

4Q 2021 Earnings Release

HYUNDAI CONSTRUCTION EQUIPMENT



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The financial information in this presentation are consolidated earnings results based on K-IFRS.

However, the transfer of forklift business (“discontinued operation”) is not reflected yet to compare with previous quarters and for your convenience. Therefore, the financial statement which reflects abovementioned discontinued operation will have different figures.

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4Q 2021 Business Results

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



1. Financial Results Summary

4Q

- Sales : +19% YoY, driven by strong demand in Emerging & Advanced countries
- Operating Profit : Turned a loss due to the increased cost of materials and provisions following the judgement of ordinary wage litigation
(Total provisions for ordinary wage 31.4 bil KRW : principal 22.2 bil KRW + interest 9.2 bil KRW)

Annual

- Sales : +36% YoY, driven by large scale economic stimulus and uptrend in commodity market
- Operating Profit : Despite of escalation in raw material prices, 98% increased YoY because of the sales increase and cost reduction

(The best sales since the spin-off. 204 bil KRW operating profit and 5.7% O/P margin were expected excluding provisions)

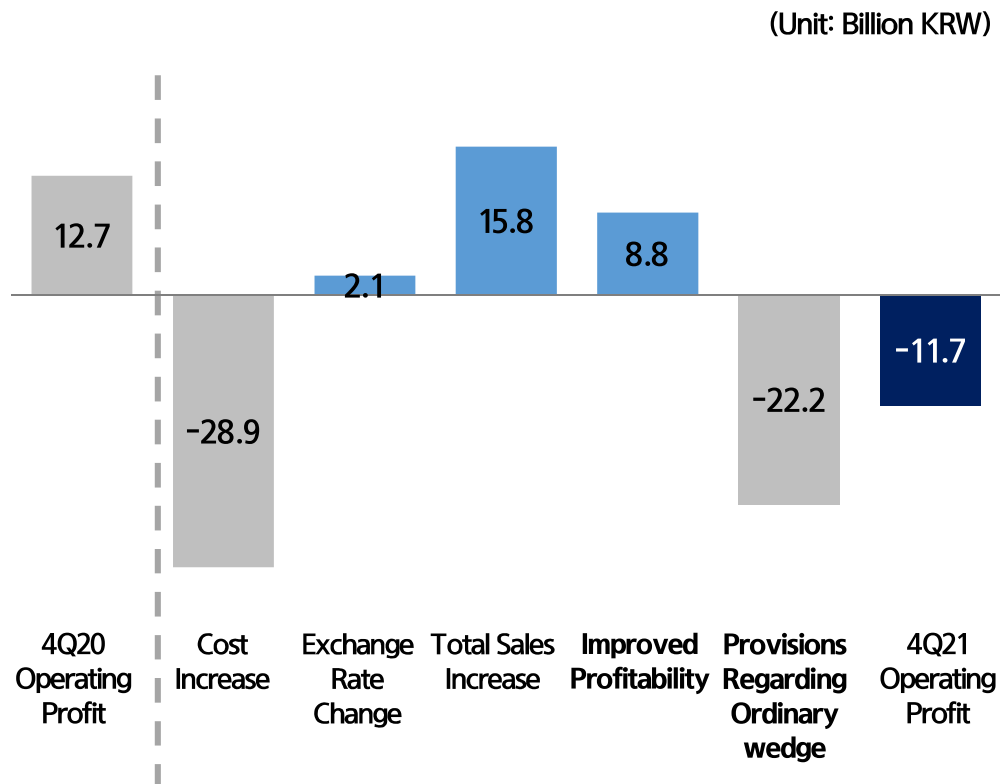
(Unit: Billion KRW, %)

	'21.4Q		'20.4Q	2021		2020
		YoY			YoY	
Sales	820.8	19.2	688.7	3,552.0	35.7	2,617.5
Operating Profit	-11.7	Turn a loss	12.7	181.8	98.5	91.6
O/P Margin(%)	-1.4	-3.2p	1.8	5.1	1.6p	3.5
Non-Operating Profit	-19.0	-	-49.1	-2.3	-	-82.3
Interest Income	-4.3	-	-4.2	-17.7	-	-20.5
Gain and Losses on Foreign exchange	-0.10	-	-9.9	15.5	-	-22.2
Net Profit	-31.8	-	-17.1	126.4	1,387.1	8.5
Profit attributable to owners of the company	-27.4	-	-23.7	113.5	Turn a profit	-9.7

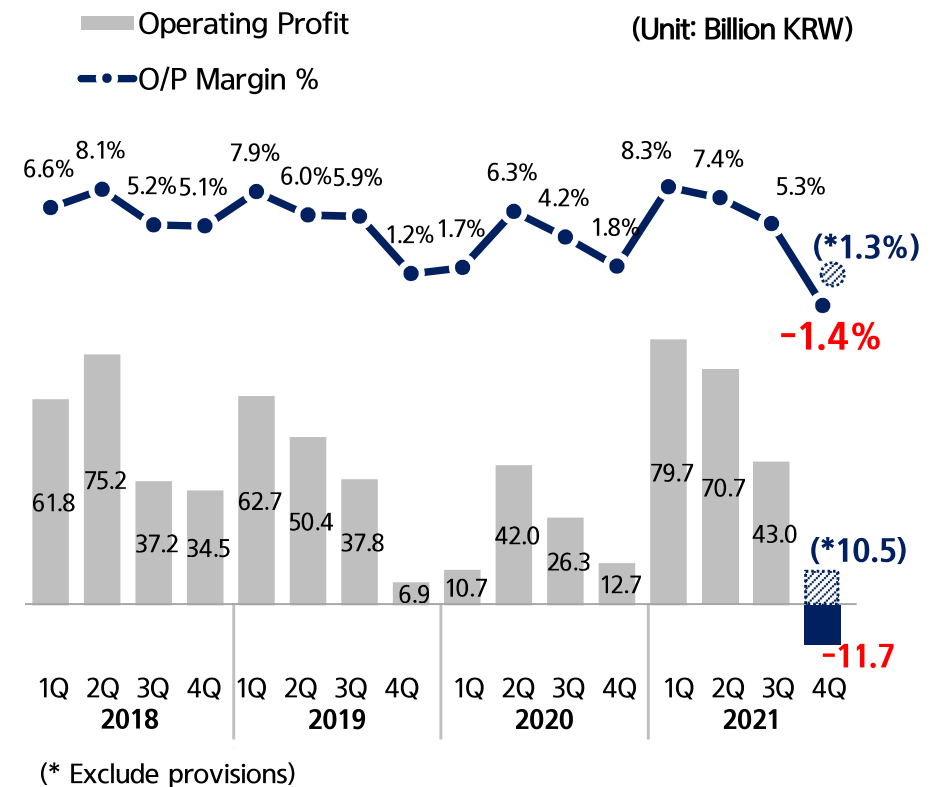
2. Operating Profit Overview

- Temporarily turned a loss because of increased cost caused by high material prices, market adjustment in China and the provisions regarding the judgement of ordinary wage litigation.

Operating Profit Analysis (YoY)



Quarterly Changes in Operating Profit

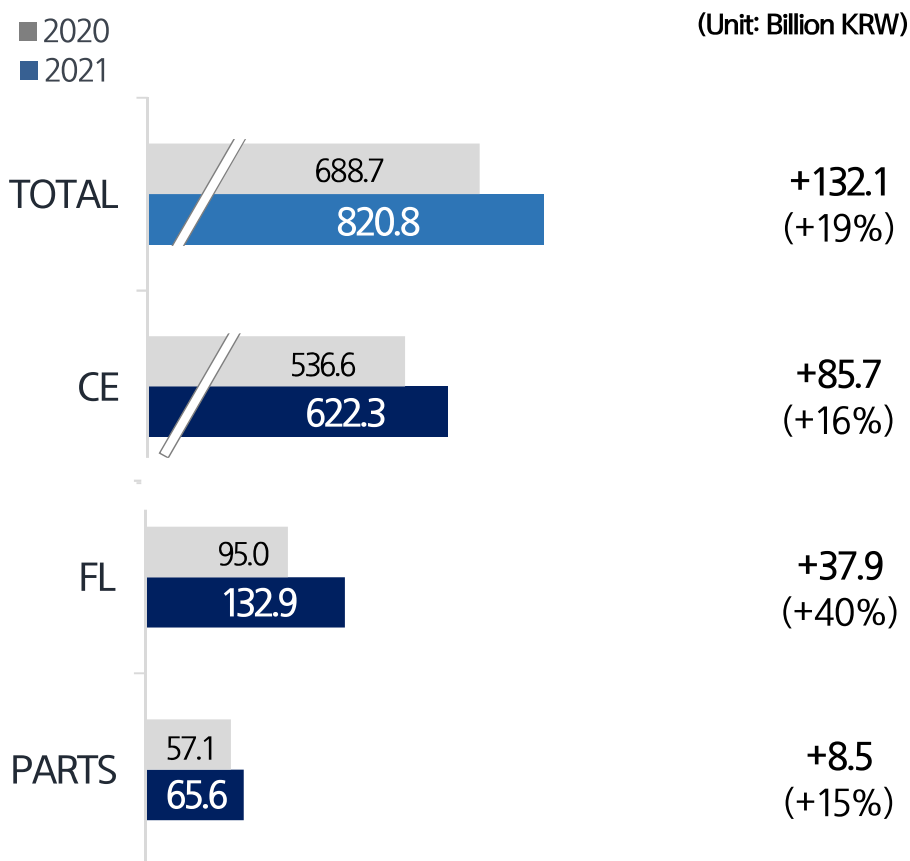


3. Sales Overview by Business Sector

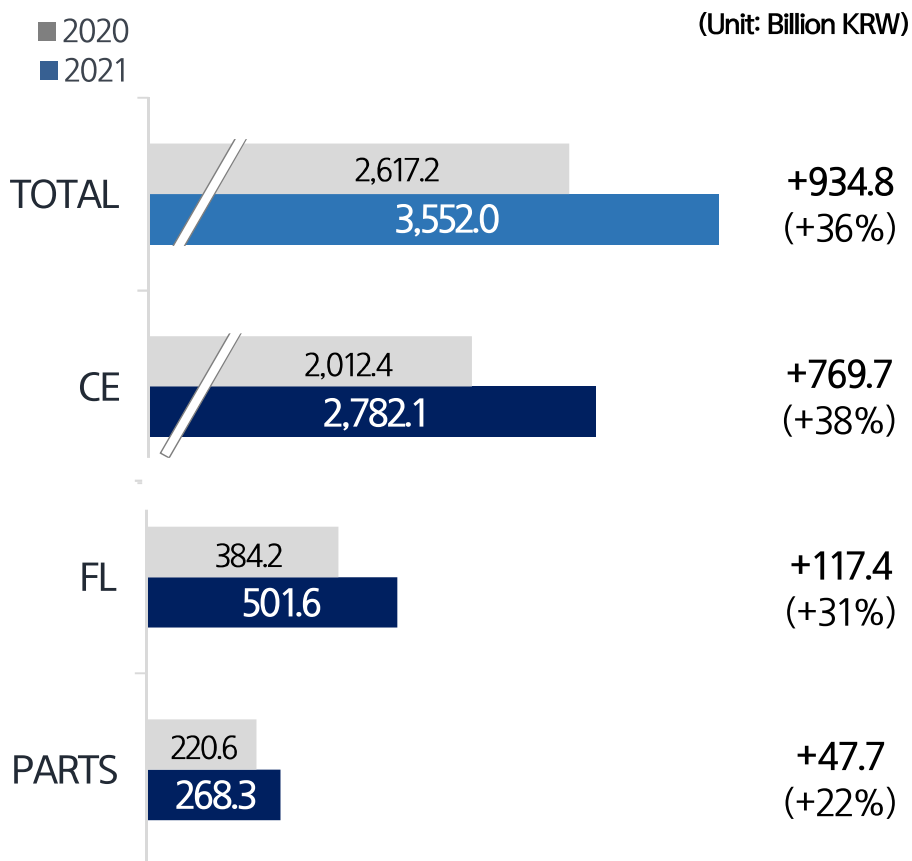


- CE : quarterly +16% YoY and yearly +38% YoY,
driven by strong sales in Emerging & Advanced countries
- FL: quarterly +40% YoY and yearly +31% YoY, due to the sales increase in Advanced countries

4Q21 Sales by Business Sector



2021 Annual Sales by Business Sector



4. Sales Overview by Region

- Emerging : Market increased because of rising price of oil & natural gas, with the strong sales of raw materials
- India : Similar figure year on year, despite of abnormal climate(heavy rain) and spread of Covid-19
- Advanced : Sales increased by economic stimulus plan by government and accelerated vaccination
- China : Similar figure year on year driven by good sales in 1H, despite of preemptive action from government
- Domestic : Favorable market condition continues

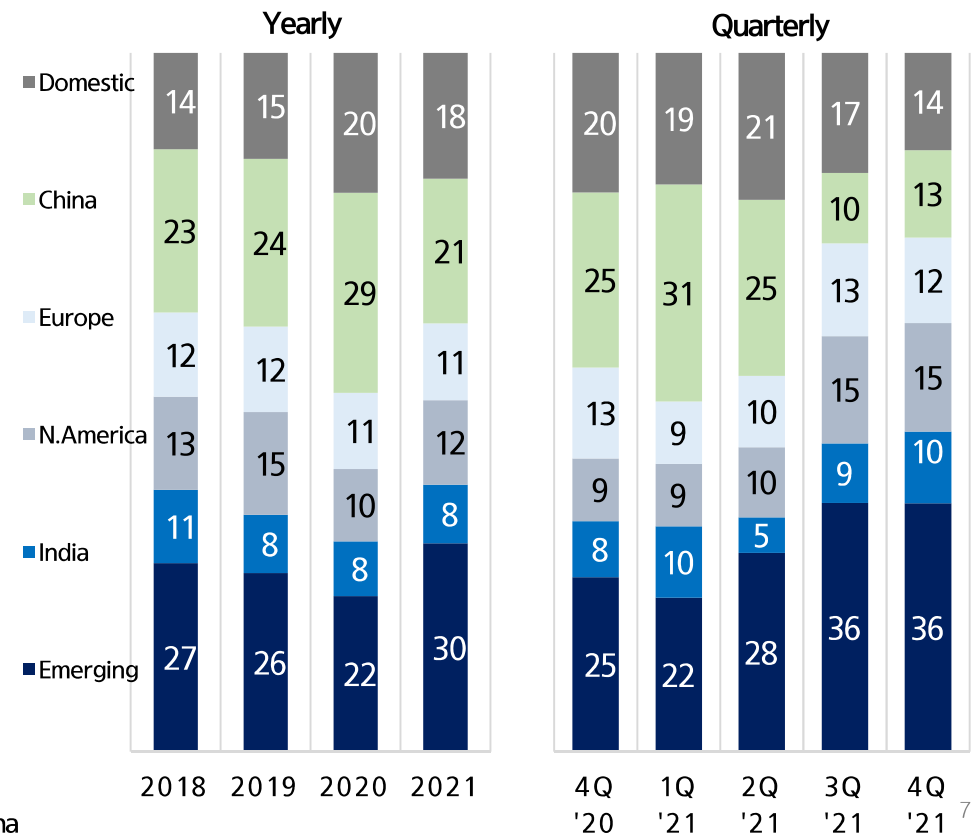
Sales Amount

(Unit: Billion KRW, %)

	'21.4Q		'20.4Q	2021		2020
		YoY			YoY	
Emerging	282.7	79	157.7	1,093.0	73	631.0
India	81.6	-6	86.6	308.4	40	220.9
North America	123.1	58	77.8	442.5	51	293.7
Europe	97.0	23	78.7	401.2	30	307.8
China	99.6	-46	185.0	759.1	-6	808.7
Domestic	110.8	-26	149.2	660.5	16	567.2

Sales Portion per Region

(Unit : %)

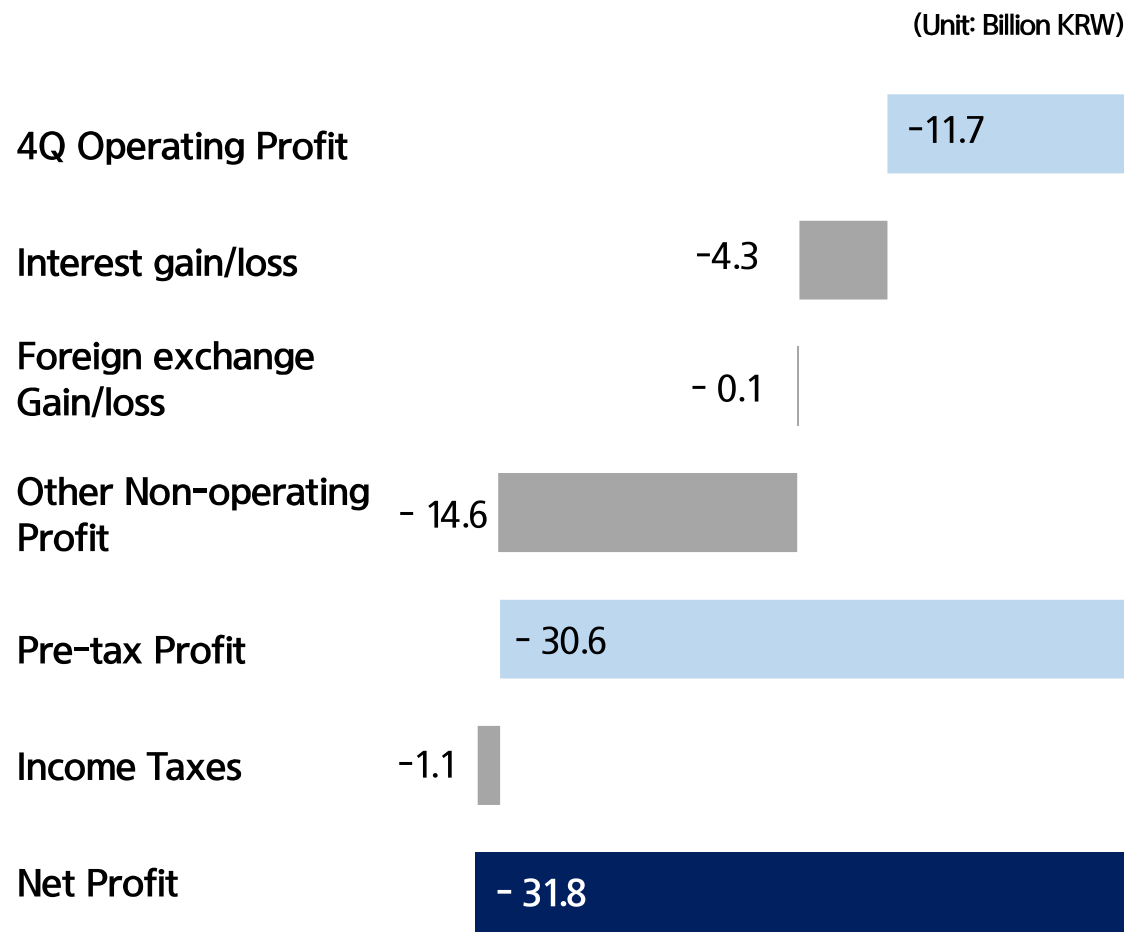


• Note 1) Internal transactions included

• Note 2) Parts for mass production sales in domestic & hydraulic cylinder sales in China excluded from Aug. 2021 (Parts for mass production business transferred to Hyundai Genuine Co Ltd)

5. Non-Operating Profit and Net Profit

- 31.8 bil KRW of Net profit, including Interest loss -4.3 bil KRW, Foreign exchange loss -0.1 bil KRW and interest for legal proceedings provisions



Other Non-operating Profit

- 9.2 bil KRW
: interest among provisions for ordinary
- 5.4 bil KRW
: impairment loss on intangible assets

6. Financial Statement and Indicators

- Temporarily net borrowing ratio has increased at the end of 2021, due to the difference of execution time between equity acquisition of overseas operations(end of 2021) and Forklift business transfer (Early 2022)
- Keep having Good financial solvency after Forklift business transfer ('22.01)

Consolidated Financial Statement

(Unit: Billion KRW)

	'22.01*	2021	2020	2019
Total Assets	3,528.3	3,551.6	3,355.9	3,188.0
Current Assets	2,443.5	2,441.7	2,261.7	2,151.5
Non-current Assets	1,084.8	1,109.9	1,094.1	1,036.5
AR and others	837.0	908.0	740.0	747.7
Cash Equivalents & Financial Assets	680.8	524.7	892.8	637.5
Total Liabilities	1,924.6	1,968.1	1,768.3	1,610.9
Current Liabilities	1,417.2	1,457.1	1,156.5	1,052.8
Non-current Liabilities	507.4	511.0	611.8	558.1
AP and others	391.8	427.1	355.8	292.3
Borrowings	1,261.2	1,261.2	1,214.5	1,121.8
Net Borrowings	580.4	736.5	321.7	484.2
Total Equity	1,603.7	1,583.5	1,587.5	1,577.1

Key Indicators for analysis

	'22.01*	2021	2020	2019
Current Ratio (Current Assets / Current Liabilities)	172%	168%	196%	204%
Debt Ratio (Total Liabilities / Total Equity)	120%	124%	111%	102%
Borrowing Ratio (Borrowings / Total Equity)	79%	80%	77%	71%
Net Borrowing Ratio (Net Borrowings / Total Equity)	36%	47%	20%	31%

* '22.01 : estimated by HCE

Appendix. Changes in Accounting for discontinued operation

(Unit : bil KRW)

2021 annual, consolidated		IR (A)	Disclosure (discontinued operation, reflected, B)	Difference (B-A)
Statement of Profit and Loss	Sales	3,552.0	3,284.3	-267.7
	Operating profit	181.8	160.7	-21.1
	Pre-tax profit	179.4	152.2	-27.2
	Net profit	126.4	126.4	
	Continued operation P/L	126.4	109.8	-16.6
	Discontinued operation P/L	0.0	16.6	16.6
Balance Sheet	Assets	3,551.6	3,554.3	2.7
	Residual assets		3,411.6	
	Assets held for sale		142.7	
	Liabilities	1,968.1	1,970.8	2.7
	Residual liabilities		1,925.1	
	Liabilities held for sale		45.7	
	Equity	1,583.5	1,583.5	

Market Outlook

1. Mid-term Business Strategy
2. Business Plan for 2022
3. Market Outlook for 2022
4. Appendix. ESG Management
(outcome in 2021 and plan for 2022)



1. Mid-term Business Strategy

- After the business restructuring, the innovation of corporate value through the following 4 major strategies to enhance the fundamental competitiveness will be pursued.



* SCM : Supply Chain Management

* Soft product : Aftermarket products except complete machines, used machines, attachments, financing service, rental, maintenance & repair, service contract and etc.

* NPD : New Product Development

1. Mid-term Business Strategy

1. Optimized Global operation

- **Increased Manufacturing competitiveness**
: large-scale investment in Ulsan Plant
 - Invest amount : 194.1 bil KRW (~2025)
 - Expected impact: Production capacity 50% ↑
(10,000units → 15,000units)
- **Optimized utilization of Global production plants**
: increased effectivity by sharing platforms and expanding operation

Plant Location	As-Is		To-Be	
	Models for	Market for	Models	Market for
Korea	Domestic+Export	Global	Advanced	Global
China	Domestic	China	General	
India	Domestic	India	Economic	

2. Innovation in Market/Product Portfolio

- **Fortified position in advanced market**
: Improving market position and profitability in North America & Europe
 - Sales network reinforcement : increase the sales to Large-size distributors and Key Accounts
 - Product competitiveness : Customized Center
 - Product Support enhancement, Development of Ecofriendly product and new technology
- **Business Expansion of Strategic & Soft products**
 - Promote the sales and expand the line-up of high-profit products (Large excavator, Wheel loader & Special equipment)
: Sales portion in 2021 15% → targeting 20% in 2025
 - Soft Product sales : increase 11% up to 2025

3. Maximized synergy from Integration

- **Increased efficiency in procurement**
: Cooperate to improve the product quality of partnership companies, reduce the production cost through integrated procurement
- **Establishment of Integrated Platform**
 - reduce the cost and comply the schedule of development
 - accomplish the roadmap for integrated technology
- **Improved work efficiency through upgraded process**
 - Synchronized and upgraded Process & System
 - Establish a standardized Cost accounting system

4. Accelerated ESG Management

- **Being a company which makes employees proud**
: Increased Investment in R&D for new growth engines (Investment amount compared to the Sales revenue 2.8% in 2021 → targeting over 4.0% in 2025)
- **Being a company which gets respect from the society**
: Develop ecofriendly products responding to the request from customer/society
 - Launch 1.8t electronic excavator (2nd half of 2022)
 - Launch 14t hydric excavator (2025)
- **Planning strategy against to Climate Change**
: Plan & Execution of Roadmap for Carbon Zero 2050

2. Business Plan for 2022

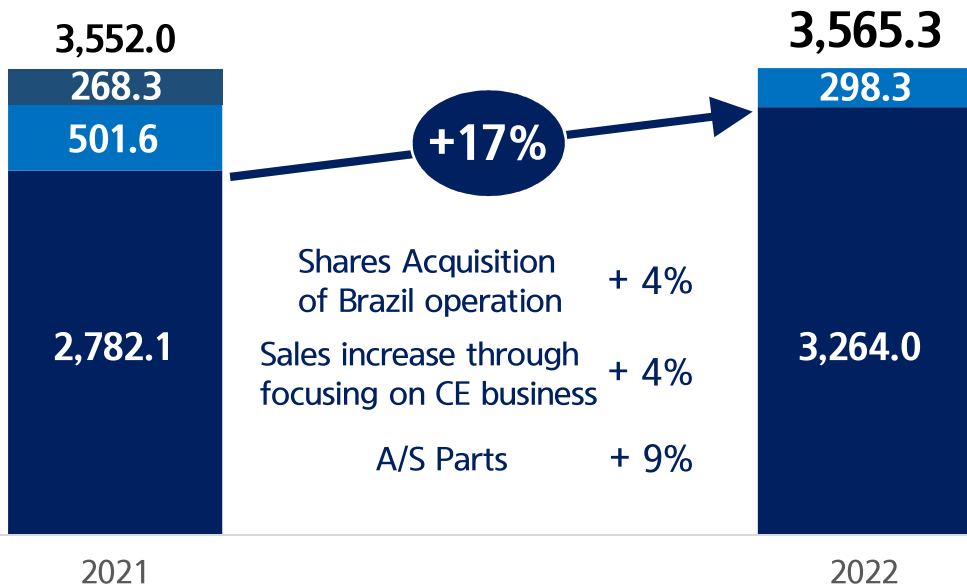
Business Plan 2022

Sales 3,562.3 bil KRW, Operating profit 222 bil KRW (6.2%)

- Sales: Offset the reduced sales in China by continued sales in Emerging countries (Direct sales from HQ, India and Brazil) and sales expansion in advanced countries
- Profit : Enhanced profitability by Business restructuring, Price increase, Improvement in product mix and Synergy with affiliate group

Sales target

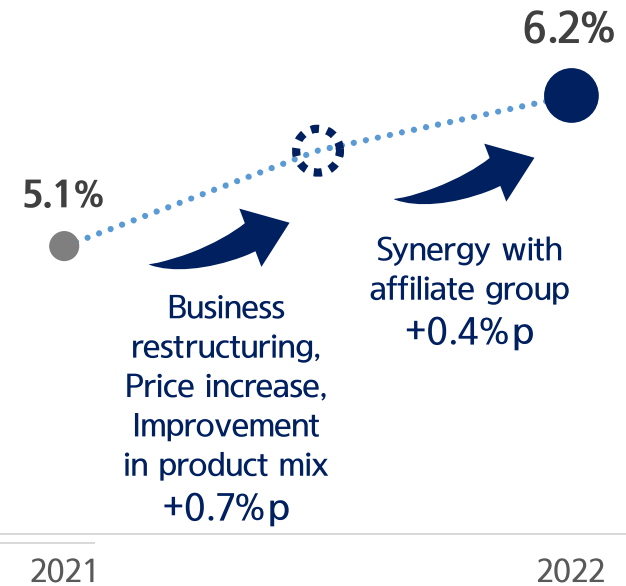
(unit : bil KRW)



- Shares Acquisition of Brazil operation + 4%
- Sales increase through focusing on CE business + 4%
- A/S Parts + 9%

■ CE ■ FL ■ Parts

Profit target



- Business restructuring, Price increase, Improvement in product mix +0.7%p
- Synergy with affiliate group +0.4%p

3. Market Outlook for 2022

- Global market in 2022 : Market size expected as 660K ~ 690K units (YoY -7 ~ -2%) considering the market adjustment in China and interest rate increase in US
- Except Chinese market, the others expected as similar as 2021 (YoY +1 ~ +4%)

(Unit : Thousand Units)

Market	2021	YoY	2022(F)	Outlook
Global	708	+12%	-7 ~ -2%	• Slowdown in market growth in several regions
North America	115	+16%	+10 ~ +13%	• Market recovery in Housing industry and Infra construction
Europe	148	+21%	-2 ~ 0%	• Maintenance of current market size, as contrary result of base effect from high growth shown in 2021 (CAGR 6%, 2015~2020)
Emerging	113	+56%	-5 ~ 0%	• Market increase until 1H, due to the high raw material prices (YoY +2%) Uncertainty expansion from 2H, due to the interest rate increase in US
India /Brazil	42	+37%	+5 ~ +11%	• India : Market recovery after 1Q, because of Government in financial difficulty and State election (Feb~Mar) • Brazil : Market increase in 1H by carried over demands, Possibility of market adjustment in 2H due to presidential election
China	274	-6%	-20 ~ -13%	• Downward trend from Apr. 2021, but slightly slower in downward than 2H of 2021
Domestic	16	+26%	-10 ~ -5%	• Total Machines in Field(in operation) increased due to the strong sales in 2020 ~ 2021

* Source : estimated by HCE

* China/India : Excavators only / The others : Excavators, Mid & Large size Wheel Loaders

3. Business Strategies for 2022 (1)

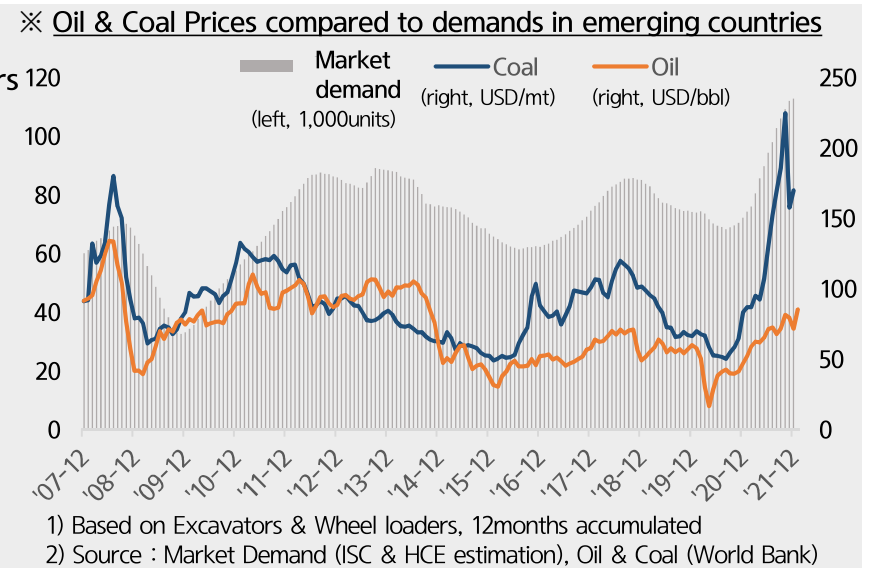
- Offset the reduced sales in China by sales increase in Emerging & Advanced countries

Advanced

- Continued shortage of Supply against Demand in 2022, for North America & Europe
 - ➔ Especially, driven by Investment in infra-structure, upward cycle of market demand in US is expected for the mid-long term
- Supply chain settlement is ongoing. Over 15% sales increase is expected in advanced market, through strategic distribution
 - Expanding Supply of Mini-excavators, Removing shortage of Major components including engine
- HCE M/S in Advanced market is keep growing, driven by good sales of New launched models in 2021 and effect from continued effort to enlarge the Channel coverage

Emerging

- Keep recording good numbers in Retail Sales and Purchase Order (backlog of confirmed orders equivalent to 6 months sales, basis of Dec. 2021)
- Despite of uncertainty from interest rate increase in US, high material prices will lead strong sales in our major markets like Russia and Latin America
- Reinforced Sales network in emerging market will have an effect on sales revenue in 2022
- If high oil price persists, a boost of demand is expected in 2022, especially from middle east



3. Business Strategies for 2022 (2)

Optimized utilization of Global production plants

- HX Advanced models from Korean Plant / HX General models from Chinese Plant / HX Economic models from Indian Plant
- Increase Exports from the plants outside of Korea
 - Transfer the production to Chinese and India Plant (20t, 30t and 34t excavators, which are major models in Emerging Market)
 - Korean Plant manufactures high profit products for advanced market. Chinese/Indian Plants support the increased demands and manufacture economic models to have competitiveness in cost.
 - Chinese Plant will be not only for domestic sales but for export, in order to prevent the market adjustment from the government and enhance the competitiveness in global market.

Sales increase of high-profit products

- Increase Large size machine sales(Indonesia/Russia/Mongolia) to have growth quantitatively and qualitatively
- Continued High Coal prices (60.8 in 2020 → 169.7\$/mt in Dec.2021) raise the market of Large size machines
- Operate Special team for Large size/Special equipment, in order to provide market oriented products and service

Upgrading After Market Business

- Create new sales from diversified A/M business including Attachments, Strategic parts and etc.
- Increase M/S of HCE genuine parts through synergy effect from Product service and After Market Parts

Appendix.

ESG Management, outcome in 2021 and Plan for 2022

<div style="background-color: #003366; color: white; padding: 10px; border-radius: 15px; text-align: center;"> 2021 Outcome </div>				
	Korea Corporate Governance Service A	Sustinvest BB	MSCI BB	CDP B

<div style="background-color: #003366; color: white; padding: 10px; border-radius: 15px; text-align: center;"> 2022 Plan </div>	<ol style="list-style-type: none"> 1. Making Climate Change Strategy : Plan & Execution of Roadmap for Carbon Zero 2050
	<ol style="list-style-type: none"> 2. Establishing ESG Governance : ESG Committee launch (directly under the CEO) 3. Joining a Global Initiative

