

2Q 2018 Earning Release

HYUNDAI CONSTRUCTION EQUIPMENT



Disclaimer

This report has been prepared by Hyundai Construction Equipment, Ltd., indicated as “Company” below, for the purpose of promoting understanding of the company’s business activities and it is prohibited to export, copy or redistribute the report.

“Predictive information” contained in this report is information that has not been subjected to individual verification. This refers to information related to future events, such as expected future management status and financial performance of the company. In terms of expressions, vocabulary such as ‘prediction,’ ‘forecast,’ ‘plan,’ ‘expectation,’ are included.

The above “forecast information” is influenced by changes in the future business environment and inherently contains uncertainties. As a result of such uncertainties, actual future performance may significantly differ from those stated or implied in the “forecast information”.

Furthermore, the outlook is based on current market conditions and the direction of the company management. Please be advised that changes may occur due to changes in the market environment and strategies, and are subject to change without notice.

Please note that the company and its employees do not bear any responsibility for any loss resulting from the use of this material. (Including negligence and other cases)

Please do not copy or distribute this material as it contains the confidential information of the company.

HYUNDAI CONSTRUCTION EQUIPMENT

Table of Contents

1. 2Q 2018 Earnings
2. Market Outlook

 **HYUNDAI**
CONSTRUCTION EQUIPMENT

Chapter 1.

2Q 2018

Consolidated Earning Release

1. Summary of Consolidated Financial Results
2. Sales Performance Analysis by products
3. Sales Performance Analysis by region
4. Sales Record of Overseas Production Corporation (India, China)
5. Operating Profit Analysis
6. Consolidated Financial Statement



1. Summary of Consolidated Financial Results

Consolidated Financial Results

Unit : Billion KRW

		'18.2Q		'18.1Q	'17.2Q
		QoQ	YoY		
Sales	923	-0.8%	35.1%	931	683
Cost of Sales	756	-3.0%	35.1%	780	560
Gross Profit	167	10.6%	34.8%	150	124
Operating Profit	75	21.6%	110.0%	62	36
O/P Margin	8.1%	1.5%p	2.9%p	6.6%	5.2%
Net Income	48	-4.2%	78.0%	50	27
Net Income Margin	5.2%	-0.2%p	1.3%p	5.4%	3.9%

- **Sales KRW 923 billion**
- Sales increased by 35.1% YoY
- **Operating Profit KRW 75 billion (OPM 8.1%)**
- Operating Profit increased by 110.0% YoY
- **Sales volume increased by consolidation of overseas corporation in India and China**
- **Operating profit improved by increasing ASP as well as volume in overseas**

Note:

2Q 2018 : K-IFRS consolidated financial statements basis (consolidated with Belgium, Atlanta, Holding company and subsidiaries in China, India and Indonesia Corporation)

2Q 2017 : K-IFRS consolidated financial statements basis (consolidated with Belgium, Atlanta Corporation)

2. Sales Performance Analysis (by Products)

Sales by Products

Unit : Billion KRW

		'18.2Q		'18.1Q	'17.2Q
		QoQ	YoY		
CE	751	0.1%	48.7%	751	505
FL	113	-5.7%	-10.2%	120	126
Parts	59	-2.3%	12.7%	60	52
Total	923	-0.8%	35.1%	931	683

Analysis

CE
(48.7%)

- Med-Large Equipment Sales Growth by Infrastructure Projects increased in India, China and other Emerging markets

FL
(-10.2%)

- Sales Growth in North America and Europe
- But, Sales slowdown in domestic market due to the reduced market size in this year

Parts
(12.7%)

- Demand Increased according to sales growth of CE and FL

3. Sales Performance Analysis (by Region)

Sales by Region

Unit : Billion KRW

Category			'18.2Q		'18.1Q	'17.2Q
			QoQ	YoY		
Direct Export	Russia/CIS	50	26.6%	-3.5%	39	51
	Latin America	29	-19.9%	14.0%	37	26
	Asia	41	0.7%	28.3%	41	32
	Oceania	23	1.3%	24.5%	22	18
	CNHi	33	17.7%	-9.9%	28	36
	Others	990	-16.1%	12.5%	118	88
	Sum	275	-3.6%	9.1%	285	252
Overseas Corp	NA (Sales)	124	31.5%	25.9%	94	99
	Europe (Sales)	101	-3.3%	3.3%	105	98
	China (Production)	257	-18.8%	10.8%	242	80
	India (Production)	82	5.9%	223.0%	101	74
	Sum	564	4.0%	61.1%	542	350
Domestic		127	-10.9%	-27.6%	142	175
*Others		43	187.1%	-8.4%	2	5
**Total		970	-0.1%	24.1%	971	781

Note:

Others : CKD technology transfer fee and etc

Total : Direct Exports + Overseas Corporations + Domestic (Simple Sum) / Not exclude the internal transaction.

Analysis

Direct Export

- Med/Large Equipment Sales Growth for Mining Industry, Resource Development along with the rebound in raw material prices

Overseas Corp

- Sales Growth in India, China and North America as they raised large size infrastructure project investments.

Domestic

- Slow down of market growth caused by deduction of Government SOC budget.

4. Sales Record of Overseas Corporation (India, China)

HYUNDAI CONSTRUCTION EQUIPMENT

India		HCE			HITACHI			KOMATSU			Market		
		2017	2018	yoy	2017	2018	yoy	2017	2018	yoy	2017	2018	yoy
Jan	Units	281	400	42%	562	726	29%	231	343	48%	1,683	2,300	37%
	M/S	16.7%	17.4%		33.4%	31.6%		13.7%	14.9%				
Feb	Units	282	433	54%	506	665	31%	234	247	6%	1,588	2,152	36%
	M/S	17.8%	20.1%		31.9%	30.9%		14.7%	11.5%				
Mar	Units	303	414	37%	612	658	8%	265	302	14%	1,750	2,211	26%
	M/S	17.3%	18.7%		35.0%	29.8%		15.1%	13.7%				
Apr	Units	277	340	23%	499	615	23%	170	242	42%	1,524	2,010	32%
	M/S	18.2%	16.9%		32.7%	30.6%		11.2%	12.0%				
May	Units	258	337	31%	453	645	42%	213	235	10%	1,475	1,964	33%
	M/S	17.5%	17.2%		30.7%	32.8%		14.4%	12.0%				
Jun	Units	349	272	-22%	695	599	-14%	229	210	-8%	2,010	1,784	-11%
	M/S	17.4%	15.2%		34.6%	33.6%		11.4%	11.8%				
2Q YTD	Units	1,750	2,196	25%	3,327	3,908	17%	1,342	1,579	18%	10,030	12,421	24%
	M/S	17.4%	17.7%		33.2%	31.5%		13.4%	12.7%				

China		HCE			DOOSAN			SANY			Market		
		2017	2018	yoy	2017	2018	yoy	2017	2018	yoy	2017	2018	yoy
Jan	Units	144	541	276%	295	710	141%	785	1,813	131%	3,947	9,550	142%
	M/S	3.6%	5.7%		7.5%	7.4%		19.9%	19.0%				
Feb	Units	500	666	33%	1,202	1,018	-15%	3,343	1,933	-42%	13,918	9,720	-30%
	M/S	3.6%	6.9%		8.6%	10.5%		24.0%	19.9%				
Mar	Units	589	1,329	126%	1,701	3,288	93%	4,220	7,819	85%	20,589	36,654	78%
	M/S	2.9%	3.6%		8.3%	9.0%		20.5%	21.3%				
Apr	Units	373	1,008	170%	1,217	2,180	79%	2,737	5,588	104%	13,671	25,043	83%
	M/S	2.7%	4.0%		8.9%	8.7%		20.0%	22.3%				
May	Units	295	809	174%	914	1,595	75%	1,944	3,858	98%	10,493	17,790	70%
	M/S	2.8%	4.5%		8.7%	9.0%		18.5%	21.7%				
Jun	Units	261	401	54%	766	1,314	72%	1,493	2,652	78%	8,226	12,465	52%
	M/S	3.2%	3.2%		9.3%	10.5%		18.1%	21.3%				
2Q YTD	Units	2,162	4,754	120%	6,095	10,105	66%	14,522	23,663	63%	70,844	111,222	57%
	M/S	3.1%	4.3%		8.6%	9.1%		20.5%	21.3%				

Note:

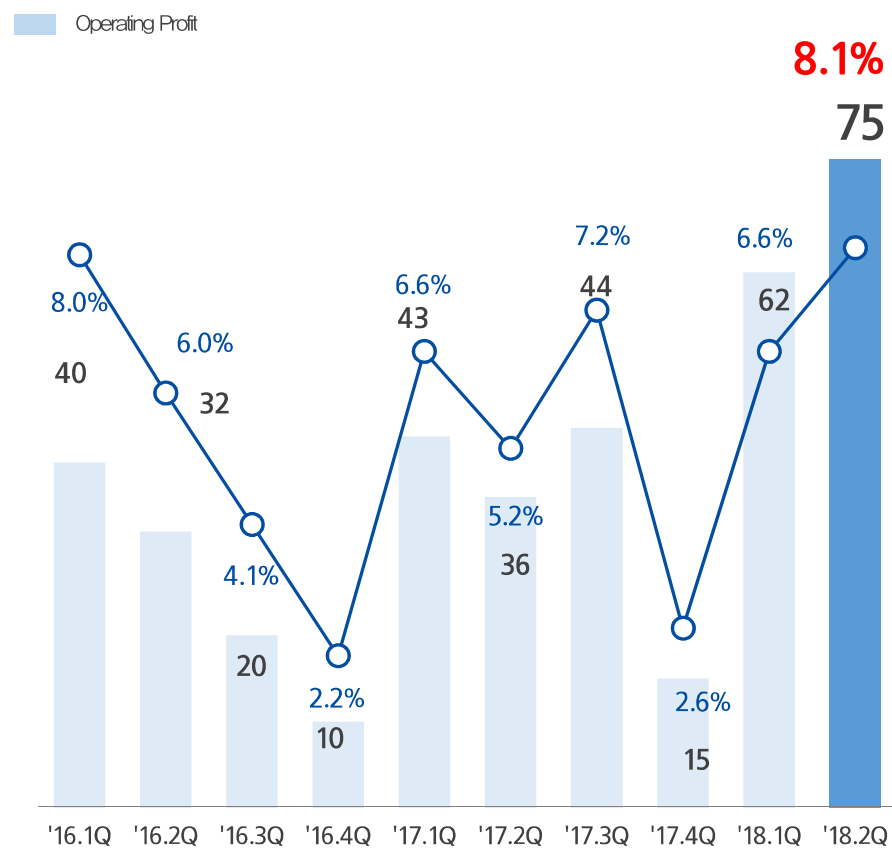
India Record does NOT include Export Records.

5. Operating Profit Analysis

HYUNDAI CONSTRUCTION EQUIPMENT

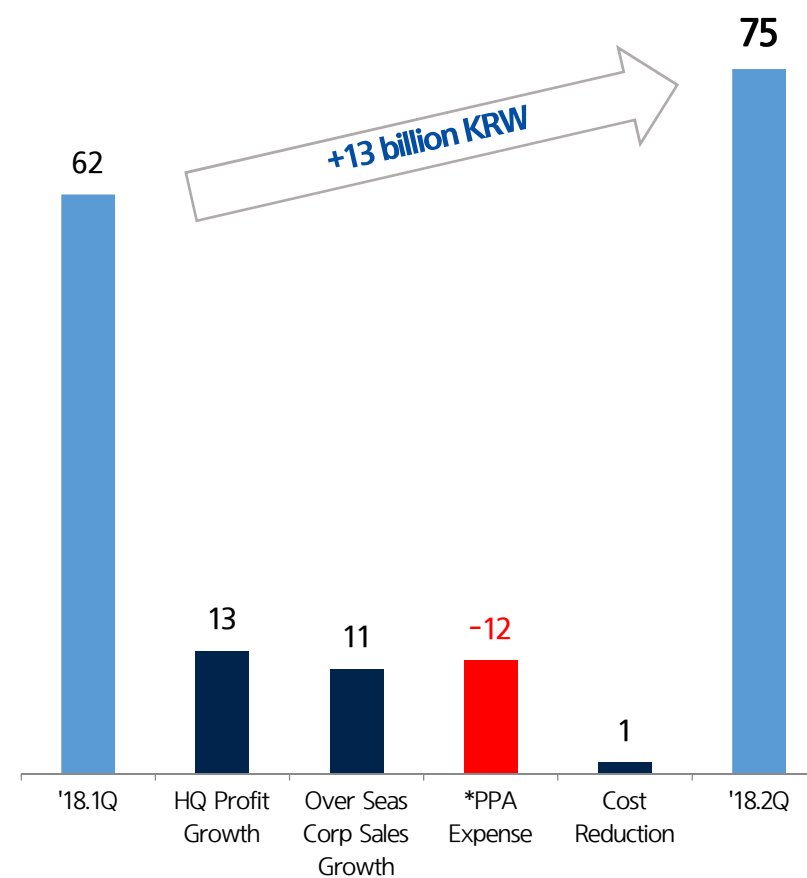
Operating Profit

Unit : Billion KRW



Operating Profit Analysis

Unit : Billion KRW



Note:

PPA (Purchase Price Allocation) is an allocation of the purchase price paid to the assets and liabilities included in a transaction.

6. Consolidated Financial Statement

Consolidated Financial Statement

Unit : Billion KRW

	2018.06	2018.03	2017.12	2017.04
Total Assets	3,067	2,803	2,229	1,830
Current Assets (accounts receivable and other bonds)	2,161 (772)	1,933 (748)	1,554 (426)	1,196 (408)
Cash and Cash Equivalents	314	170	426	296
Non-current Assets	906	870	675	634
Total Liabilities	1,487	1,293	1,058	1,068
Current Liabilities (accounts payable and others)	939 (386)	897 (427)	786 (279)	575 (218)
Non-current liabilities	548	396	272	493
Borrowings	925	721	674	767
Net borrowings	611	552	248	471
Total Equity	1,580	1,510	1,171	762

Analysis

	2018.06	2018.03	2017.12
Current Ratio (Current Assets / Current Liabilities)	230%	215%	198%
Debt Ratio (Total Liabilities / Total Assets)	94.1%	85.6%	90.3%
Borrowing Ratio (Borrowings / Total Equity)	58.5%	47.7%	57.5%

Chapter 2.

Market Outlook

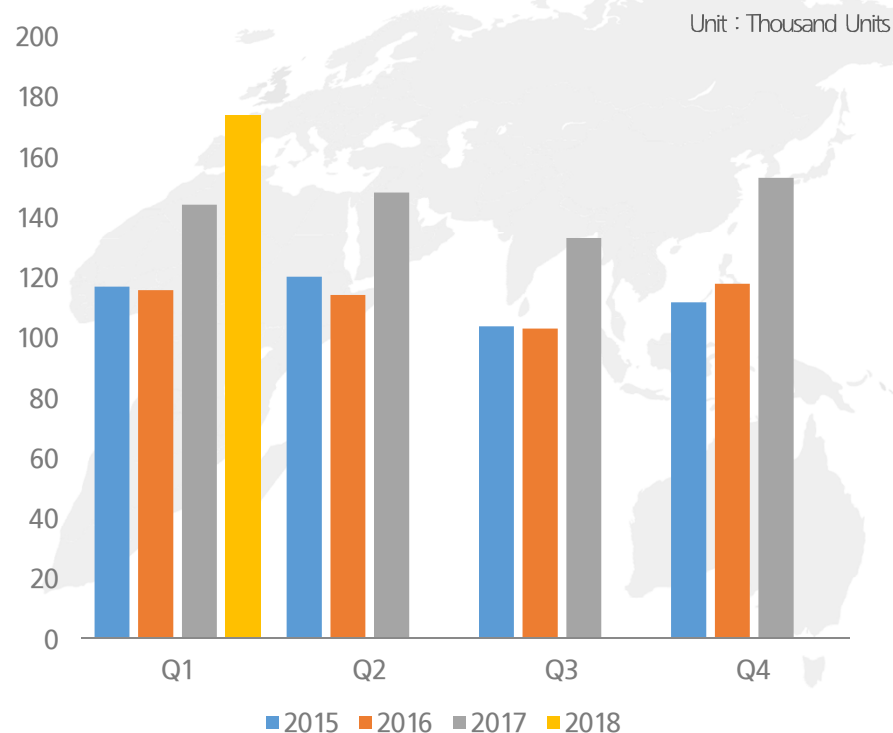
1. Global Market
2. Europe/North America Market
3. India Market
4. China and Emerging Markets



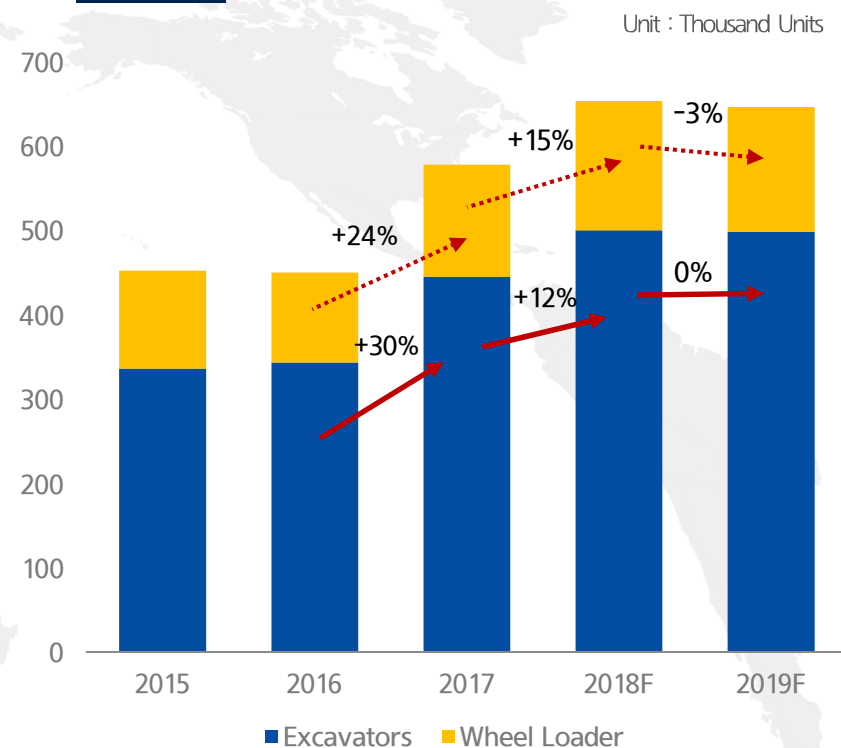
1. Global Market Outlook

- The global construction equipment market is expected to increase with growth in the mining, excavation and construction sectors. But the growth rate can be slow down from next year due to the high base of recent two years.

Global Market



Products



• Sustainable growth since 2017

- Compared to 1Q17, the global demand in 1Q18 for excavator and wheel loader increased by 24%, 29% for each.
- Especially, China (+45%, yoy) and India (+49%, yoy) markets are leading the global CE market growth.

• Continue to grow in 2nd half of 2018

- Strong demand from China, India and North America will lead the global CE market.
- But the growth rate can be slow down from 2019 from a very high base of recent two years.

2. Europe / North America Market Outlook

HYUNDAI CONSTRUCTION EQUIPMENT

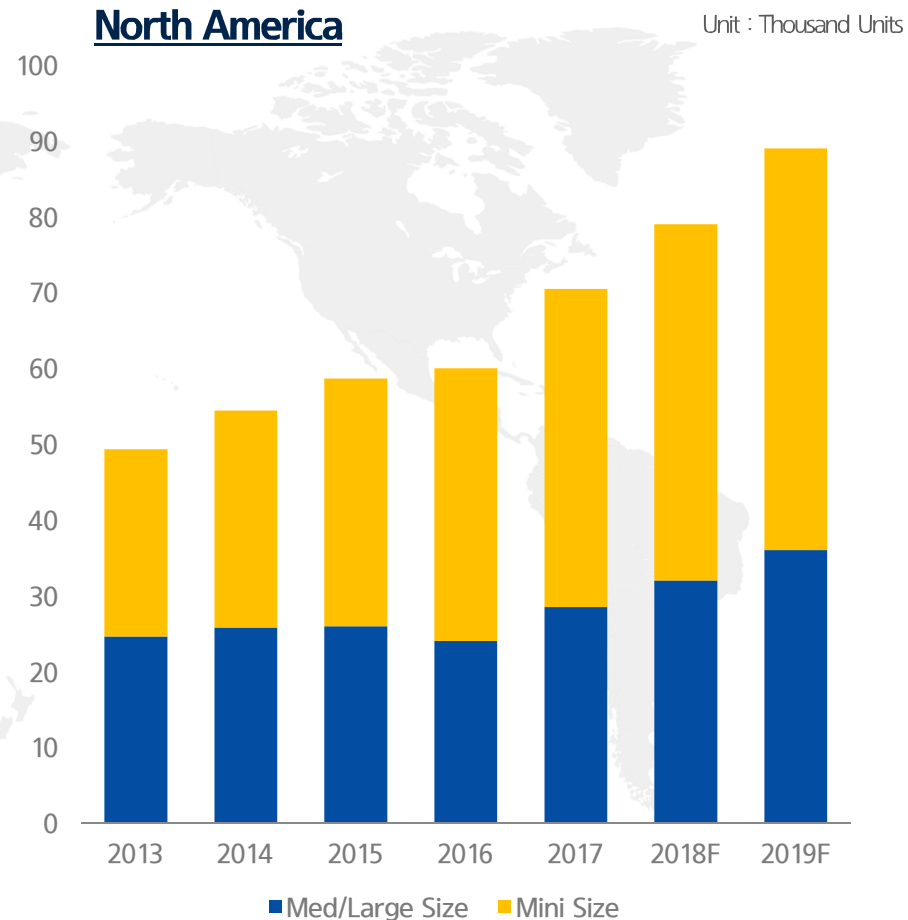
- The Europe market growth will be slow down due to the looming free trade crisis, ongoing political and economic uncertainties.

- The N.A. market demand will increase due the solid growth in economy and large size investments plan for infrastructure.

Europe

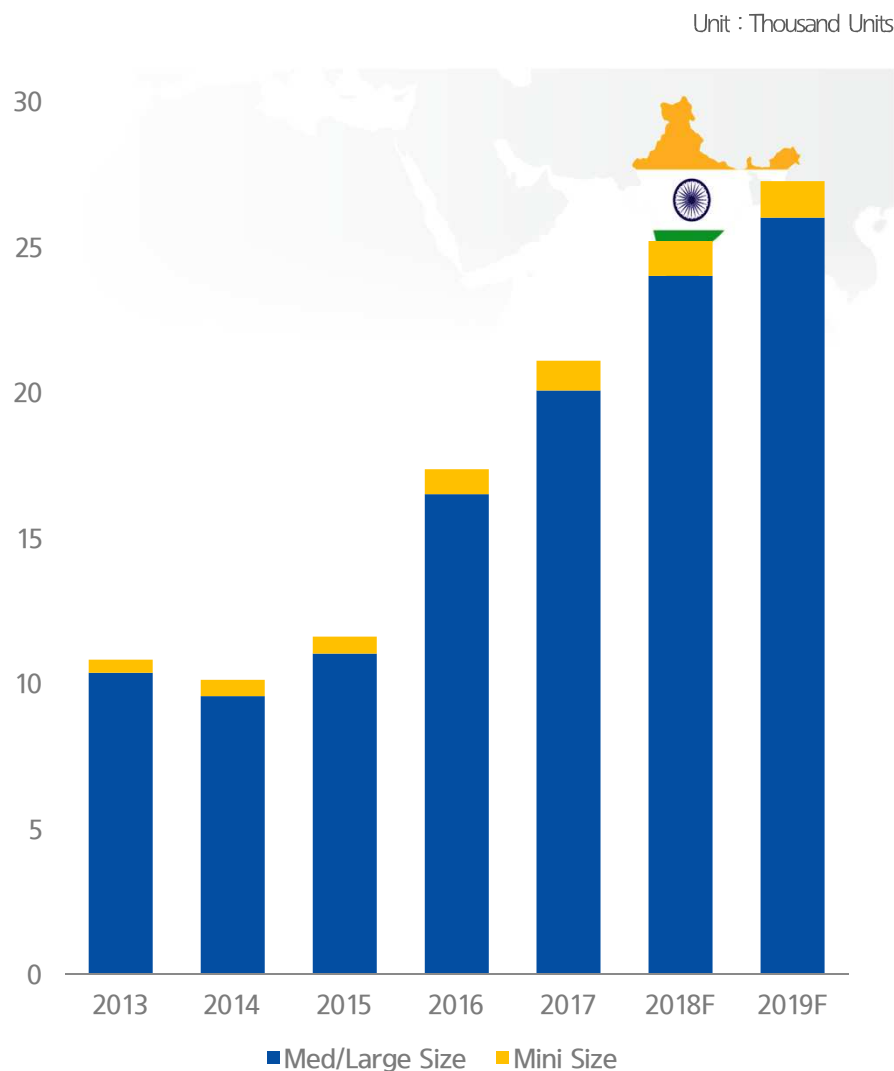


North America



3. India Market Outlook

- The India market is expected to increase with continuous growth in construction investment.



Source: Off-Highway Research (2018.4)

- Positive on construction equipment demand due to the Modi Government's efforts to speed up the pace of infrastructure development.**
 - Improved the budget for infrastructure of 2018-2019 (+21%, yoy)
 - Focus on growth-oriented policies until General Elections in 2019
- Slow, but has huge potential market with 1.35 billion population**
 - First Korean player to set up the production base in India in 2007 ahead of competitors

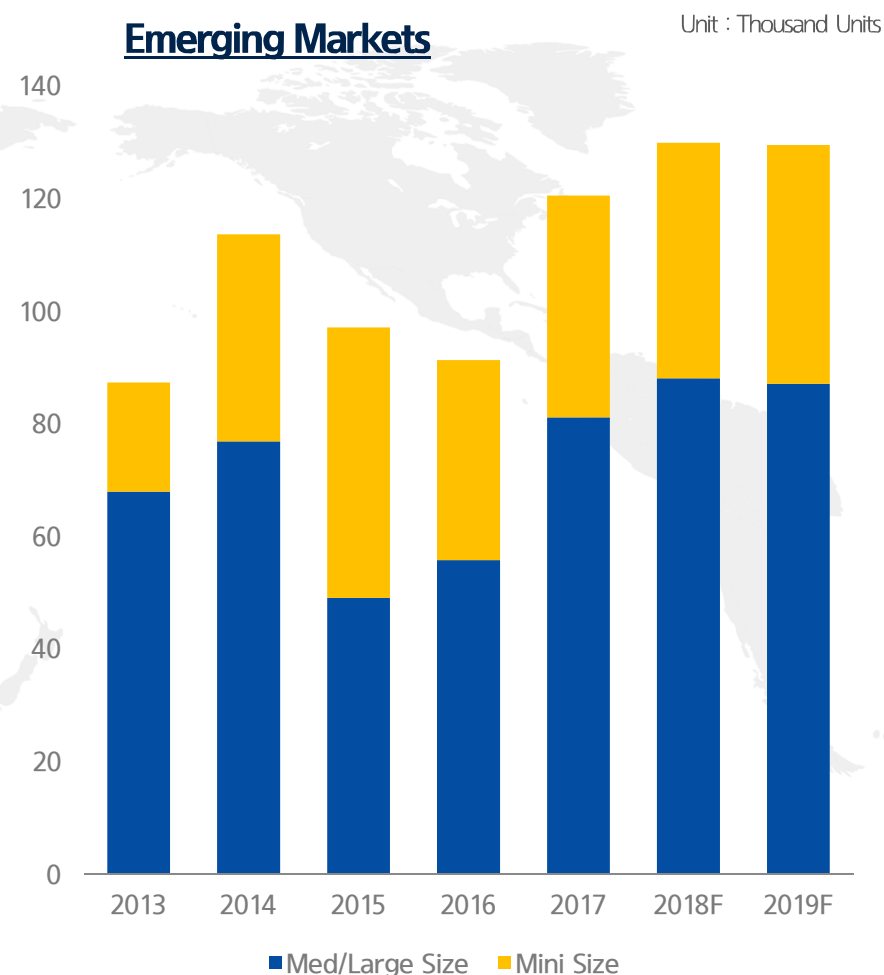
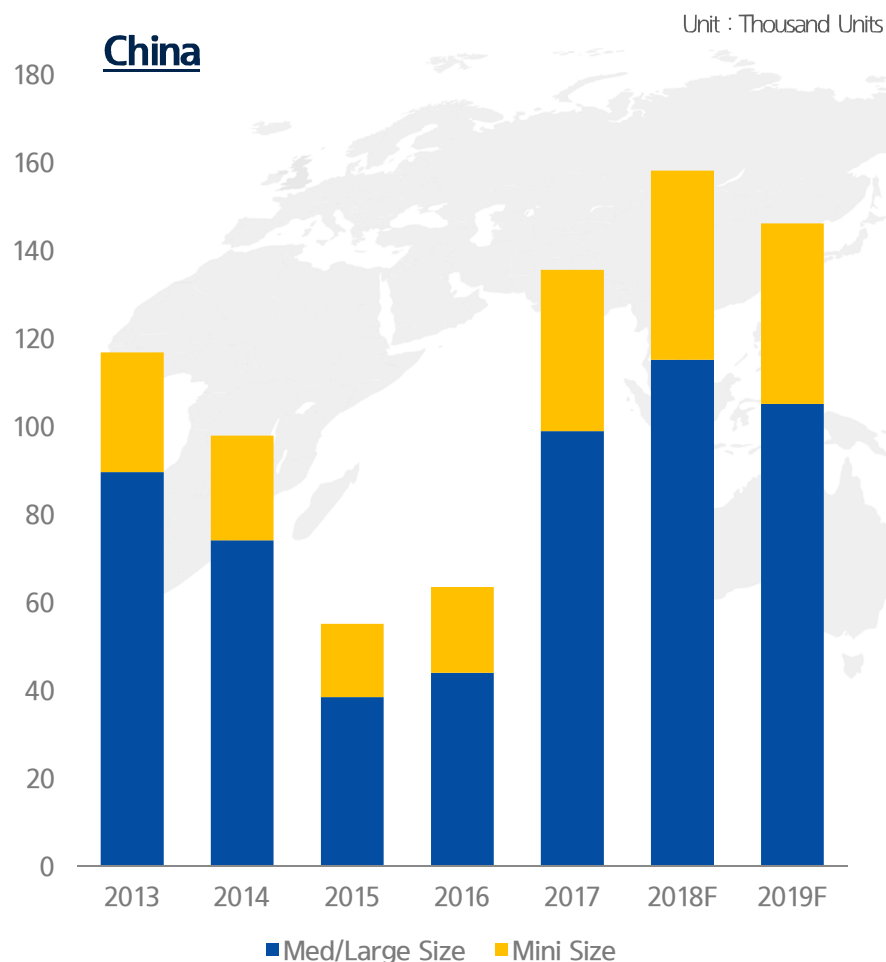
	Market	Hyundai CE
~ Past	<u>"Market's Uncertainties"</u> ① Weak Manufacture Industry ② Poor Government ③ Inefficiency of Political Process	Entered India Market in 2007 a head of other competitors.
2014 ~	<u>"Modinomics"</u> ① Accelerating the growth of FDI ② Launching Make in India ③ High GDP growth rate	Launched localized new 20 ton excavators. (only in India market)
2017 ~	<u>"25 Key industries"</u> ① Construction/Infrastructure (10) ② Domestic Consumption (11) ③ Technology (4)	Step up to 2 nd position of market share behind Hitachi (2017 M/S 17.0%)
2019 ~	<u>"Business Friendly Policy"</u>	Improve the capacity to 10,000units/year to meet market demand

4. China and Emerging Market Outlook

HYUNDAI CONSTRUCTION EQUIPMENT

- The China market is forecast to continue to grow in second half of this year. But in 2019, the market demand is expected to fall away slightly as a result of fast growing supply in the recent years and impact of current US-China trade friction.

- The other emerging markets are expected positive demand growth due to increased mining activities and oil price recovery. But they are also facing some risks such as big swing in the currency resulting from a trade war.



Source : Off-Highway Research (2018.4)

