

2Q 2019 Earnings Release

# HYUNDAI CONSTRUCTION EQUIPMENT



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# 2Q 2019 Earnings Release

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1. Summary of Financial Results
2. Operating Profit Analysis
3. Sales Results by Business
4. Sales Results by Region
5. Non-operating Profit and Net Profit
6. Financial Statement

# 1. Summary of Financial Results

- Sales decreased 8.9% in YoY as the recessions of global economy and weak sales in emerging markets.
- Operating Profit decreased 33.0% in YoY as a decrease in sales and increase in provisions.
- Net Profit turned red as a decrease in Operating Profit and increase in provisions for non-operating accounts.

(Unit : Billion KRW, %)

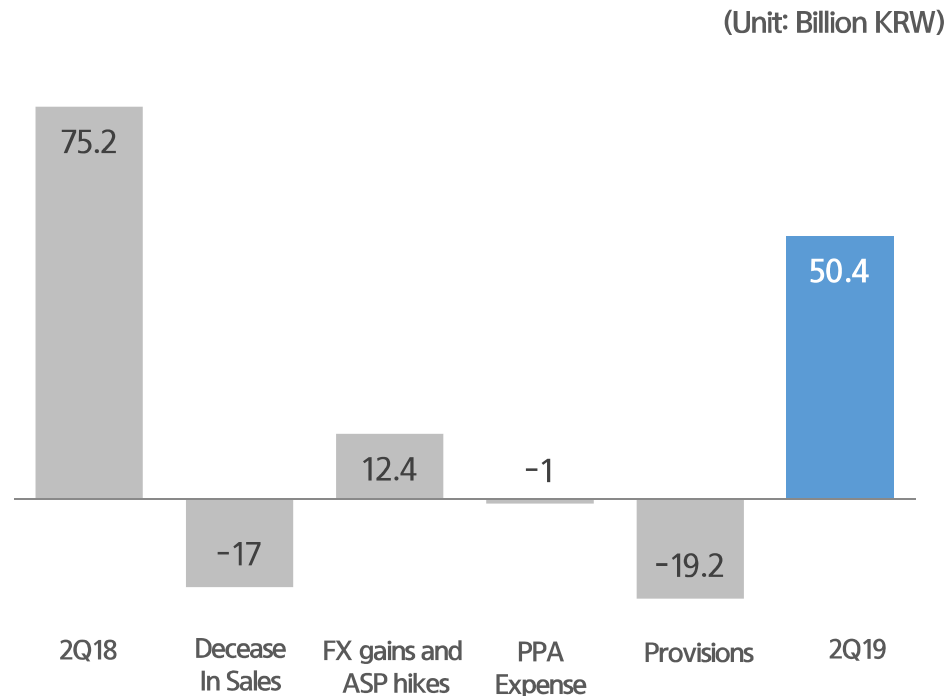
	'19.2Q			'18.2Q	'19.1Q
		YoY	QoQ		
Sales	840.4	-8.9	5.3	922.7	798.0
Operating Profit	50.4	-33.0	-19.6	75.2	62.7
O/P Margin(%)	6.0	-2.1p	-1.9p	8.1	7.9
Non-Operating Profit	-43.4	-	-	-13.3	-2.6
Interest income	-6.4	-	-	-4.3	-4.1
Gains and Losses on Foreign exchange	3.9	-	-	1.9	6.3
Net Profit	-8.2	(-)	(-)	47.7	52.2
Profit attributable to owners of the Company	-20.4	(-)	(-)	33.4	36.6

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

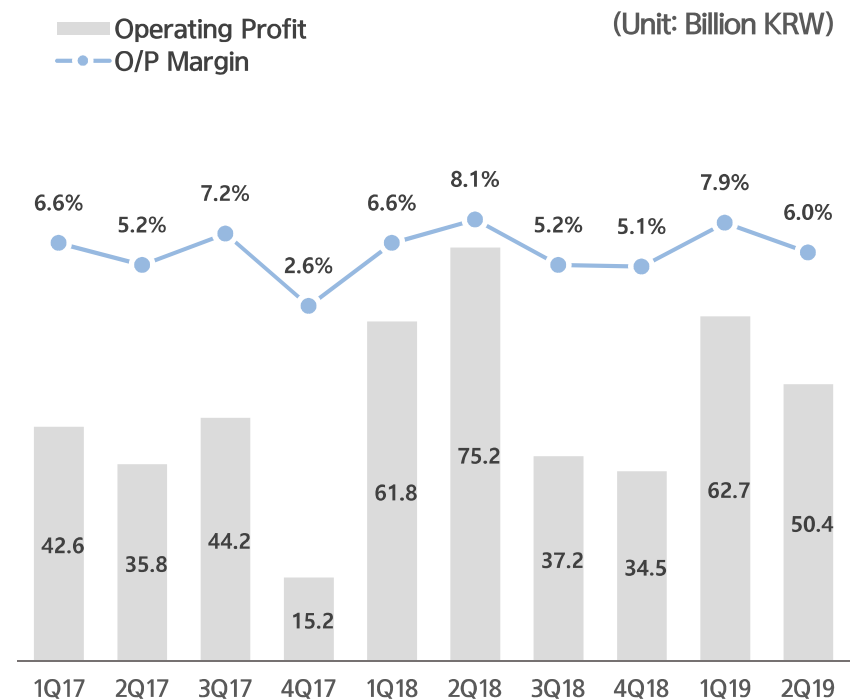
# 2. Operating Profit Analysis

- Despite the sales decreased, the product margins improved in response to both a strong US dollar trend and ASP hikes, however, O/P margin was restrained to 6.0% mainly due to bad debt provisioning of 19.2bn KRW. (If excluding the provision, O/P margin would have reached 8.3%)

## Operating Profit Analysis



## Quarterly changes of Profit



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

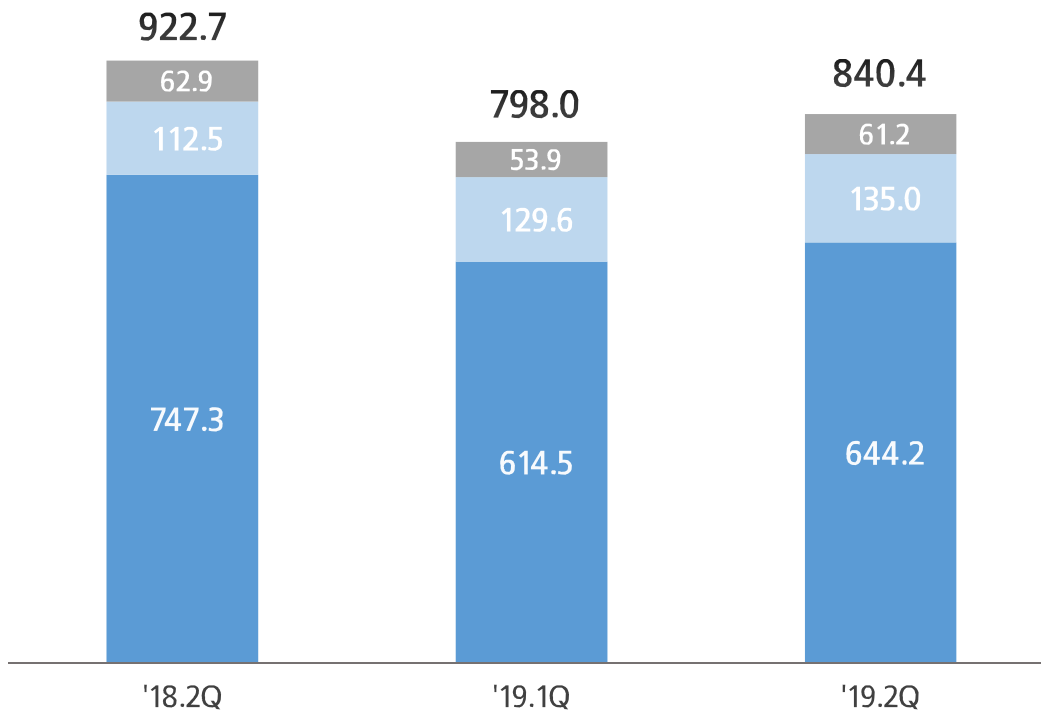
# 3. Sales by Business

- CE sales decreased in YoY due to the weak demand in major markets arising from the recession of global economy, but showing that the slight recovery of sales in QoQ.
- FL sales increased continuously due to the market expand to China and increase in sales of mid-large size products.

## 2Q19 Sales by Business

(Unit: Billion KRW)

■ CE ■ FL ■ Parts and Others



### • Construction Equipment

- QoQ +4.8%
- YoY -13.8%

### • Industrial Vehicle (Fork Lift)

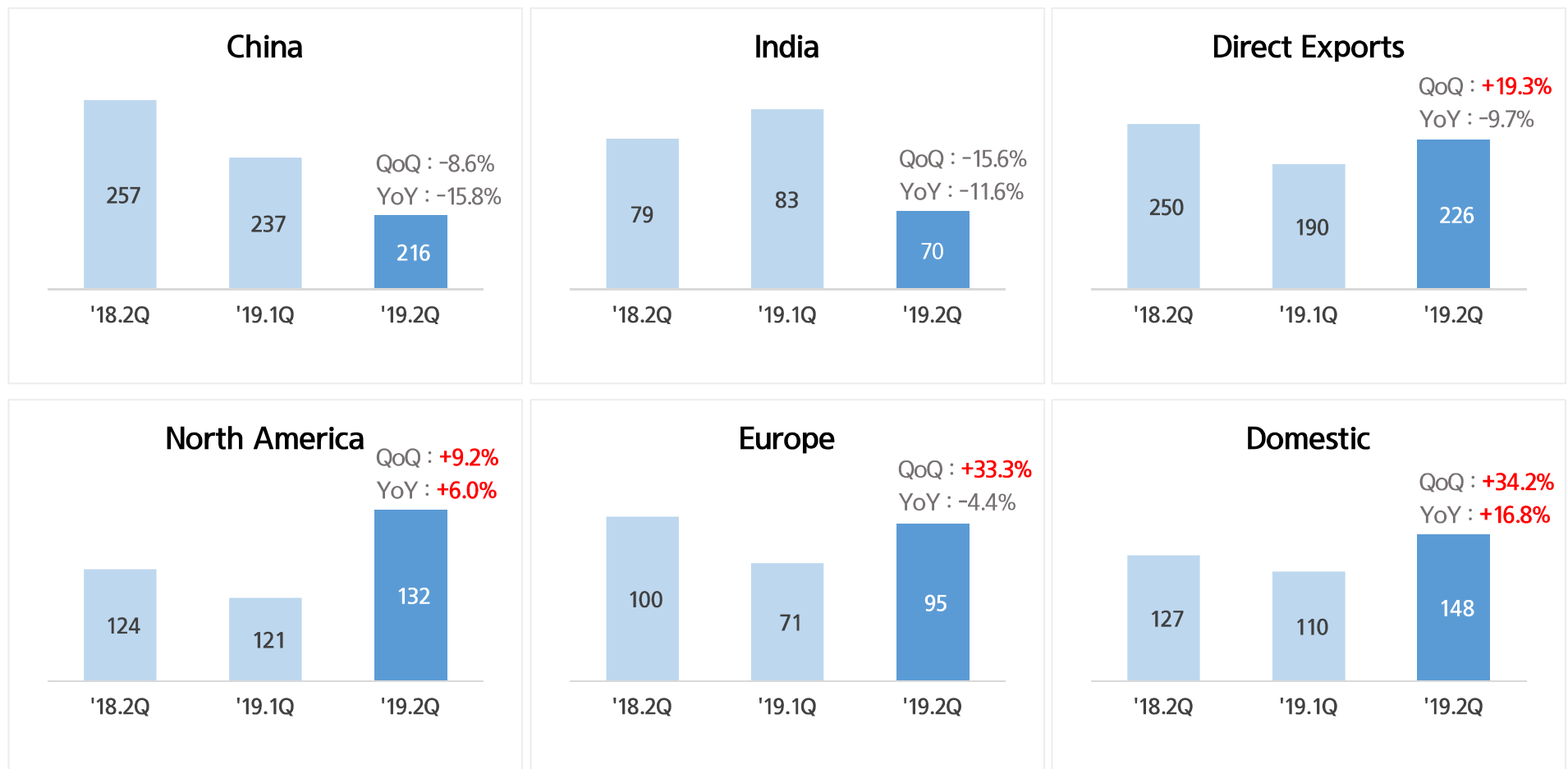
- QoQ +4.2%
- YoY +20.0%

# 4. Sales by Region

- Sales in direct exports and Europe/N.A. showed the slight recovery in QoQ.

## Sales

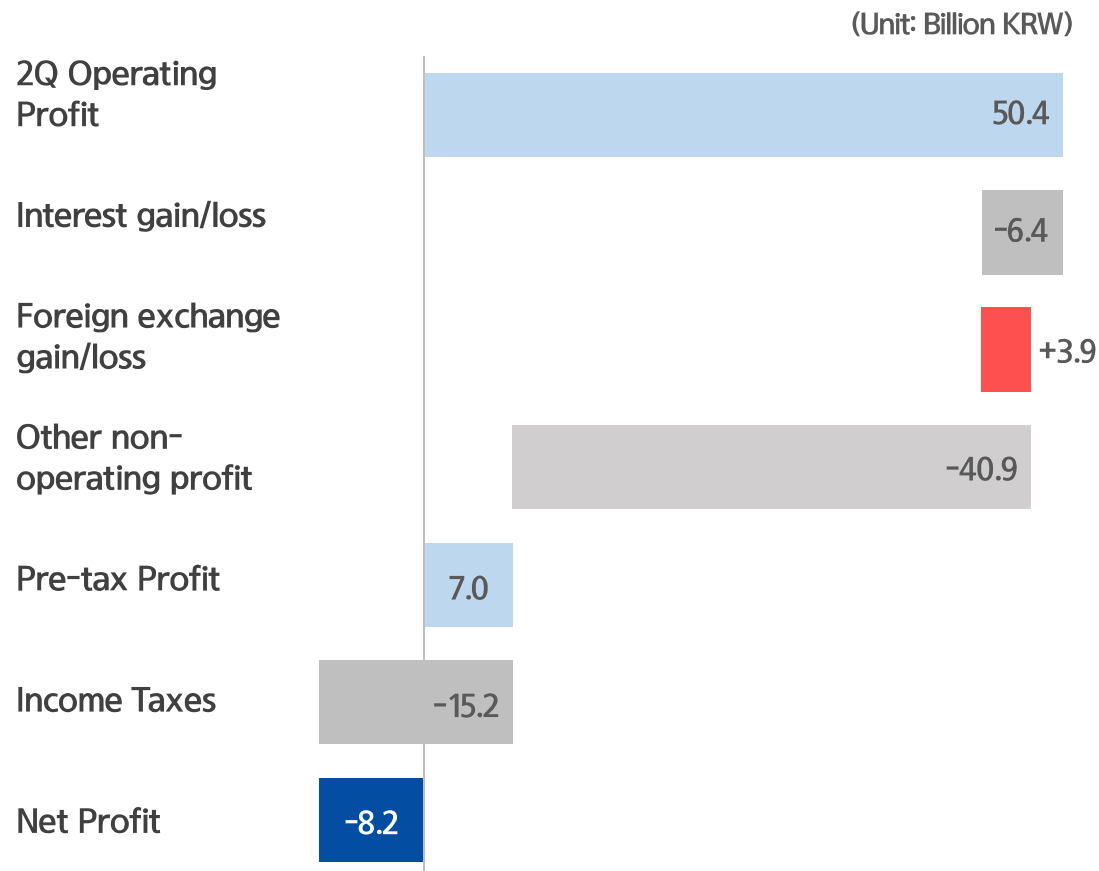
(Unit: Billion KRW)



- Note) Sales of overseas subsidiaries (China, India, N.A., Europe) are not excluding internal transactions.

# 5. Non-operating Profit and Net Profit

- Net profit recorded KRW -8.2bn mainly impacted by allowances for litigation costs.



## Other non-operating profit

- HCE is currently under investigation by the US Environmental Protection Agency (EPA) for emission regulation violations (since 2014).
- HCE reflected provisions for the estimated fines in 2Q19.

# 6. Financial Statement

## Consolidated Financial Statement

(Unit: Billion KRW)

	'19.2Q	'19.1Q	2018
<b>Total Assets</b>	<b>3,330.6</b>	<b>3,337.6</b>	<b>3,126.5</b>
Current Assets (accounts receivable and other bonds)	2,298.3 (857.2)	2,365.7 (828.5)	2,203.9 (671.0)
Cash and Cash Equivalents	565.9	562.8	522.2
Non-current Assets	1,032.2	971.9	922.7
<b>Total Liabilities</b>	<b>1,746.0</b>	<b>1,749.2</b>	<b>1,558.3</b>
Current Liabilities (accounts payable and others)	1,196.6 (382.5)	1,158.9 (456.0)	945.1 (439.1)
Non-current Liabilities	549.3	590.2	613.2
Borrowings	1,089.0	1,067.3	966.0
Net Borrowings	523.1	504.5	443.7
<b>Total Equity</b>	<b>1,584.6</b>	<b>1,588.5</b>	<b>1,568.2</b>

## Analysis

	'19.2Q	'19.1Q	2018
Current Ratio (Current Assets / Current Liabilities)	<b>192%</b>	<b>204%</b>	<b>233%</b>
Debt Ratio (Total Liabilities / Total Assets)	<b>110.2%</b>	<b>110.1%</b>	<b>99.4%</b>
Borrowing Ratio (Borrowings / Total Equity)	<b>68.7%</b>	<b>67.2%</b>	<b>61.6%</b>

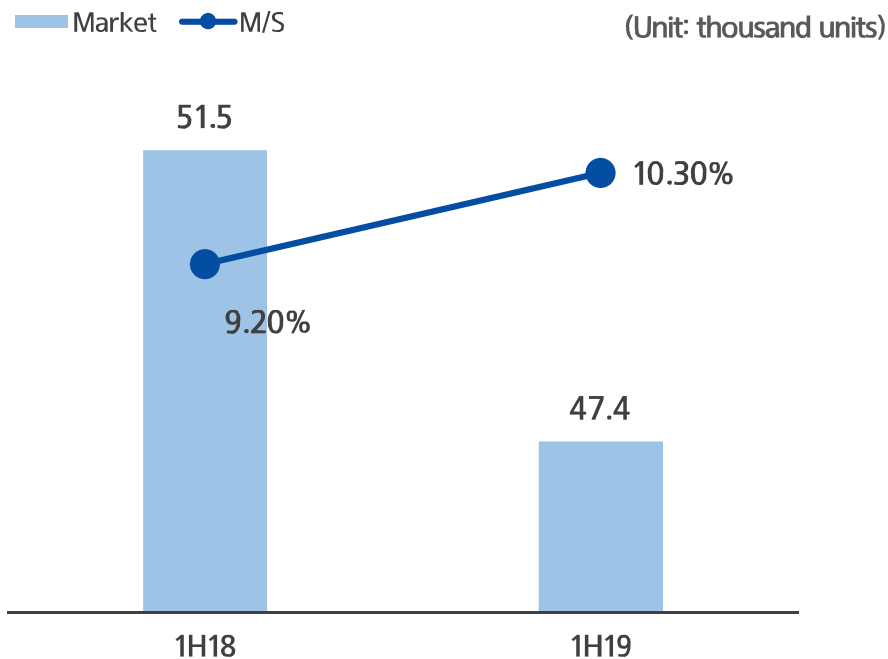
# Market Highlights



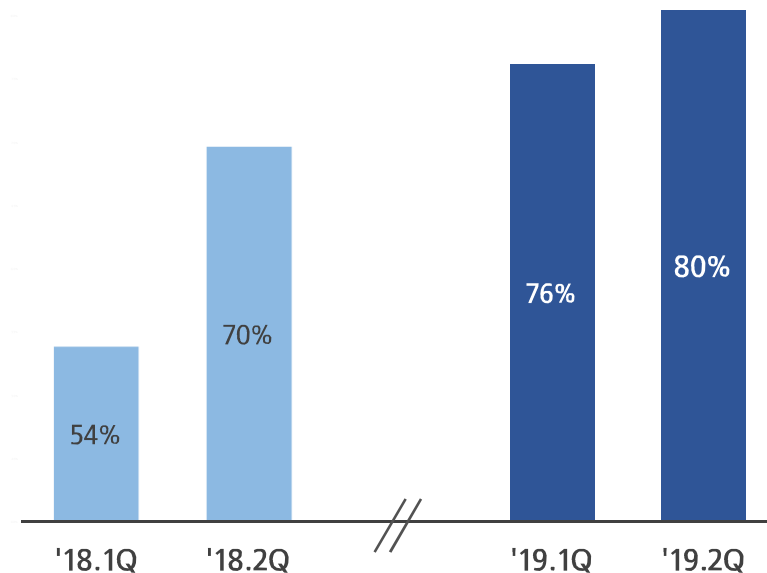
# China – Focus on Stable Sales and Profitability

- Market showed steady growth with abt. 125,000 units in 1H (YoY +12%), but it is expected to slowdown in 2H.
- Despite the market size for the foreign-owned companies was shrunk, HCE expanded M/S from 9.2% to 10.3% among them.
- HCE focused on the profitability and O/P margin recorded 13.1% in 2Q accordingly.
- Enhancing profitability by improving product mix and managing risk of sales receivables, rather than expanding market share excessively amid aggressive price competition from local companies.

## Foreign-owned companies market



## Expanding portion of cash & lease sales

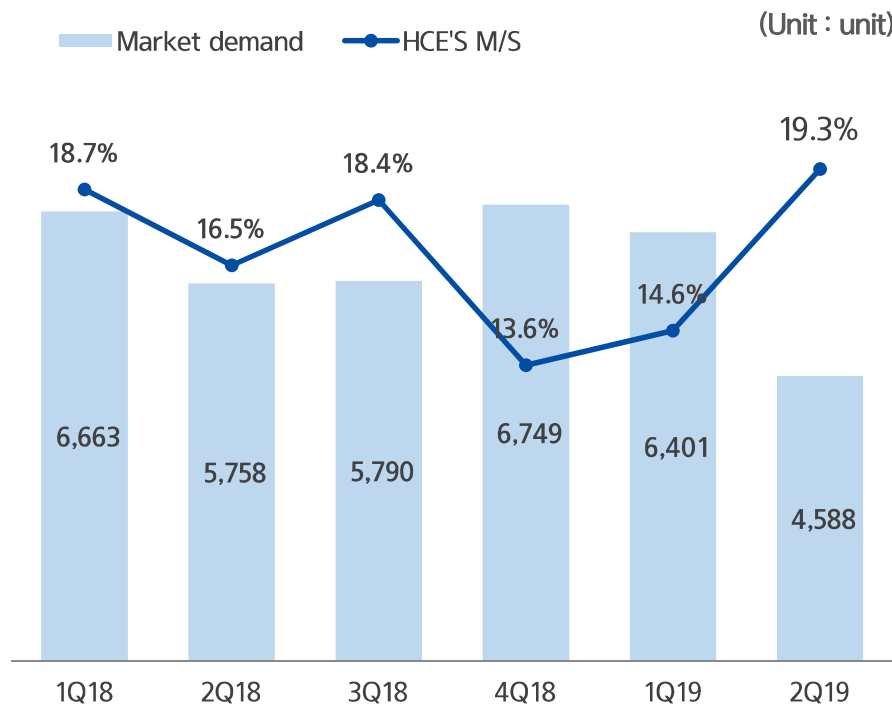


• Source: HCE Data

# India — Enhancing market position and Establishing a long term growth foundation

- Market temporarily shrunk in 1H due to the 2019 general election, but it is expected to recover smoothly from 4Q due to the expectations of infrastructure investment after Modi wined re-elections.
  - According to FY19-20 budget, Modi gov't plans to step up infrastructure spending. (abt. 21.3billion USD, YoY +10%)
- From 4Q18 to 1Q19, HCE M/S was decreased since we preemptively adjusted dealer inventory level against market uncertainty. Meanwhile, M/S reached 19.3% again in 2Q.

## Market demand and HCE's M/S



• Source: HCE Data (Excavators)

## Business Strategies

- “Expand Leadership and Increase Profitability”**  
 : Optimize product lineup, Increase localization of major components, Reduce material costs
- “Expand into New Business”**  
 : Launch Mini Excavators
- “Expand Global Manufacture Operation”**  
 : 10,000units / year Prod. Capa

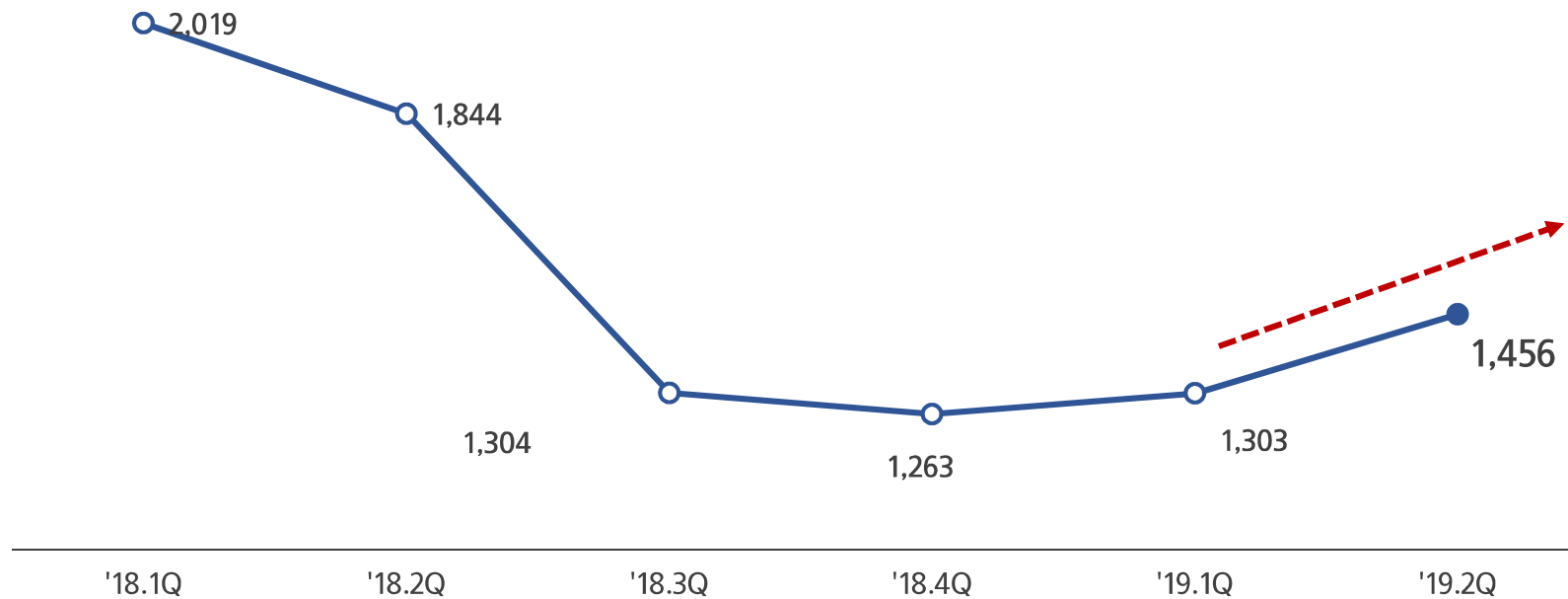
# EM (Direct Exports) – Clear improvement in performance



- Despite the delayed recovery of emerging markets, HCE's aggressive business activities have clearly improved its performance. (Mainly in Russia, CIS and Africa)
- It is also expected that sales will increase in Middle East and East Asia during 2H.

## Sales Units Trend in EM

(Unit: unit)

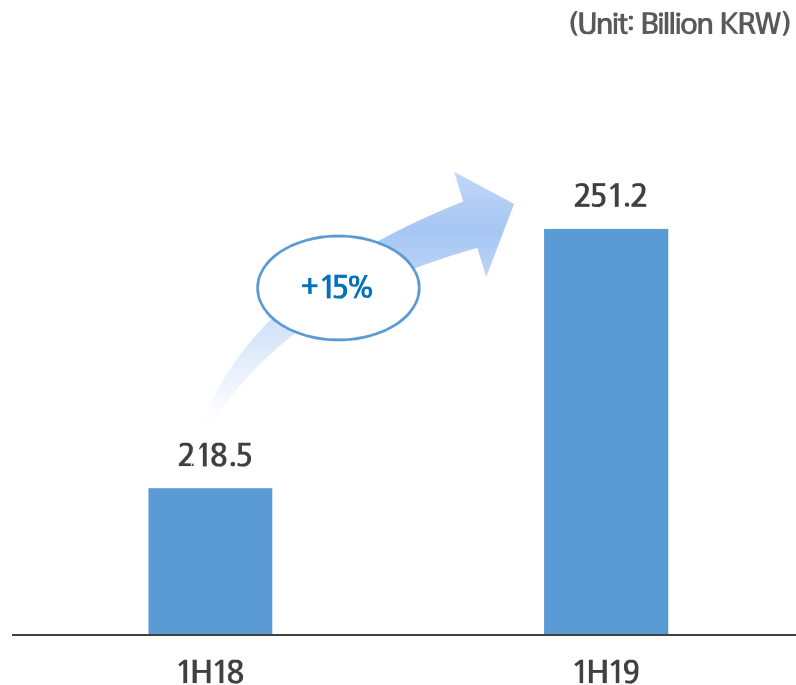


• Source: HCE Data

# DM – Focus on promoting competitiveness

- Sales in North America continued to grow in 2Q backed by demand for mid-large size fork lift trucks. (FL sales increased 67% in YoY)
- European market has remained at last year’s level, but the sales have slowed down as our main market (UK, France, Sweden) has shrunk.
- In 2H, it is expected to recover the sales in Europe by launching Stage V New Models.
  - Enhance Product Support competitiveness with using ICT, Secure new sales channels (Key Accounts, Rental Segments), Strengthen product lineup through strategic partnership.

## Sales in North America (CE + FL)



• Source: HCEA Data (Excluding Parts & Others Sales)

## Launching Plan for New Models in Europe

Excavator	Wheel Loader
HX300A L	HL960 A
HX220A L	HL955 A
HX330A L	HL940 A
HX380A L	HL970 A
	HL980 A

• Source: HCEE Data

# Appendix.

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	1,545	1,598	1,445							10,989	
	yoy	-6%	-1%	-5%	-23%	-19%	-19%								
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	327	305	252							1,818	16.5%
	yoy	-8%	-30%	-36%	-4%	-9%	-7%								

		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	26,373	16,744	12,426							124,872	
	yoy	6%	78%	14%	5%	-6%	-%								
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	1,051	640	460							4,883	3.9%
	yoy	-30%	9%	23%	4%	-21%	15%								

