

3Q 2019 Earnings Release

HYUNDAI CONSTRUCTION EQUIPMENT



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3Q 2019 Earnings Release



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1. Summary of Financial Results

- Sales decreased 10.0% in YoY as the recessions of global economy and weak sales in emerging markets.
- Operating Profit increased 1.6% in YoY due to strong US Dollar trend and profitability, despite a drop in sales.
- Net Profit increased 134.5% in YoY as a decrease in foreign exchange costs according to strong US Dollar.

(Unit : Billion KRW, %)

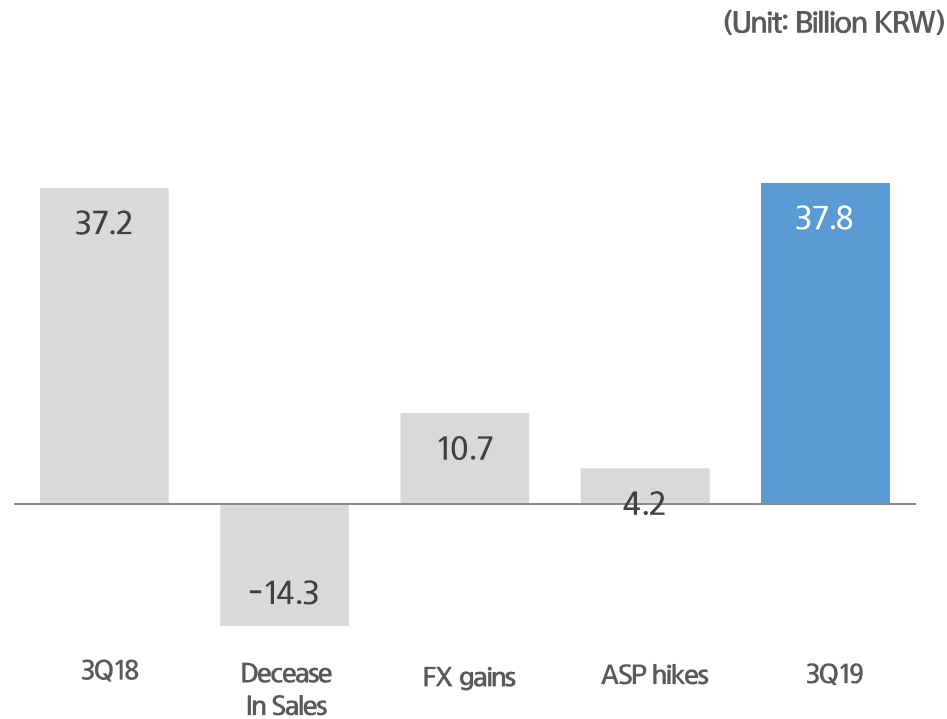
	'19.3Q			'18.3Q	'19.2Q
		YoY	QoQ		
Sales	639.6	-10.0	-23.9	710.4	840.4
Operating Profit	37.8	1.6	-25.0	37.2	50.4
O/P Margin(%)	5.9	0.7p	-0.1p	5.2	6.0
Non-Operating Profit	-2.8	-	-	-17.8	-43.4
Interest income	-5.5	-	-	-4.8	-6.4
Gains and Losses on Foreign exchange	5.5	-	-	-10.1	3.9
Net Profit	25.8	134.5	Turned (+)	11.0	-8.2
Profit attributable to owners of the Company	22.8	245.5	Turned (+)	6.6	-20.4

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

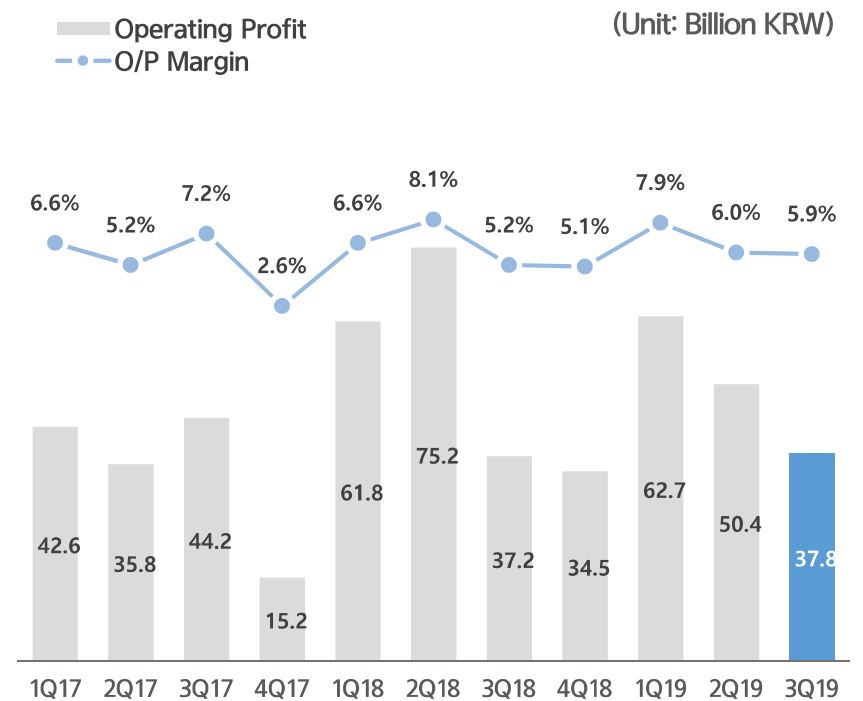
2. Operating Profit Analysis

- Despite the sales decreased, the product margins improved in response to ASP hikes. (QoQ +0.7%p)
- Quarterly average operating margin achieved 6.3%

Operating Profit Analysis



Quarterly changes of Profit



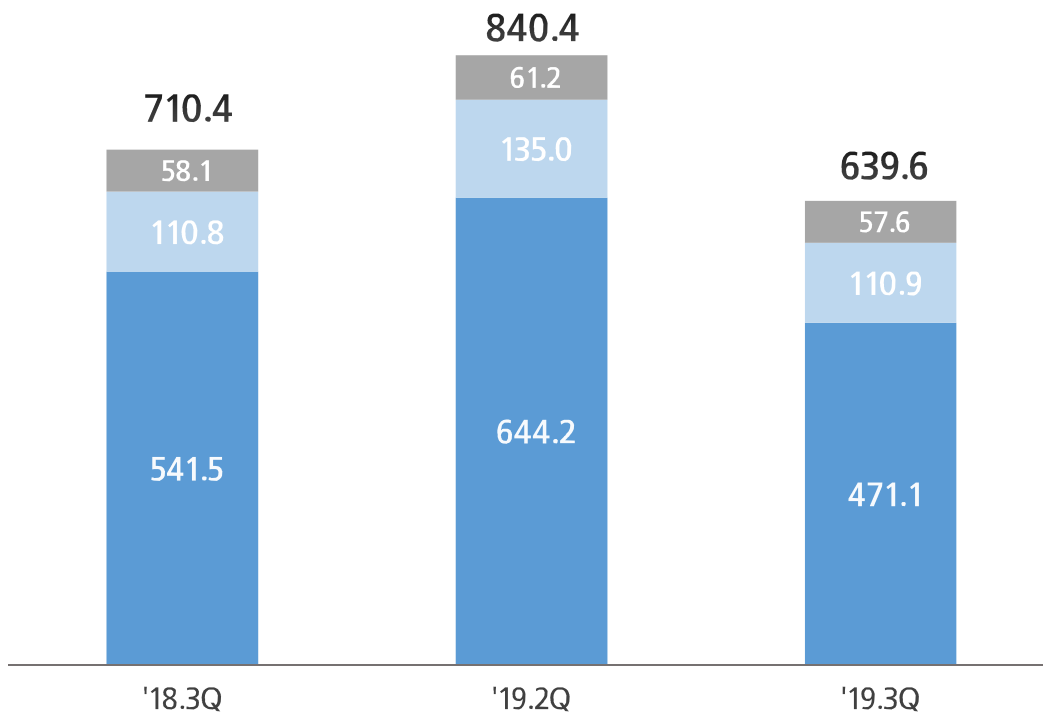
3. Sales by Business

- CE sales decreased in YoY due to the weak demand in major markets arising from the recession of global economy.
- FL sales increased continuously despite a decrease in global market demand.

3Q19 Sales by Business

(Unit: Billion KRW)

■ CE ■ FL ■ Parts and Others



- **Construction Equipment**

- QoQ -26.9%
- YoY -13.0%

- **Industrial Vehicle (Fork Lift)**

- QoQ -17.9%
- YoY +0.1%

4. Sales by Region

- Direct Exports: sales decreased due to the weak demand arising from the recession of global economy.
- China/India: sales decreased due to intensifying competition from Chinese local companies and a delay in recovering the Indian market.

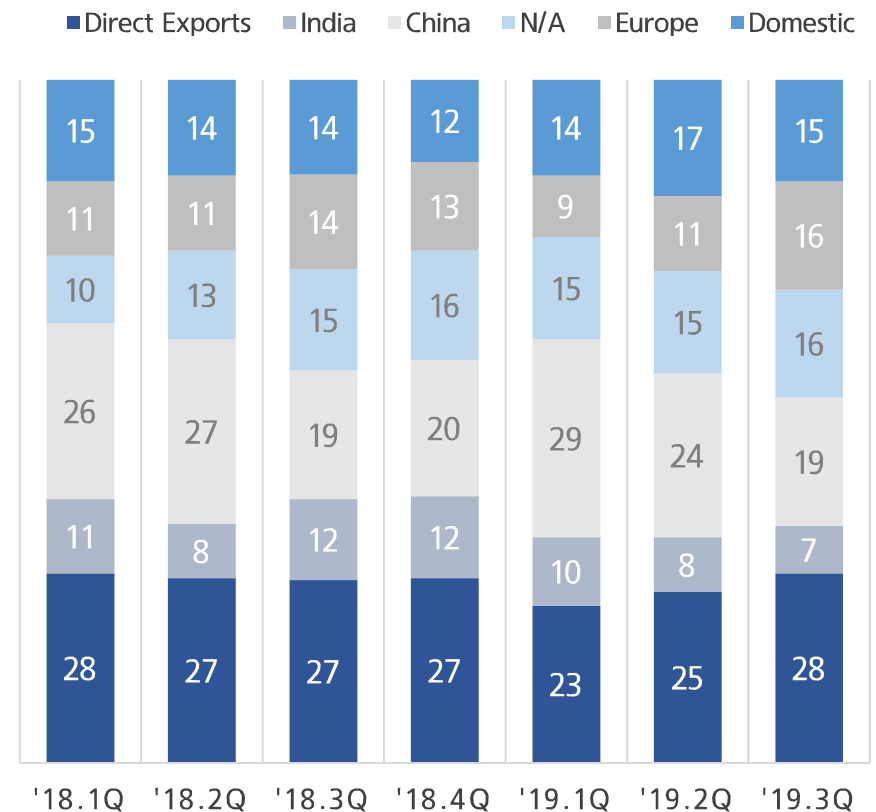
Sales

(Unit: Billion KRW, %)

	'19.3Q			'18.3Q	'19.2Q
		YoY	QoQ		
Direct Exports	187.7	-2.7	-17.0	192.9	226.2
India	50.6	-39.4	-27.5	83.5	69.8
China	126.2	-7.6	-41.7	136.6	216.3
North America	105.2	-4.3	-20.1	110.0	131.6
Europe	106.6	7.9	12.1	98.8	95.1
Domestic	100.7	1.3	-32.0	99.4	148.1

Quarterly Sales Portion by Region

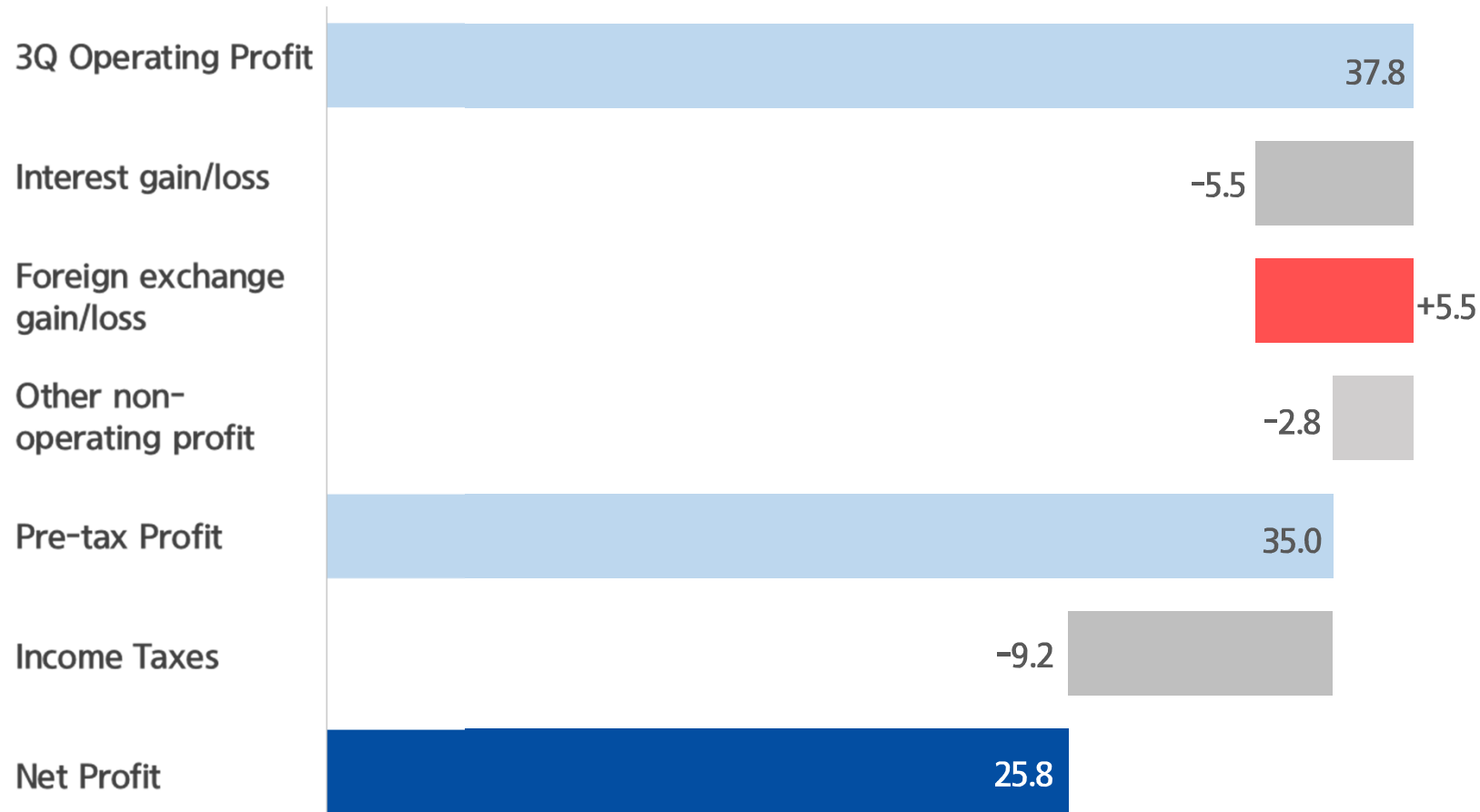
(Unit: %)



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

5. Non-operating Profit and Net Profit

(Unit: Billion KRW)



6. Financial Statement

Consolidated Financial Statement

(Unit: Billion KRW)

	'19.3Q	'19.1H	2018
Total Assets	3,362.8	3,324.6	3,126.5
Current Assets (accounts receivable and other bonds)	2,307.3 (838.1)	2,292.3 (745.1)	2,203.9 (5,959)
Cash and Cash Equivalents	644.3	565.9	522.2
Non-current Assets	1,055.5	1,032.2	922.7
Total Liabilities	1,751.9	1,742.9	1,558.3
Current Liabilities (accounts payable and others)	1,099.6 (311.6)	1,196.4 (354.7)	945.1 (410.1)
Non-current Liabilities	652.3	573.4	613.2
Borrowings	1,178.9	1,085.9	966.0
Net Borrowings	534.6	520.0	443.7
Total Equity	1,611.0	1,581.7	1,568.2

Analysis

	'19.3Q	'19.1H	2018
Current Ratio (Current Assets / Current Liabilities)	210%	196%	233%
Debt Ratio (Total Liabilities / Total Assets)	108.7%	110.2%	99.4%
Borrowing Ratio (Borrowings / Total Equity)	73.2%	68.7%	61.6%

Market Highlights



Market Highlights

China

3Q Performance

- 3Q19 YTD market demand reached about 160,000units. (YoY +12%)
- Despite the market size for the foreign-owned companies was shrunk, HCE kept M/S 9% among them.
- HCE focused on the profitability and stable sales. O/P margin recorded 13%. (based on 3Q19 YTD)

Outlook

- Uncertainty in market growth is expected to increase.
- Enhancing profitability by improving product mix and managing risk of sales receivables.

India

3Q Performance

- 3Q19 YTD market demand declined 18% in YoY as a delay in Gov't investment and unexpected weather condition.
- However, HCE is keeping the second position in the excavator markets.

Outlook

- After market adjustment in this year, full-fledged market recovery and growth are expected in 2020.
- Although competition is intensifying due to active promotion strategies by new competitors, HCE plans to increase M/S and profitability by launching new models and enhancing localization of components.

Market Highlights

Direct Exports (EM)

3Q Performance

- Delaying in recovery of emerging markets due to the global economy recession and decrease in raw material price.
 - But, Middle East/Russia/CIS showed the increase in demand recently.

(Unit: unit)

	1Q	2Q	July~Aug	Aug YTD
Direct Exports	16,775	17,360	11,182	45,317
YoY	-24%	-17%	-11%	-18%
Middle East	869	1,062	676	2,607
YoY	-43%	11%	26%	-14%
Russia	1,598	2,336	1,476	5,410
YoY	3%	6%	18%	8%
CIS	525	1,173	616	2,314
YoY	-54%	81%	60%	7%

- Increased the profitability by expanding sales in large size equipment.

Outlook

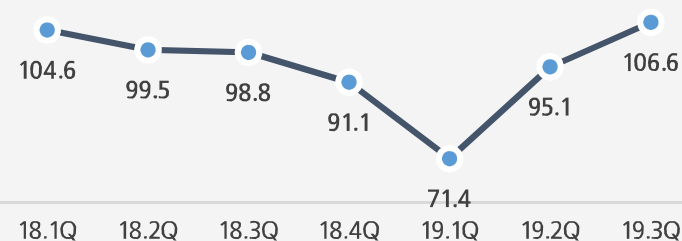
- No more rapid decrease in market size is expected.
- Keep the high profitability by improving product mix.

North America and Europe (DM)

3Q Performance

- (3Q19YTD) Sales in N/A continued to grow by increasing sales of large size fork lift trucks.
- (3Q19YTD) Sales in Europe slowed down due to decreased demand in our main markets (UK, France, Sweden)
 - But, the sales of 3Q19 only in Europe increased in YoY.

(Unit: Billion KRW)



Outlook

- Market demand will be adjusted in 2020.
- It is expected to the gradual sales recovery in DM by launching Stage V new model and securing new sales channel.

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	1,257	1,310	1,508				15,059	
	yoy	-6%	-1%	-5%	-23%	-19%	-19%	-25%	-30%	-35%					
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	210	177	228				2,433	16.2%
	yoy	-8%	-30%	-36%	-4%	-9%	-7%	-22%	-53%	-46%					

		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	10,190	11,566	13,182				159,810	
	yoy	6%	78%	14%	5%	-6%	-%	9%	14%	13%					
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	287	351	458				5,979	3.7%
	yoy	-30%	9%	23%	4%	-21%	15%	-11%	-9%	-4%					



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