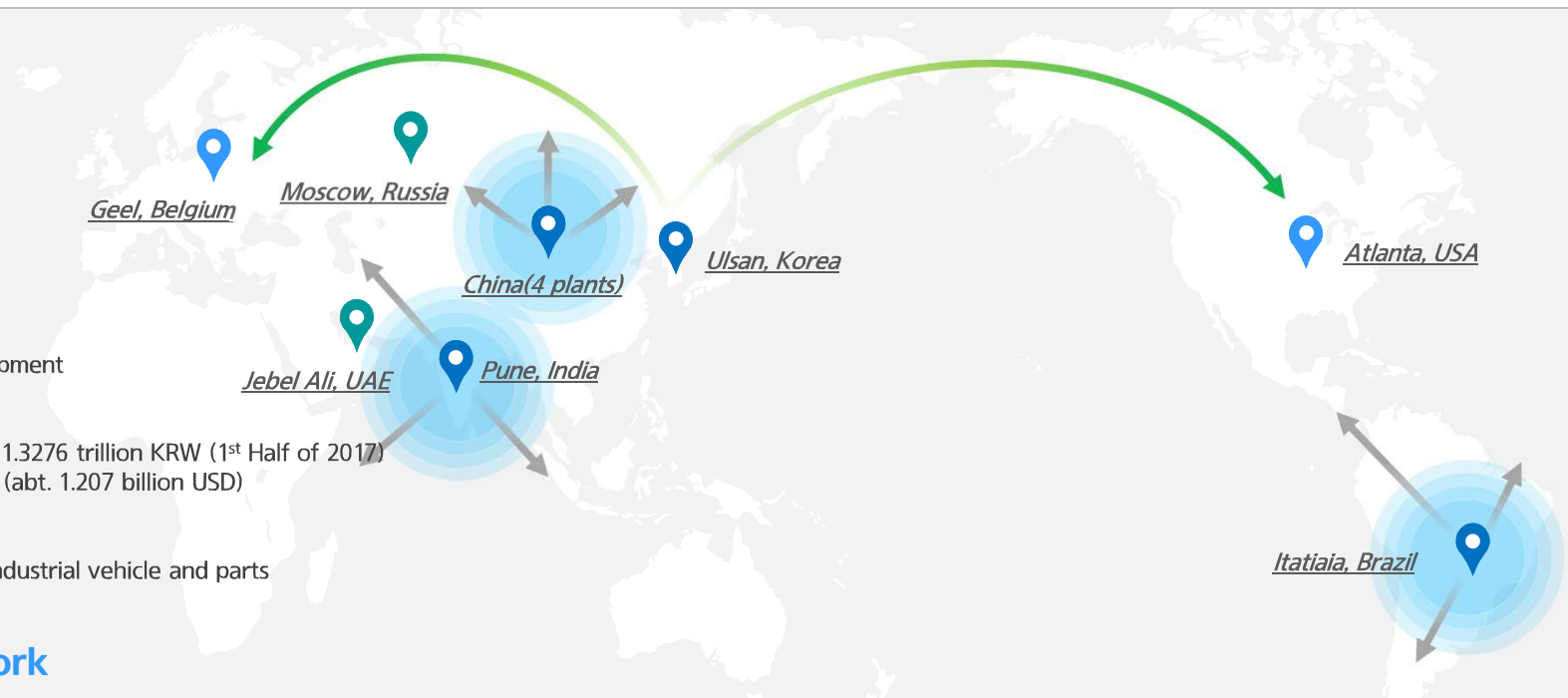
General Information

Corporate Name	Hyundai Construction Equipment
Date of Establishment	1987
Sales	1.851 trillion KRW (2016) / 1.3276 trillion KRW (1 st Half of 2017)
No. of Employees	(abt. 1.683 billion USD) (abt. 1.207 billion USD)
Key Business	1,283 Construction equipment, industrial vehicle and parts

Global Operations Network

Manufacture branches in three new core markets and market coverage through America/EU sales basis

- Ulsan Plant : Mother plant & new product development
- Global plants focus on local strategic model production



2. Product Portfolio

Wide range of product line-up from medium & large excavators to industrial vehicles

Product portfolio

• Medium & large excavators



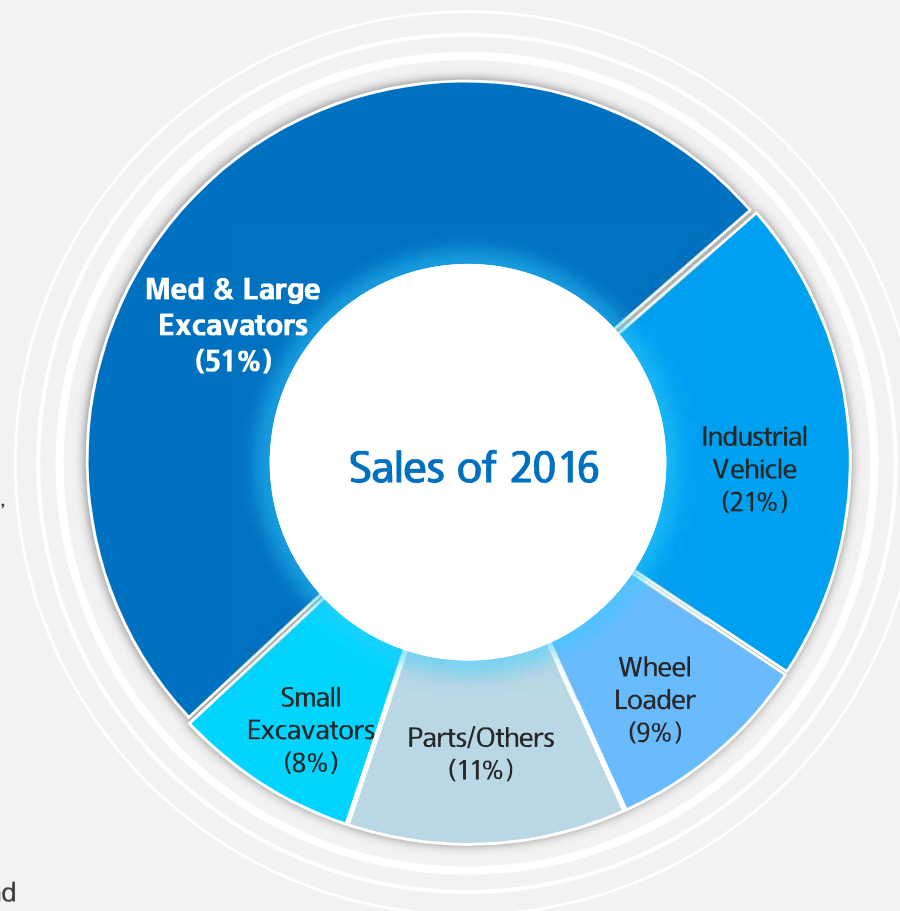
Use: Excavation, crush, load
Main industry: Mine, construction

- Approx. Sales. 1 trillion in 2016
- 16 models of line-up for 8~120 t.
- Sole possession of 120t line in Korea
- Highly reliable with powerful performance, great performance for the price

• Small excavators



Use: City/small sized excavation & load
Main industry: Housing, construction



• Industrial vehicle



Use: Cargo, transportation
Main industry: Shipping and logistics

• Wheel loader

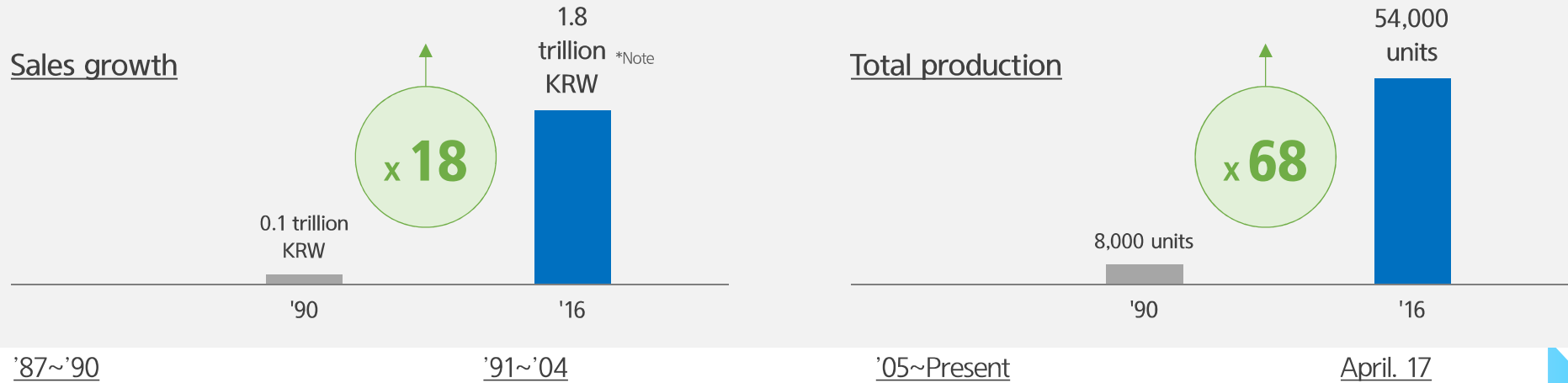


Use: Load
Main industry: Mine, construction

3. The Story of our Business Growth Over the past 30 years

A company that has grown into a global player in the short-term through preemptive market development

Growth history



Established independent business base within HHI

- Established Construction Equipment Division ('87)
- Developed original model for mid-size excavator ('88)
- Original development of wheel-loader and exported to the EU ('90)

Sales: 0.1 trillion KRW('90)

Established global business infrastructure

- Established overseas corporation at Chicago, USA ('91)
- Opened local office in Rotterdam, Netherland ('92)
- Built a plant in Changzhou, China ('96)
- Established a joint venture corporation in Beijing ('02)

Sales: 1 trillion KRW('04)

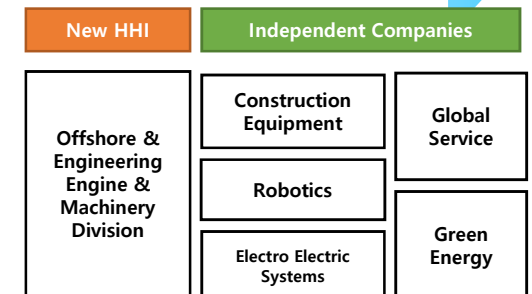
A second leap through preemptive expansion in emerging markets

- Established overseas corporations in India and China ('07)
- Established arts center in Dubai ('11)
- Built a construction equipment plant in Brazil ('13)
- Over 0.5 million units of construction equipment manufactured ('15)

Sales: 1.8 trillion KRW('16)

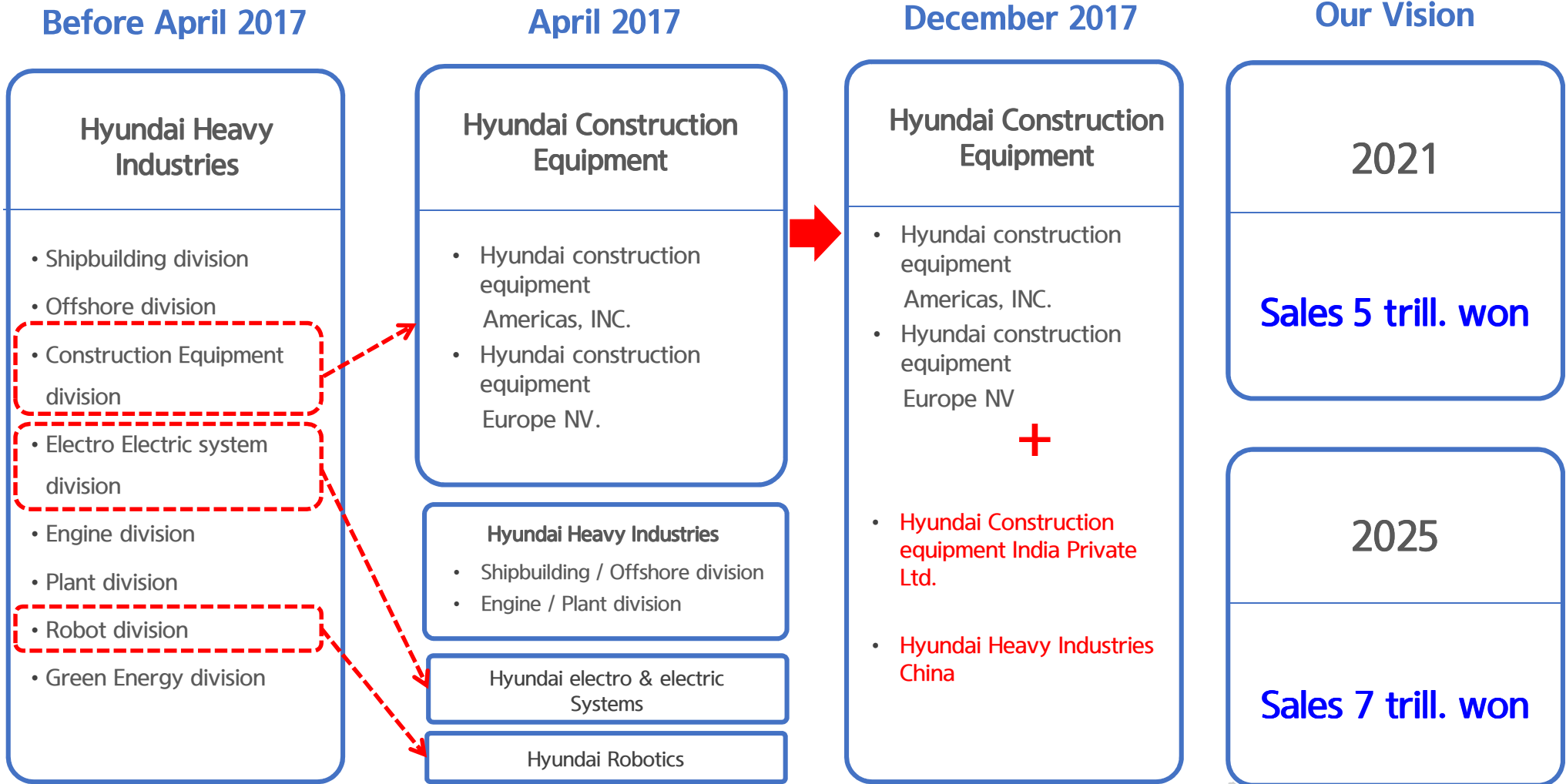
Established a separate, wholly-owned company for our ongoing CE business

- Hyundai Heavy Industries decided to split its non-shipbuilding divisions into independent companies in an effort to improve management efficiency and sharpen its core competitiveness.



* Note : 2.3 trillion KRW in global branch sales of 2016 is included

※ HHI group's spin-off project



4. Key Competitiveness

(1) Leading market position in emerging markets

- Emerging markets account for 41% of total sales
- Competitiveness in emerging markets
 - ✓ Global HYUNDAI brand
 - ✓ Preemptive entry
 - ✓ Excellent product competitiveness

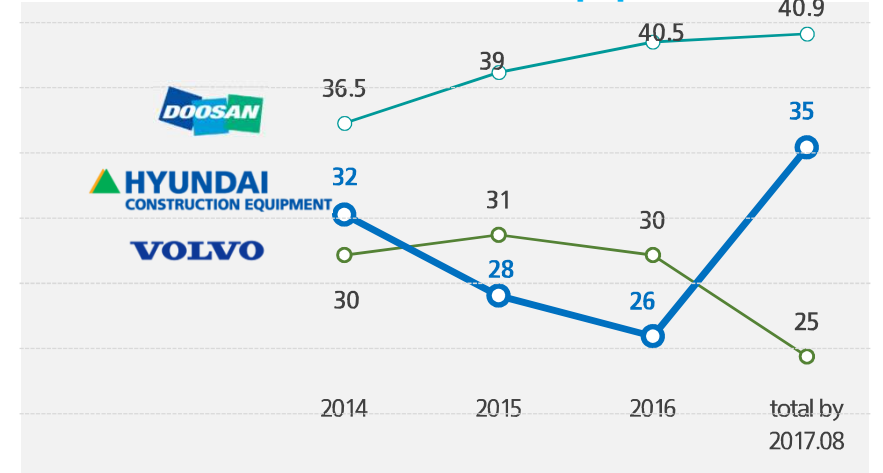
(2) Reorganization of the domestic sales system

- Strengthening domestic sales force
 - ✓ Enlargement/Specialization of distribution channel
- Used equipment distribution support center
 - ✓ Provide complete solutions for construction equipment, connecting sales/used equipment/AS/rental/parts

M/S of excavators in emerging markets (2017.07)

Region	Market share
India	19%
Russia	29%
Brazil	22%
Argentina	26%
Vietnam	27%
Algeria	49%
Qatar	40%
Myanmar	28%

M/S of Domestic construction equipment

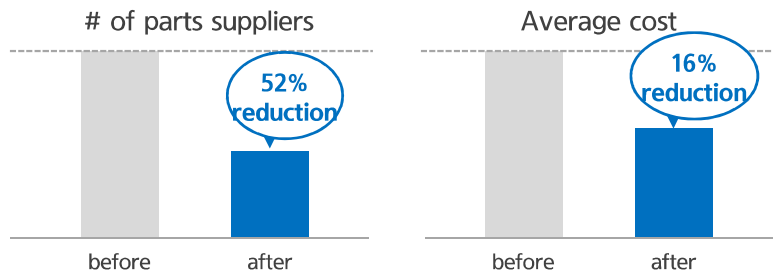


Source : Korea Construction Equipment Manufacturers Association registration

4. Key Competitiveness

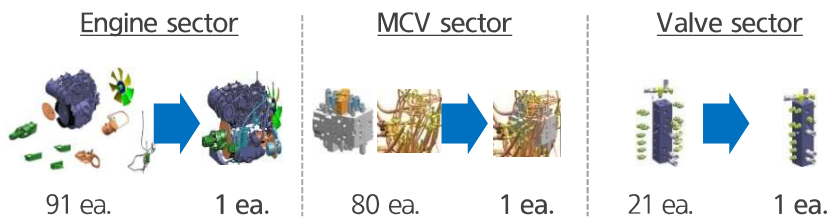
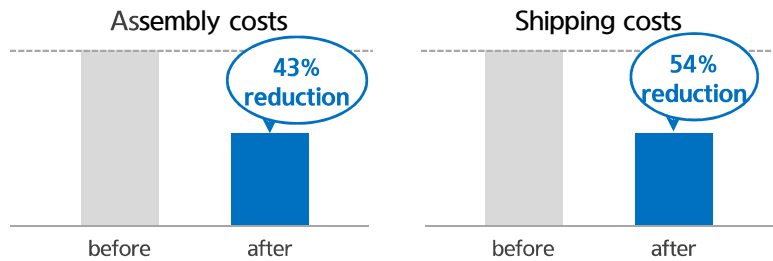
(3) Expect profitability through preemptive improvements in business competitiveness

- Production cost/quality improvement (2016 performance)
- ✓ Strengthening strategic purchasing



Reorganization of suppliers by focusing on major materials (electronics, metal products etc.)

- ✓ Modulation of parts



Business reorganization

Business structure improvement by preemptive restructuring for market stagnation

Global infrastructure efficiency

- Reorganization of Chinese production corporation focusing on core products
- Strengthening sales network by merging dealerships and offering discriminative sales incentives

Strengthen risk management

- Strengthen collection activities by operating the receivables management center within China
- Improve collection conditions for sales finances and cash-based activities

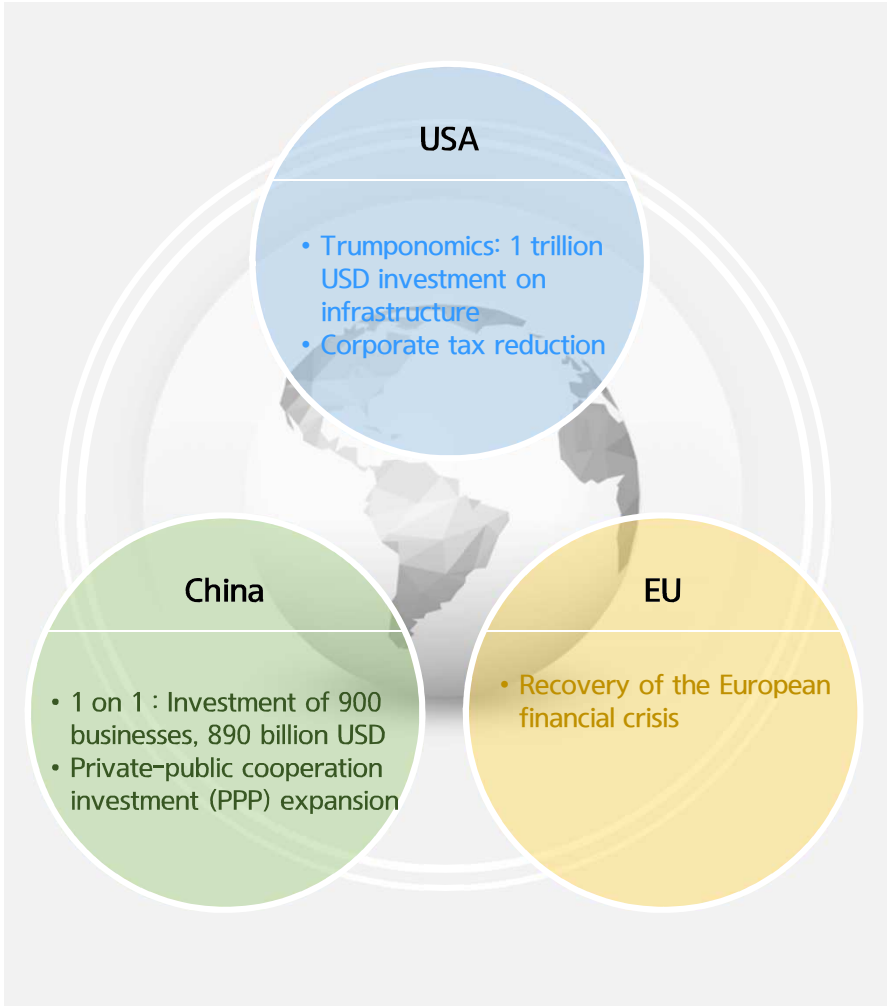
Organization/workforce efficiency

- Slim down local management/production workforce
- Preemptive restructuring in major markets (China, Brazil etc.)

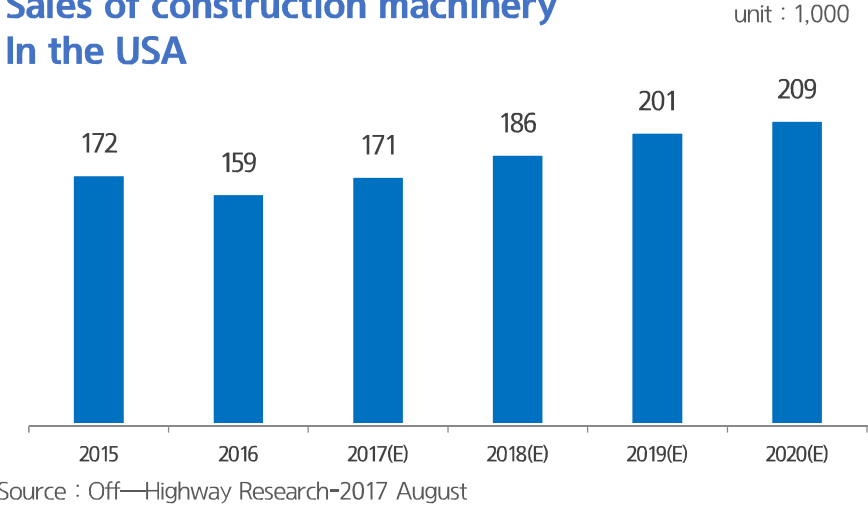
5. Market Status (1) Turn-around of major markets

G2 construction equipment demand accelerated by the recovery of the real economy

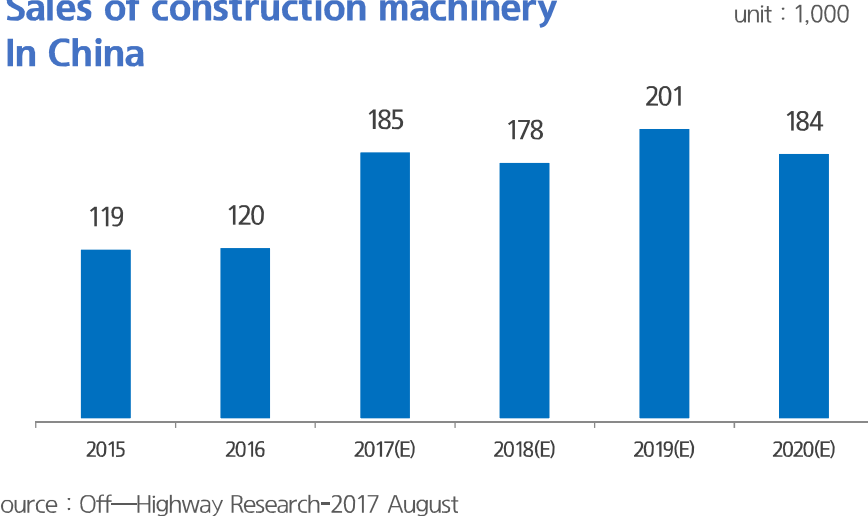
Key issues on the turn-around of major markets



Sales of construction machinery In the USA



Sales of construction machinery In China



5. Market Status (2) Rapid growth momentum in emerging markets

Hyundai Construction Equipment

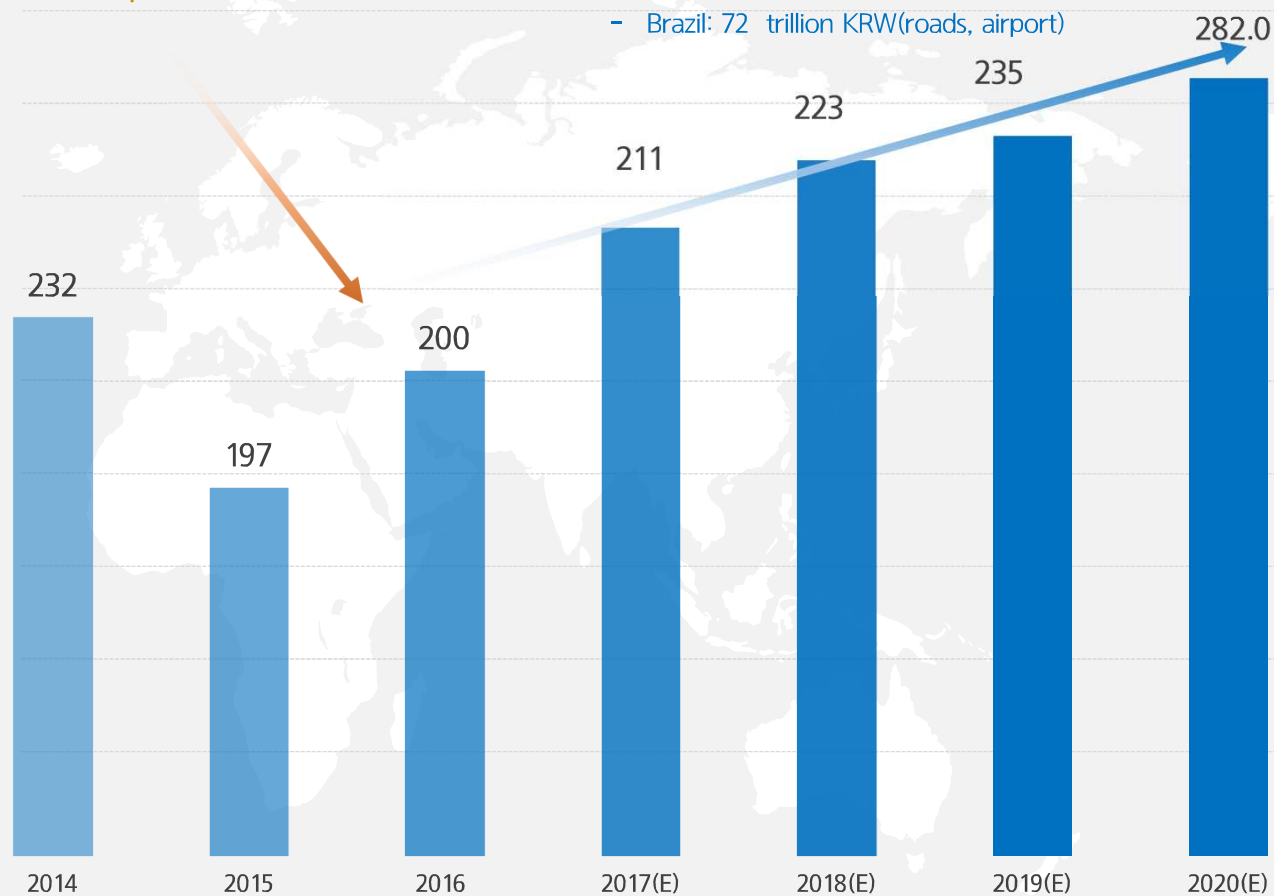
Emerging market growth trend and forecast

Economic slowdown in major emerging markets (ME, Russia, etc.) due to sharp fall in oil prices

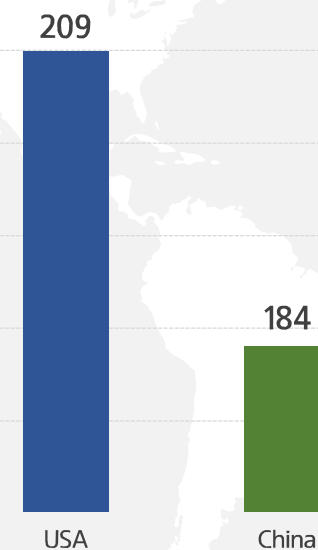
Oil price recovery and large SOC investment by region

- India : 35 trillion KRW (highway, railroads)
- Indonesia : 470 trillion KRW (railroads, harbor)
- Brazil: 72 trillion KRW(roads, airport)

unit : 1,000



2020(E) Major market sales forecast

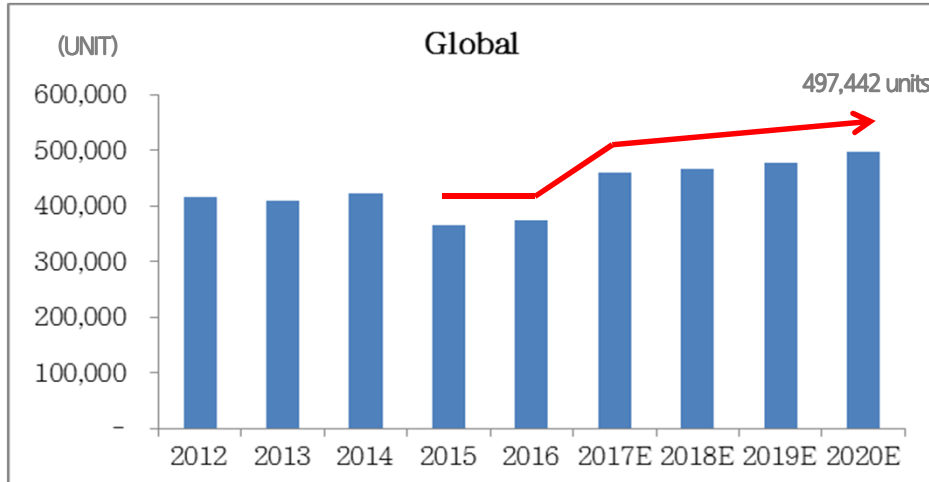


Note: Emerging market – Middle east, Africa, Asia, South America, Russia/CIS

Source: Off—Highway Research-2016.September

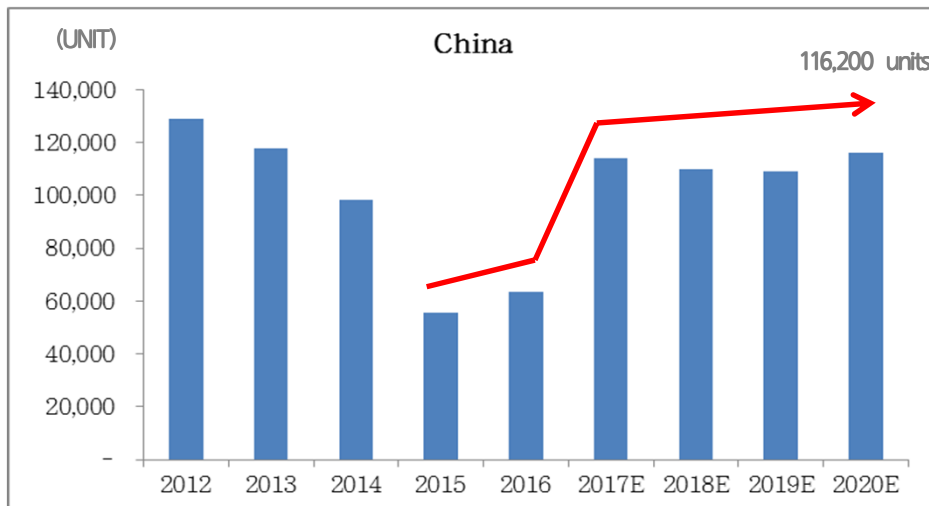
① Major emerging markets (Excavator)

Demand for excavators is expected to rise steadily, as large-scale infra construction will increase due to the expansion of fiscal spending by major emerging economies



Global

- Demand for excavators is expected to continue to rise over the next five years due to the expansion of infrastructure investment by the Indian and Chinese governments
- North America and Europe are also expected to continue to grow, driven by economic recovery



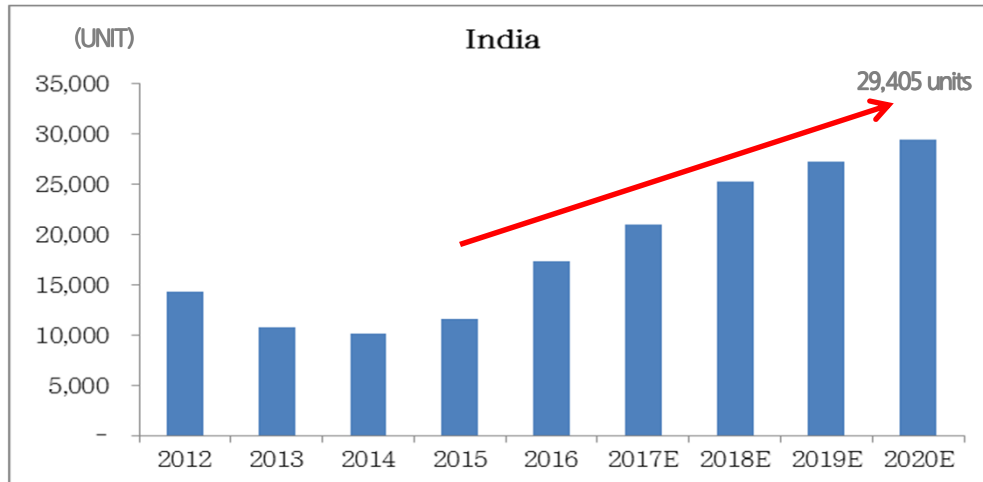
China

- Impact of the 13th Four-year economic development plan
- Investment in construction projects is expected to expand as part of a globalization strategy such as “One-belt One-road”
- Demand for excavators is expected to remain at 110,000 ~ 120,000 units for the next five years

Source : Off-Highway Research

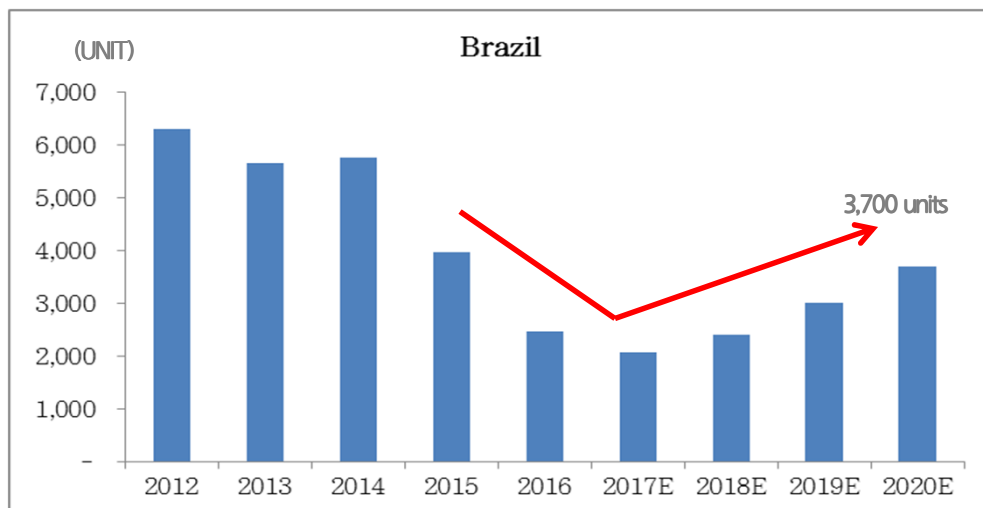
② Major emerging markets (Excavator)

Demand for excavators is expected to rise steadily, as large-scale infra construction will increase due to the expansion of fiscal spending by major emerging economies



India

- The India government will spend about \$ 1 trillion through its 12th Five-year infrastructure investment plan
- Demand for excavators will reach 30,000 units within the next five years due to the impact of the Indian government's urbanization project



Brazil

- Implement large-scale infrastructure projects for economic recovery
 - Morar Carioca : Urbanization policy
 - Projecto Crescer : Infrastructure construction program
- Brazilian government plans to invest about \$ 2 billion to build infrastructure, promote energy and manufacturing industries growth

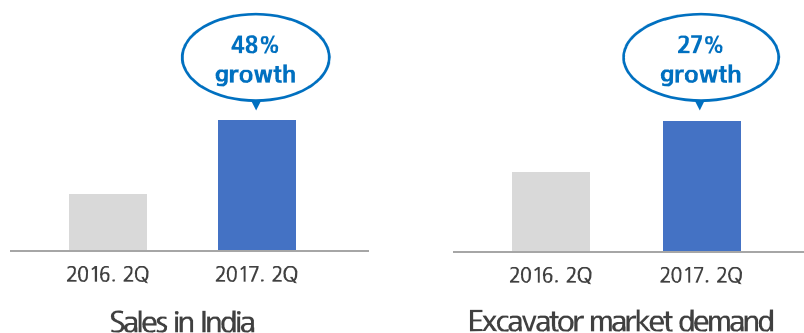
Source : Off-Highway Research

6. Key strategies 1) Expansion of sales in key markets : Emerging markets

Using a strong sales network in emerging markets to launch local customized products and strengthen strategic sales activities

India

- Strong market position in the Indian market



[Launch local customized products]

- From the 2nd quarter of 2017, HCE India starts to sell local customized, 8 series model to Indian customers

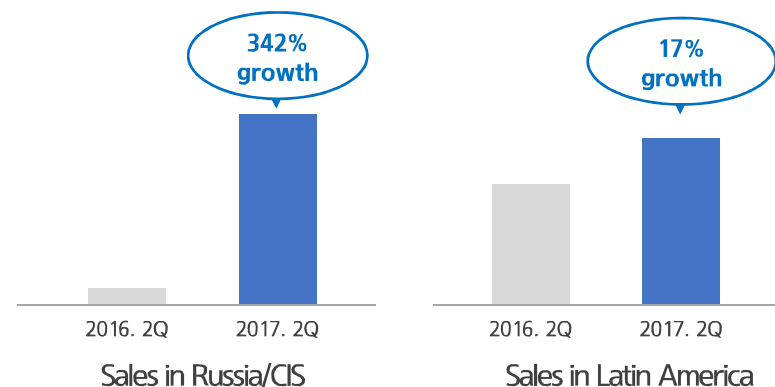


- The small excavator market will also be pre-empted based on the recognition HCE gained through mid and large sized excavators



Emerging market

- Total sales in emerging markets increased 46.5% (Y o Y)



[Perform regional strategic sales activities]

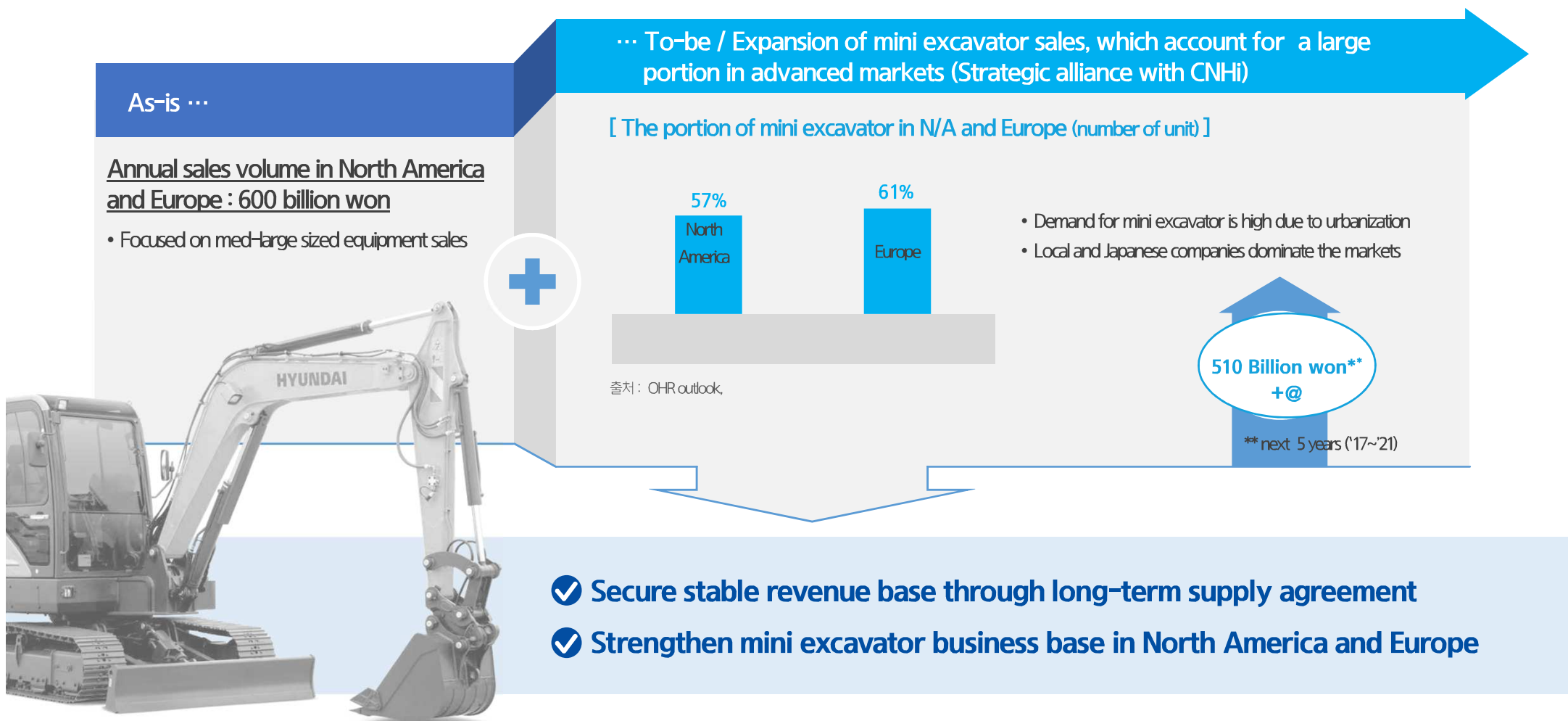
- Resource-rich countries: Focus on large equipment
Strengthen sales activities of large equipment in Russia, Algeria and Australia
- The countries that plan to expand infrastructure investment
- Iran and Vietnam



6. Key strategies 2) Expansion of sales in key markets : N/A, Europe

Signed OEM contract for mini excavator with CNHi, a construction equipment maker based on North America and Europe market

Secure new sales through strategic alliances

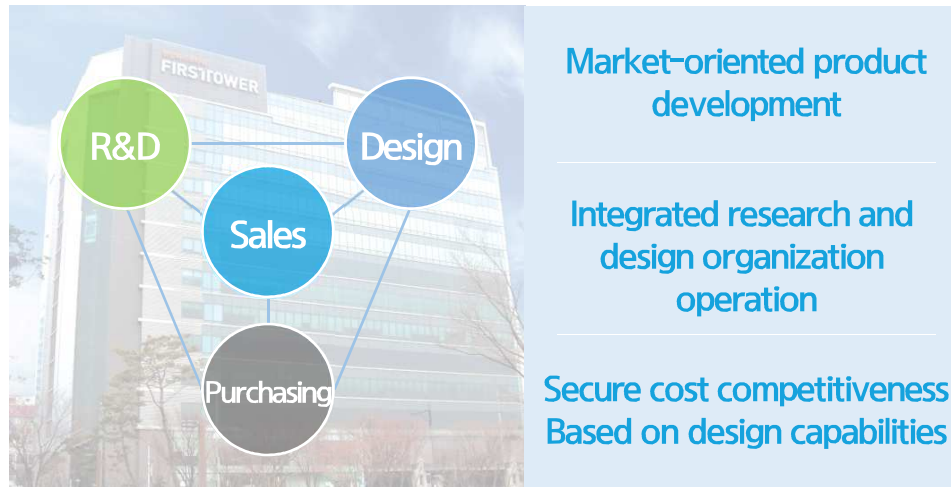


6. Key strategies 3) Technology-oriented management : R&D-oriented system

Hyundai Construction Equipment

Integration of key functions in metropolitan area

Integrate design, development, R&D function to metropolitan area



R&D investment plan

- Hiring excellent research and development personnel
- Strengthen equipment verification test by establishing integrated reliability center
- Establishment of global R&D Network using Chinese and Indian research institutes
- Maximize business synergy among affiliates through HHI group R&D center operation

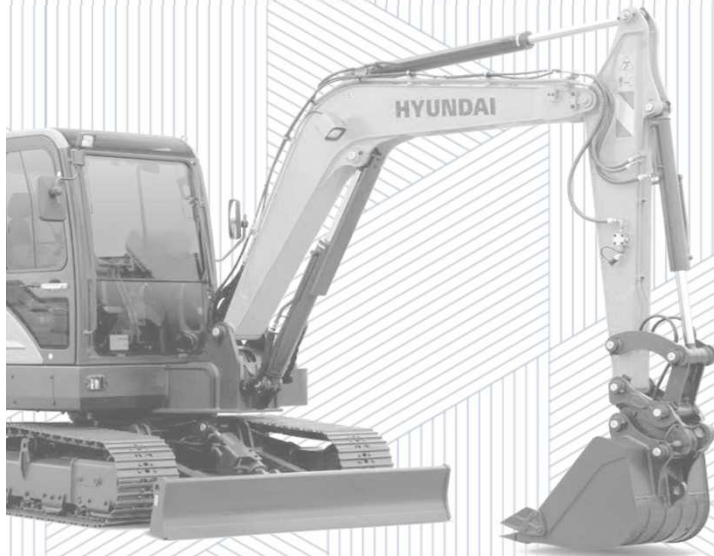
Major tasks for technology development



Chapter 2.

Business Performance

1. Summary of Business Performance (2017.2Q)
2. Sales performance analysis
3. Operating profit analysis
4. Financial statements



1. Summary of Business Performance (Consolidated P/L)


Achieved 27.5% Y o Y growth in sales and 10.5% operating profit margin

'17. 2Q Business Performance

Billion won


	'17.2Q			'17.1Q	'16.2Q
		QoQ	YoY		
Sales	683	6.0%	27.5%	644	536
Cost of Sales	560	7.4%	33.1%	521	420
Gross Profit	124	0.2%	7.0%	123	115
Operating Profit	35.8	-15.9%	10.5%	42.6	32.4
O/P Margin	5.2%	-1.4%p	-0.8%p	6.6%	6.0%

- Sales 683 Billion won

- Q o Q 6.0% 

- Y o Y 27.5% 

- O/P 35.8 Billion won

- Q o Q -15.9% 

- Y o Y 10.5% 

2. Sales performance analysis

Unrealized Profit -25.5 Billion won for the stocks of HCEE and HCEA.

'17. 2Q Business Performance by Corporation

Billion won

	Separate Income				Adjustment (b)	Consolidated P/L (a+b)
	HCE	HCEE	HCEA	Total (a)		
Sales	664	98	98	860	-177	683
Cost of Sales	533	87	87	707	-147	560
Gross Profit	131	11	11	153	-30	123
Operating Profit	57	2.1	2.2	61.3	-25.5	35.8
O/P Margin	8.6%	2.0%	2.3%	7.1%	-1.9%	5.2%

- Unrealized Profit 25.5 Billion won

Operating Profit 61.3 Billion won

(O/P Margin 7.1%)

- As an accounting issue, the machines shipped to HCEE and HCEA before April 1, 2017 (Spin Off) are not owned by HCE but HHI.

- Therefore, 25.5 Billion won was NOT defined as HCE's profit.

- ◆ HCEE : Sales corporation in Europe
- ◆ HCEA : Sales corporation in the USA

2. Sales performance analysis

Comparing to 2Q of year 2016, HCE achieved 27.5% sales growth.
 Construction Equipment 33.1% Forklift 13.7% Parts 14.3%

Sales

Billion won

	'17.2Q		'17.1Q	'16.2Q
	QoQ	YoY		
CE	505	5.6%	478	380
FL	126	9.0%	116	111
Parts	52.0	3.2%	50.4	45.5
Total	683	6.0%	644	536

Analysis

CE
(33.1% ▲)

- Reorganization of the domestic sales system
 - Enlargement and specialization of distribution channel (Y o Y 56.2% sales growth)
- Growth momentum in overseas corp.
 - India: 2,000 excavators sales in 171Q (2,600 excavators in 2016)
 - China: CKD sales growth Y o Y 105.9%

FL
(13.7% ▲)

- Sales growth in North America
 - Sales growth Y o Y 37.3%
 - 285 forklift trucks to U.S. company Oldcastle

Parts
(14.3% ▲)

- Increase in demand of parts according to sales growth of CE & FL

2. Sales performance analysis

1. HCE

		Billion won				
		'17.2Q			'17.1Q	'16.2Q
		QoQ	YoY			
Direct Exports	Russia / CIS	51	70%	340%	30	12
	Latin America	26	37%	18%	19	22
	Asia	32	-9%	0%	35	32
	CNHi	36	38%	8,900 %	26	0.4
	ME / Africa	62	-17%	-19%	75	77
	*Others	118	-8%	13%	128	104
	Sum	325	4%	32%	313	247
Domestic		175	6%	37%	165	128
Overseas Corporation	North America	98	14%	34%	86	73
	Europe	98	10%	3%	89	95
	Sum	196	12%	17%	175	168
**Total		696	7%	28%	653	543

*Others : CKD (China, India, Brazil) + Parts business + other countries

**Total : Direct exports + HCEE + HCEA (Simple sum)

2. Overseas Factories

		Billion won				
		'17.2Q			'17.1Q	'16.2Q
		QoQ	YoY			
China	80	-17%	246%	96	23	
India	74	-7%	48%	79	50	
Brazil	18	29%	0%	14	18	
Total	172	-9%	89%	189	91	

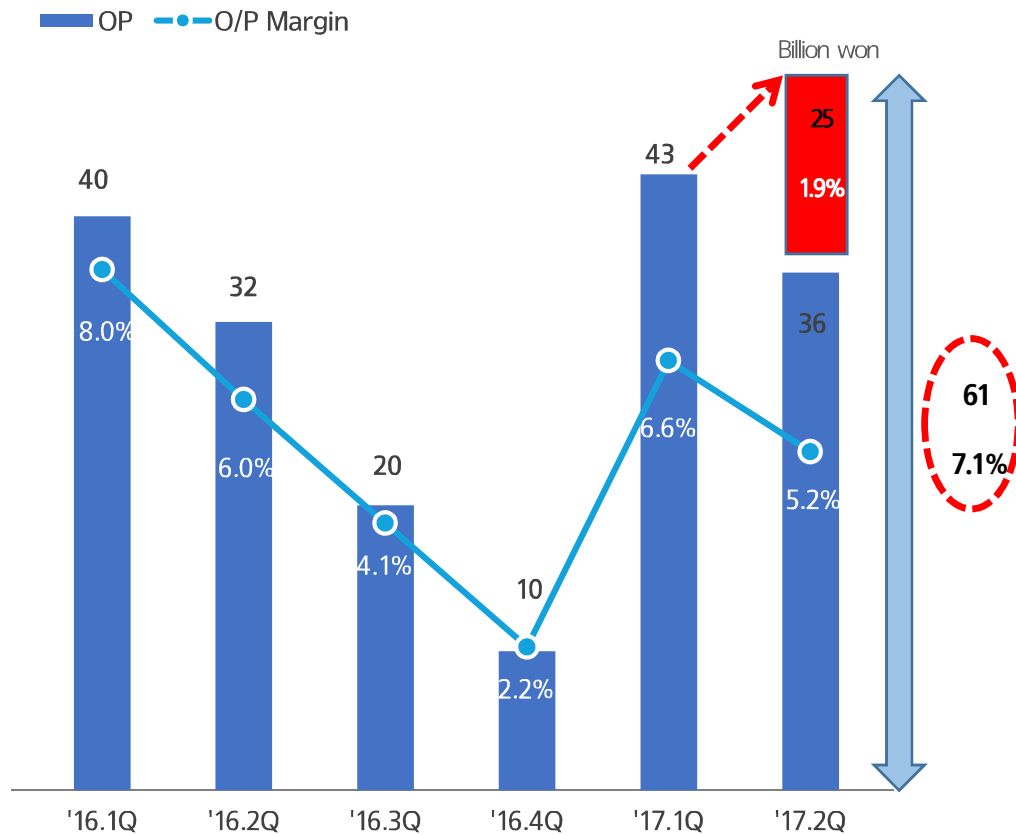
*The overseas factories are currently owned by HHI.

**China & India will be acquired by HCE at the end of this year.

3. Operating profit analysis

Without consideration of “Unrealized Profit”, Operating margin followed the growing trend (YoY & QoQ)

Operating profit



Analysis

Sales Growth	<ul style="list-style-type: none"> • Improvement in Sales Network (Reorganization of distribution channel) • Special Sales Strategy for Market Customized product development • Expand the portion of OEM Production
Reduced expenses	<ul style="list-style-type: none"> • Reduction in transportation costs

- With consideration of Unrealized Gain:
 - YoY 10.5% growth
- Without consideration of Unrealized Gain:
 - YoY 89.2% growth

4. Balance sheet

Total assets : 1.86 trillion won, Debt/Equity ratio : 138%

Balance sheet

Billion won

	As of the end of June 2017
Assets	1,862
Current assets	1,224
Cash and Cash equivalent	221
Non-current assets	638
Liabilities	1,081
Current liabilities	612
Non-current liabilities	470
Borrowings	723
Net borrowings	502
Equity	781

Analysis

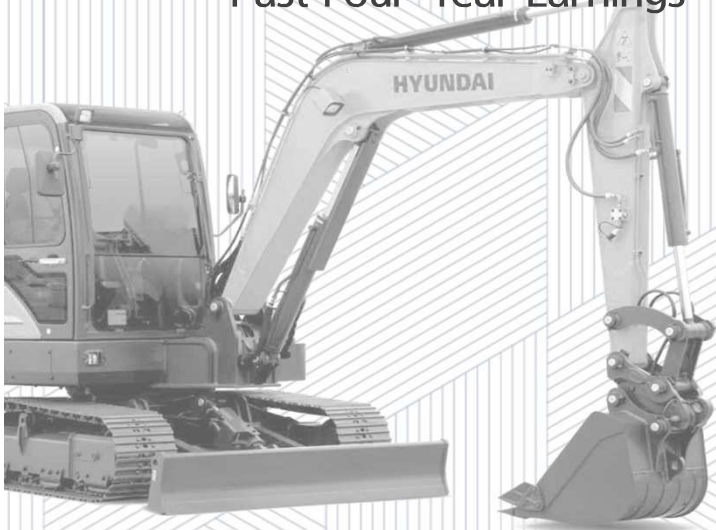
	As of the end of June 2017	April 1, 2017
Current Ratio (Current Assets / Current Liabilities)	200%	208%
Debt Ratio (Total Liabilities / Total Assets)	138%	140%
Borrowing Ratio (Total Debt / Total Equity)	92.5%	100%



Chapter 3.

Capital Increase

1. Measures and Purpose of Financing
2. Expected Effects
3. Appendix
 - Shareholding structure of Chinese business
 - Past Five-Year Sales
 - Past Four-Year Earnings



1. Measures and Purpose of Capital Increase

Hyundai Construction Equipment Co. significantly increasing equity capital to acquire overseas factories from HHI and enhance R&D investment.

1) Overview of Rights Offering

- Offering Size: KRW 379.2 Billion (final offering size to be determined on Nov 1, 2017)
- Method: Rights Offering + Bonus Issue
- Number of new shares offering: 1,380,000 shares (increase Ratio of 38.3%) with a face value of KRW 5,000 per share
- A bonus share per each right to be issued making company bigger with an increased number of shares
- Total number of new share issued: 9,876,295 shares
- Allocation method: Rights offering shareholders followed by public offering (Discount rate 20%)

2) Purpose of Financing (1) Beefing Up Overseas Business: China and India

- Use the extra cash to add overseas offices in emerging markets like China and India

Overseas Corporations	Acquisition Portion	Estimated Acquisition Cost
Hyundai Heavy Industries China	60%	KRW 187~214 Billion
Hyundai Construction Equipment India Pvt., Ltd.	100%	KRW 67~90 Billion

3) Purpose of Financing (2) Setting Up Internal Facilities: Product Testing Lab and R&D Investment

- Use the extra cash to add new facilities and investment to enhance business competitiveness

Section	Estimated Cost
Product Testing Lab	KRW 9 Billion
Investment in R&D	KRW 53 Billion

2. Schedule of Rights Offering

Schedule		Event
Sep.	9/4	Resolution of the Board of Directors
	9/7	Submission of securities report
	9/21	Determination of first issue price (KRW 274,500)
	9/26	Holder-of-Record Date
Nov.	11/1	Final issue price confirmed
	11/6 ~11/7	Subscription of Employee Stock Ownership Association / Shareholders
	11/9 ~11/10	Public subscription
	11/14	Allocation and Refund
	11/15	Holder-of-Record (Bonus Issue(4,912,249 Shares Offering(increase rate : 100%))
	11/23	Listing of Rights Offering
Dec.	12/6	Listing of Bonus Issue

3. Expected Effects of Capital Increase

Achieve the Long Term Vision of Company

- ✓ Achieve KRW 5 Trillion in Sales
- ✓ Promote growth as the world 5th largest company by improving technology and expanding new product lines

Establish Global Production and Sales Network

- ✓ Over 75% of Total Sales arising in Overseas Market
- ✓ Strengthening the ability to generate profits by building global production and sales network

Improve Company Value and Financial Structure

- ✓ Bring down debt ratio to 89 percent

Expand the Volume of Trading Stock

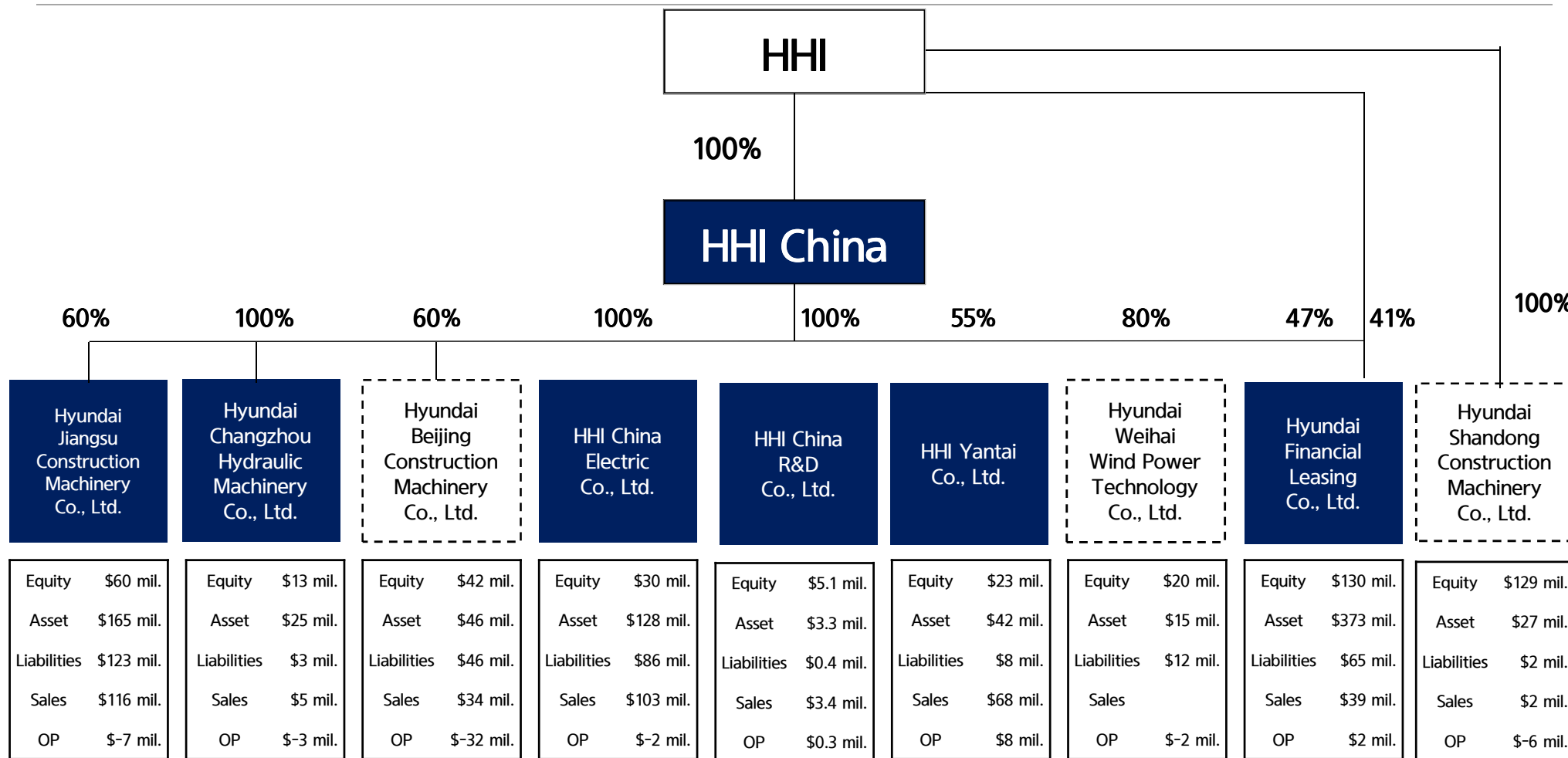
- ✓ Reducing volatility of share price due to increasing number of trading shares

Ensure the Business Growth in the Era of Fourth Industrial Revolution

- ✓ Strengthening ICT business competitiveness by expanding R&D investment



Appendix - Shareholding structure of HHI China

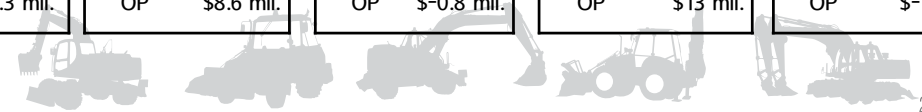


Equity	\$60 mil.	Equity	\$13 mil.	Equity	\$42 mil.	Equity	\$30 mil.	Equity	\$5.1 mil.	Equity	\$23 mil.	Equity	\$20 mil.	Equity	\$130 mil.	Equity	\$129 mil.
Asset	\$165 mil.	Asset	\$25 mil.	Asset	\$46 mil.	Asset	\$128 mil.	Asset	\$3.3 mil.	Asset	\$42 mil.	Asset	\$15 mil.	Asset	\$373 mil.	Asset	\$27 mil.
Liabilities	\$123 mil.	Liabilities	\$3 mil.	Liabilities	\$46 mil.	Liabilities	\$86 mil.	Liabilities	\$0.4 mil.	Liabilities	\$8 mil.	Liabilities	\$12 mil.	Liabilities	\$65 mil.	Liabilities	\$2 mil.
Sales	\$116 mil.	Sales	\$5 mil.	Sales	\$34 mil.	Sales	\$103 mil.	Sales	\$3.4 mil.	Sales	\$68 mil.	Sales		Sales	\$39 mil.	Sales	\$2 mil.
OP	\$-7 mil.	OP	\$-3 mil.	OP	\$-32 mil.	OP	\$-2 mil.	OP	\$0.3 mil.	OP	\$8 mil.	OP	\$-2 mil.	OP	\$2 mil.	OP	\$-6 mil.

※ 2016

Sales	\$141 mil.	Sales	\$9 mil.	Sales	\$3 mil.	Sales	\$38 mil.	Sales	\$0.4 mil.	Sales	\$23 mil.	Sales		Sales	\$6 mil.	Sales	\$0.5 mil.
OP	\$6 mil.	OP	\$0.3 mil.	OP	\$-1.5 mil.	OP	\$-1.7 mil.	OP	\$-0.3 mil.	OP	\$8.6 mil.	OP	\$-0.8 mil.	OP	\$13 mil.	OP	\$-1 mil.

※ 2017 2Q



Appendix - Past Five-Year Sales

The following information is a simple total figure for promoting an understanding of sales performance by region

Billion won

	2013	2014	2015	2016	2017.06
*Direct Exports	1,317	1,110	832	697	484
Domestic	476	420	422	440	341
North America	299	287	265	304	186
Europe	307	326	321	347	187
China	630	426	207	184	176
India	124	113	171	210	153
Brazil	149	192	90.8	59.6	31.5
Total	3,302	2,874	2,308	2,242	1,556

*Direct Exports : 7 continents (Middle East, Africa, Latin America, Russia, CIS, Oceania, Asia)

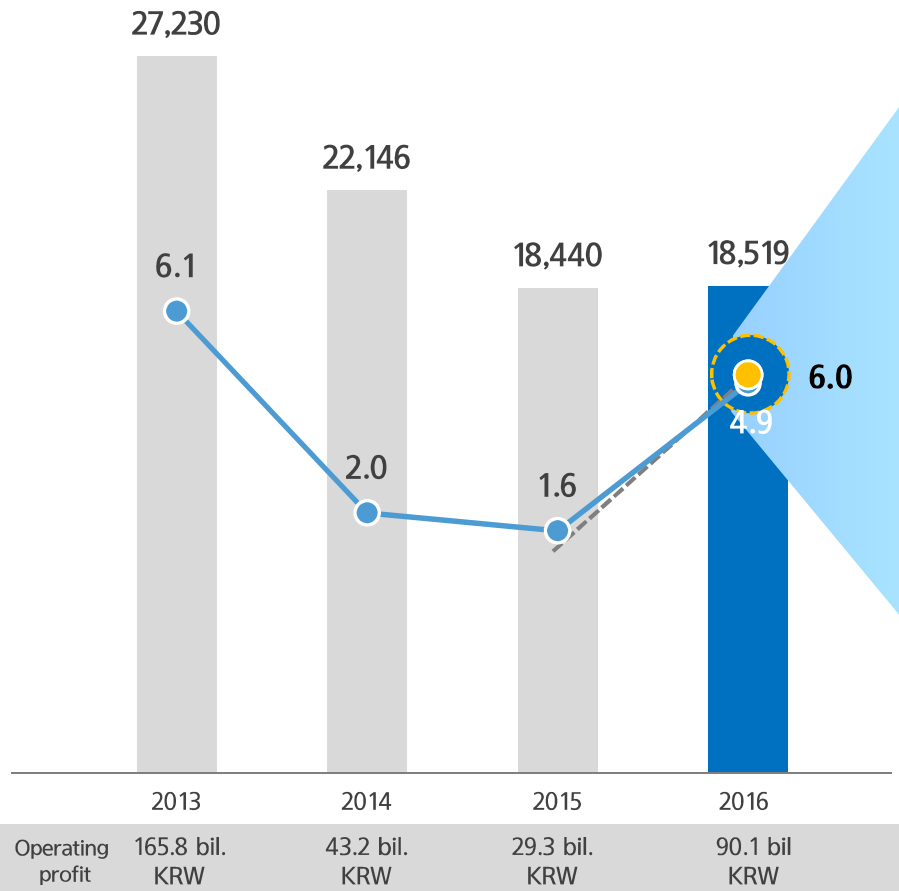


Appendix - Past Four-Year Earnings

Earnings turnaround based on efforts to strengthen core competitiveness

Earnings trend for the past 4 years

■ Sales (100 mil KRW)
● Operating profit ratio (%)



(112 bil. KRW : excluding one time cost)

Earnings turnaround factors

- Strong and sustainable business competitiveness in rapid growth in emerging markets
- Domestic M/S soaring by strengthening the sales network
*Accomplished the total sum of 35% M/S by 2017.08 (8%p increase since last year)
- Secure cost /quality competitiveness through preemptive business reorganization for a depression
- Considering one time cost, actual operating profit of 2016 is 112 bil. KRW (operating profit ratio 6%)



▲ HYUNDAI CONSTRUCTION EQUIPMENT

		'17.3Q				'17.2Q	'16.3Q
		매출액	(%)	QoQ	YoY		
신 홍 시 장	러시아/CIS	424	(6)	-17.4%	53.1%	513	277
	중남미	257	(4)	-	66.9%	257	154
	인도 (생산)	533	(8)	-28.0%	29.4%	740	412
	중국 (생산)	807	(12)	1.5%	214.0%	795	257
	기타지역	1,170	(17)	-2.7%	-1.2%	1,202	1,184
	계	3,191	(46)	-9.0%	39.7%	3,507	2,284
국내시장		1,367	(20)	-21.9%	34.4%	1,750	1,017
선 진 시 장	북미 (판매)	915	(13)	-7.2%	18.5%	986	772
	유럽 (판매)	980	(14)	0.1%	5.4%	979	930
	CNHi	281	(4)	-22.4%	1773.3%	362	15
	대양주	164	(2)	-10.9%	-18.0%	184	200
	계	2,339	(34)	-6.8%	22.0%	2,509	1,917
기타매출		14	(-)	-70.2%	-33.3%	47	21
합 계		6,911	(100)	-11.5%	31.9%	7,813	5,239