

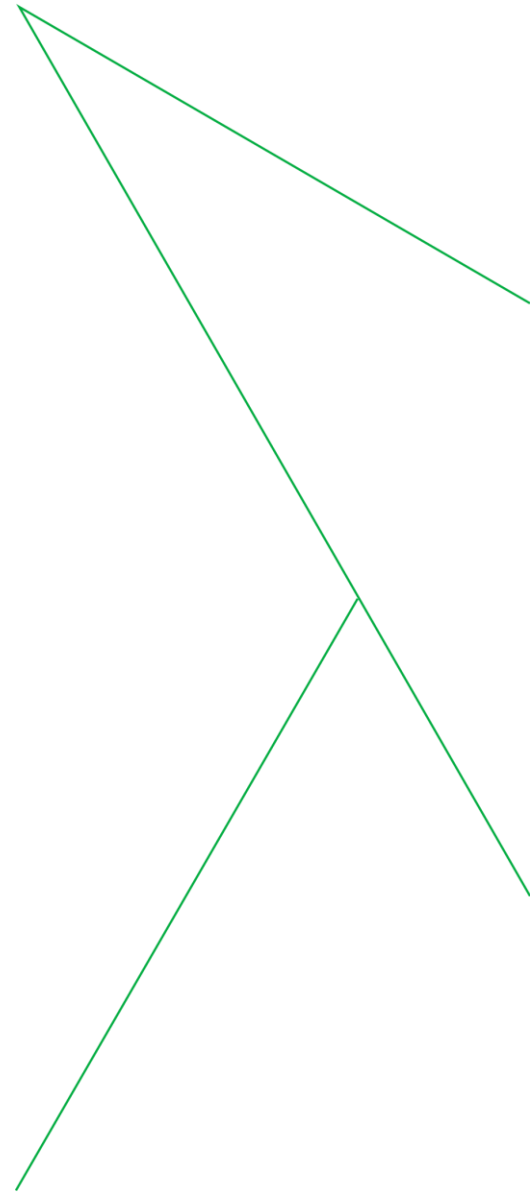
HD Hyundai Construction Equipment Value-up Plan

December 2024



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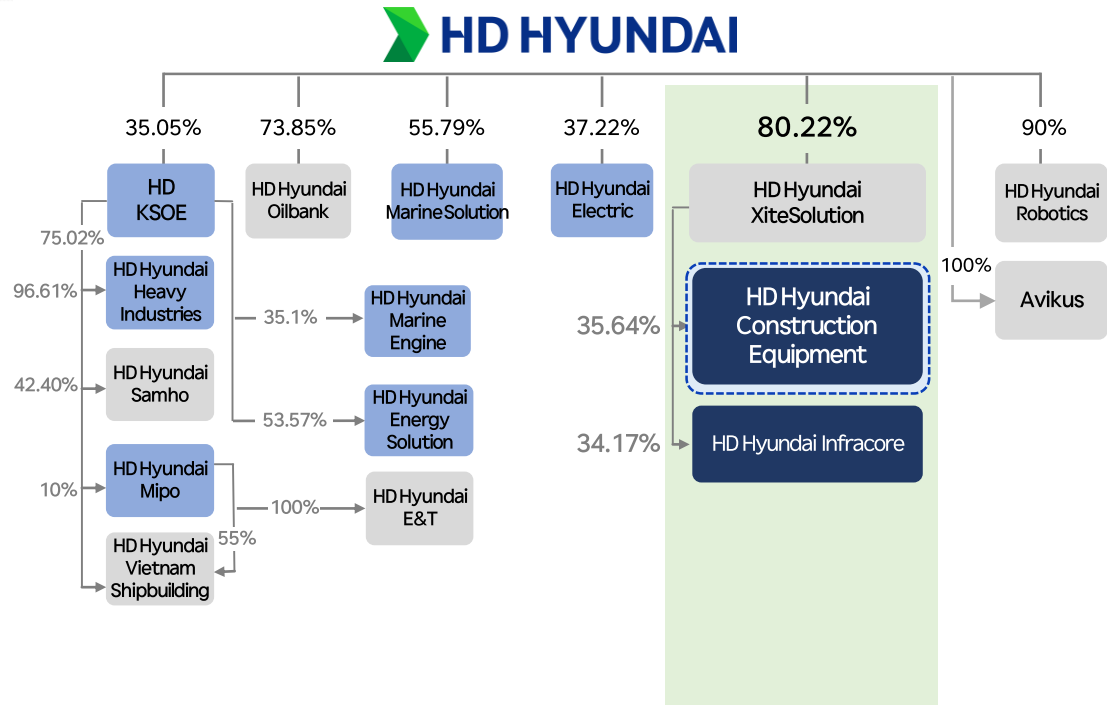
Company Overview

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- Business Status
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General Information

Company Name	HD Hyundai Construction Equipment
Market listing	Korea Stock Exchange
CEO	Choi Cheol-gon
Establishment	Feb 19 th , 1985 (Business launched in HHI) April 3 rd , 2017 (Spun off from HHI)
Head Office	HD Hyundai Global R&D Center, 477, Bundangseuseo-ro, Gyeonggi-do, Korea
Sector	KSE KOSPI Machinery FICS Industrial Machinery and Equipment
Business	Manufacture of Construction and Mining Machinery and Equipment
Issued shares	18,305,586 (Common stocks)
Major Shareholders	HD Hyundai XiteSolution (35.6%), NPS (5.05%)

Group Structure



Note: Sep. 2024

Business Status

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Business Scope



Excavator /Loader Special equip.

[Excavator/Loader]

Used for excavation, material transportation, and demolition in various fields such as large-scale infrastructure projects, as well as mining and agriculture

[Special Equipment]

Forestry equipment for logging and transportation of timber, demolition for the reconstruction market and material handlers for sorting wasted and debris



Industrial vehicles

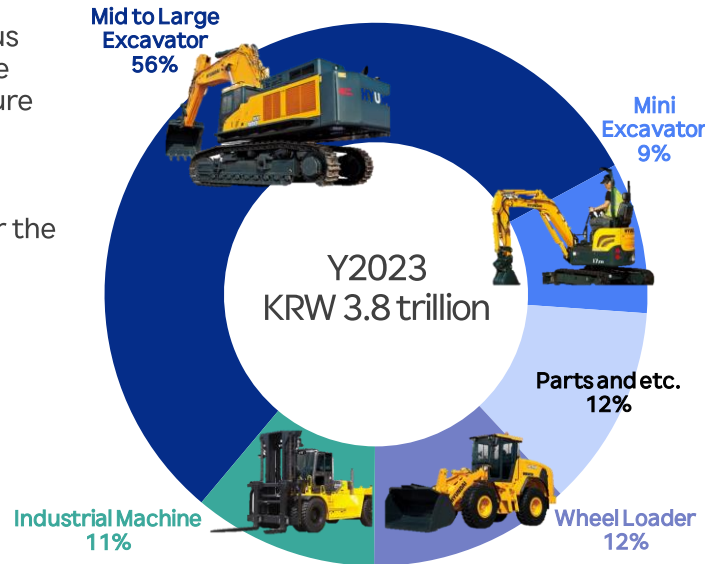
Forklifts, tow tractors and transport vehicles used for various industries, including logistics and distribution



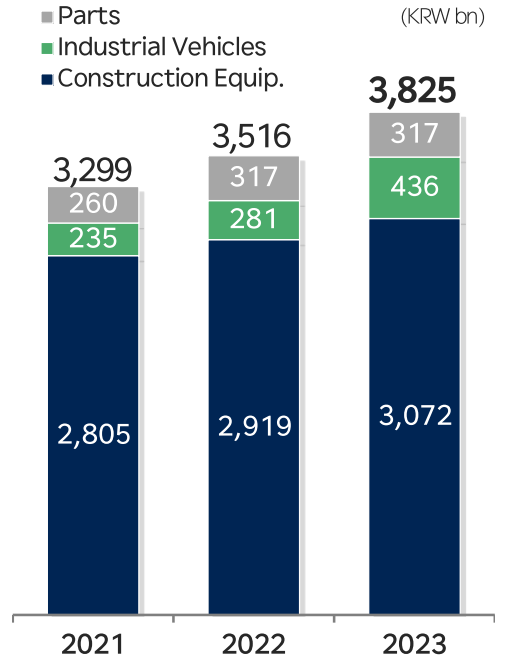
Parts

Our prior cumulative equipment sales provides for a stable revenue stream and profitability from parts business

Sales Portfolio



Sales Trends



Note: Revenue in 2021 includes sales from the Brazilian subsidiary acquired on December 31, 2021, for the convenience of YOY comparison. Therefore, it differs from figures reported in the business report

Regional Status

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Regional Status

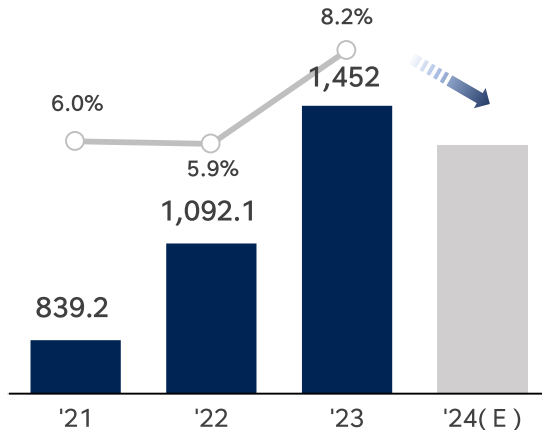
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Developed Market

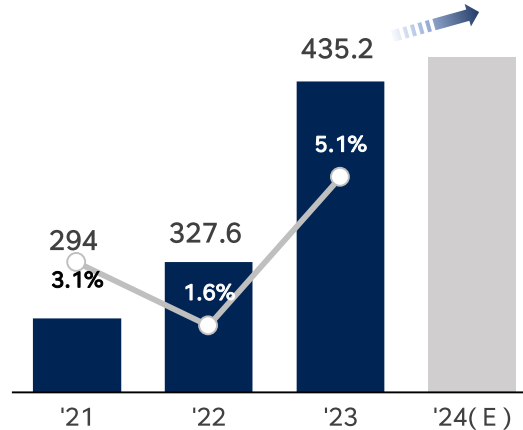
(KRW bn, OPM%)



- Production and supply chain disruptions, which occurred during the Covid pandemic, began to ease from 2H22.
- Sales growth was driven by lineup expansion and strengthened dealer network.
- Performance is expected to slow in 2024 due to increased dealer inventory.

India

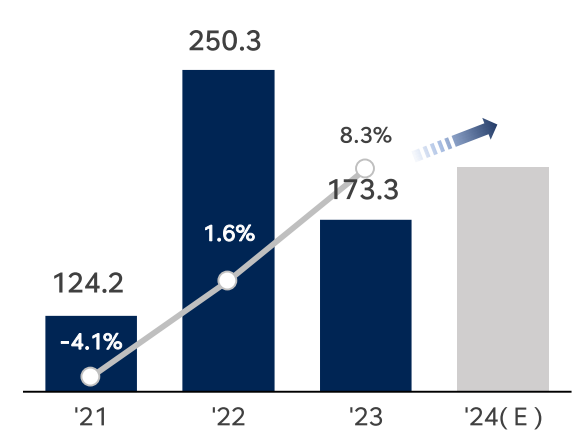
(KRW bn, OPM%)



- The Modi government supports infrastructure investment, along with continued emphasis on urbanization and industrialization. Such policies should continue to sustain market demand.
- Profitability has improved through increased price and enhanced productivity.

Brazil

(KRW bn, OPM%)



- Market demand is undergoing adjustment after reaching the peak after the pandemic.
- Performance improved thanks to the government's preferential policies for local production, expansion of lineups and enhanced production efficiency.

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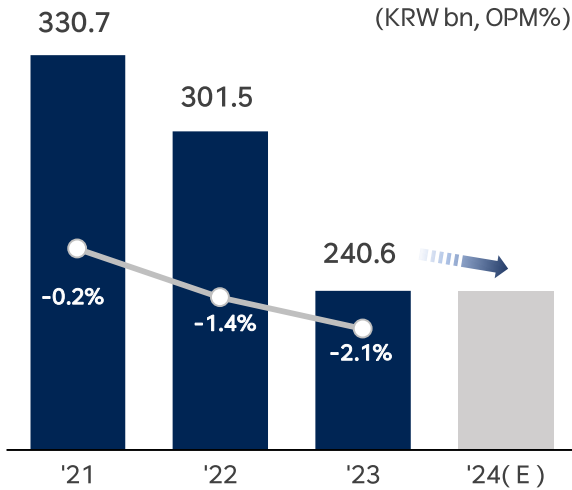
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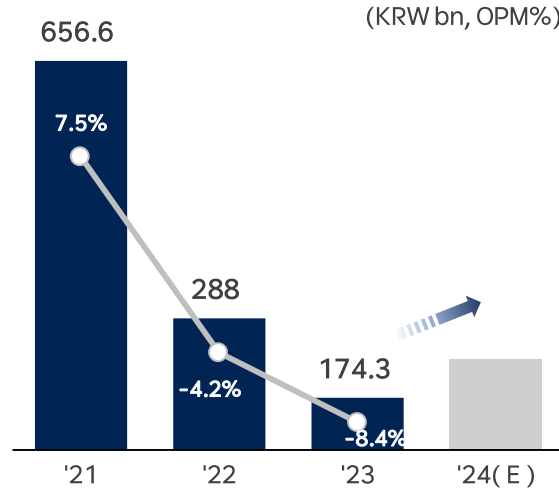
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Korea



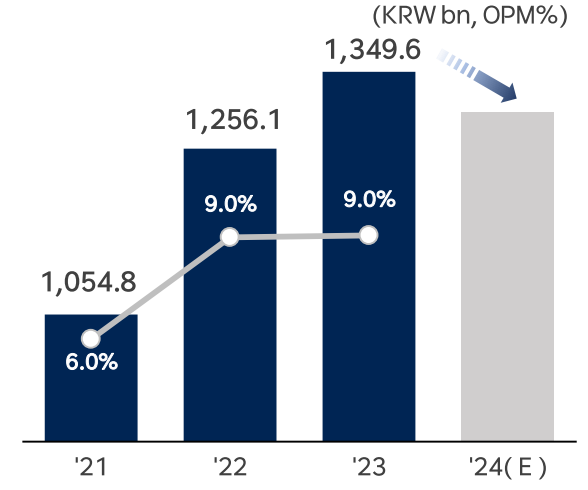
- Slow domestic construction market and resulting weakness in demand led to lower sales and profitability.
- We expect sluggish trend to continue due to prolonged high interest rates and construction cost environment.

China



- The downturn in the construction market and intensified competition with local players led to a decline in sales.
- Nonetheless, we have seen signs of rebound from 2023 thanks to entry into 125T equipment market and gradual market share recovery in some regions where dealer replacement occurred.

Developing



- Price competition intensified with Japanese players due to the yen depreciation.
- Furthermore, performance is expected to slow due to delayed recovery in purchasing power in emerging markets caused by lower raw material prices and a strong dollar, as well as logistics disruptions due to geopolitical risks.

Status Analysis - Financial Indicators

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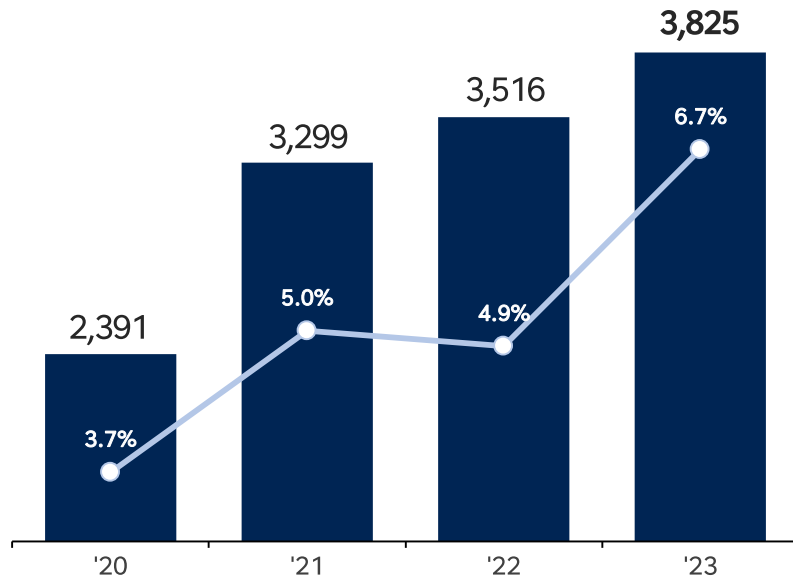
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Current status Analysis

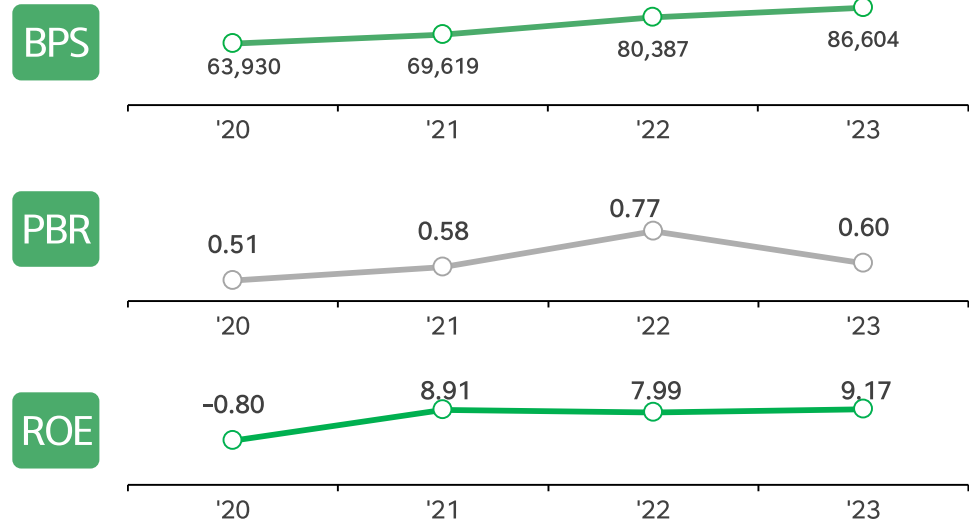
Despite continuous increase in BPS driven by performance growth, PBR remains below 1 due to relatively low ROE, indicating the need for improvement in sales and profitability.

Annual Sales and OPM Trends

(Unit:KRW bn)



Indicators



*BPS(Book Value per share) = $\frac{\text{Total controlling interest equity}}{(\text{End-year total number of issued stocks} - \text{number of treasury stocks})}$

*PBR(Price Book value Ratio) = End-year closing price/BPS

*ROE(Return on Equity) = $\frac{\text{Net income attributable to controlling interest(previous four quarters)}}{\text{Average controlling interest equity (beginning and ending balances)}}$

Status Analysis - Non-Financial Indicators

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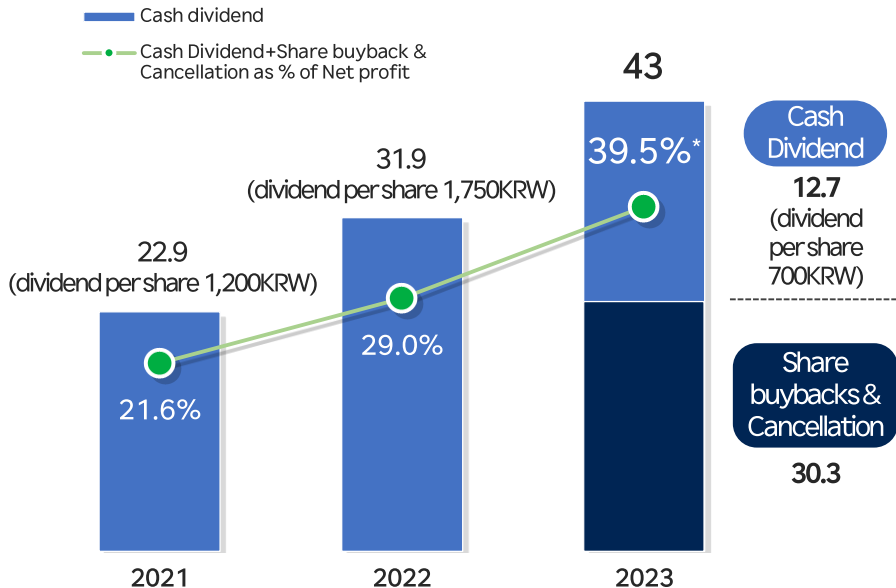
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Current status Analysis

To raise PBR and ROE, HCE has established an active shareholder return policy and progressively implemented it for the past 3 years

FY '21~'23 Shareholder return

(Unit: KRW bn)



Mid/long term shareholder return policy

- Over the next three years (Y2024~Y2026), more than 30% of net profit (non-consolidated base) will be paid out in the form of dividends or share buyback & cancellation (One-time gains and losses can be excluded when calculating net profit.)
- We seek to enhance predictability on shareholder return.

Cancelling existing treasury stocks(853,697 shares)

- Outstanding shares : Before 19,700,793 → After 18,847,096
- Date: April 30th, 2024
- Rationale: To enhance shareholder value by cancelling treasury stocks

Share buyback and cancellation(541,510 shares)

- Outstanding shares : Before 18,847,096 → After 18,305,586 (Dec, 2024)
- Date: August 30th, 2024
- Existing treasury stocks: 643,797 shares

Value-up Targets

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Strengthening Competitive Advantage for Continuous growth



2029 sales target KRW 6 tn +α
OPM target 10% +α

- Market and Product Innovation
- Global Operations Optimization
- Establish India as a New Growth Hub

Active Shareholder Return Policy



Shareholder Return ratio* of over 30%

- Shareholder return ratio of over 30%
- Change in Dividend Record Date
- Establish Sustainable Shareholder Return Policy
- Mid- to long-term ROE of over 12%

Strengthening Sustainable Management



Enhance Corporate Sustainability

- Achieving over 90% of key corporate governance indicators
- Strengthening corporate sustainability through enhanced ESG management policies

*Shareholder Return Ratio : (cash dividend + share buyback · cancellation) / net profit x 100, One-time gains and losses can be excluded when calculating net profit

Target ① :

Strengthening competitive advantage for continuous growth

Company Overview

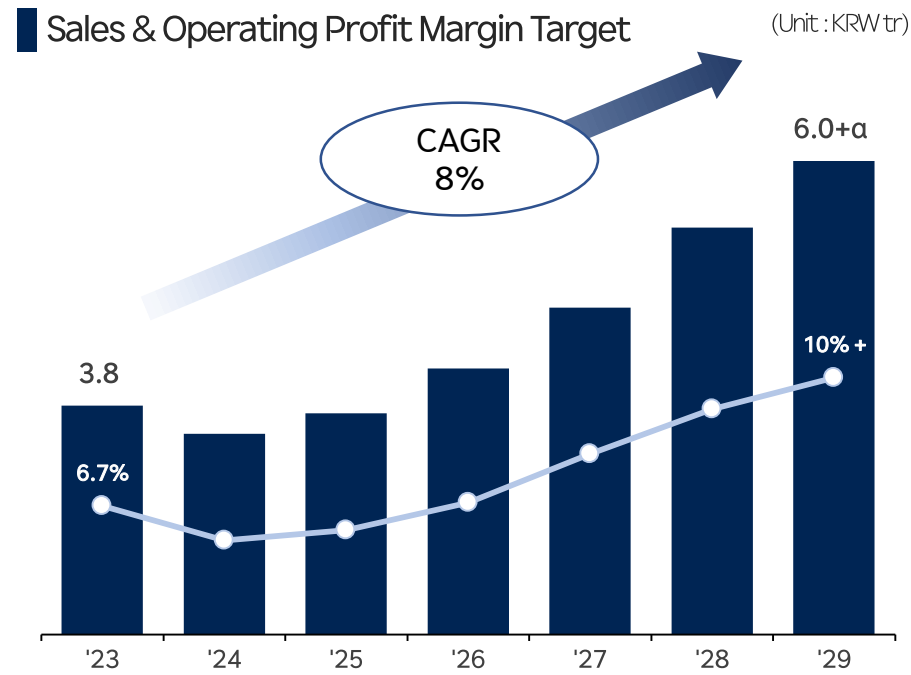
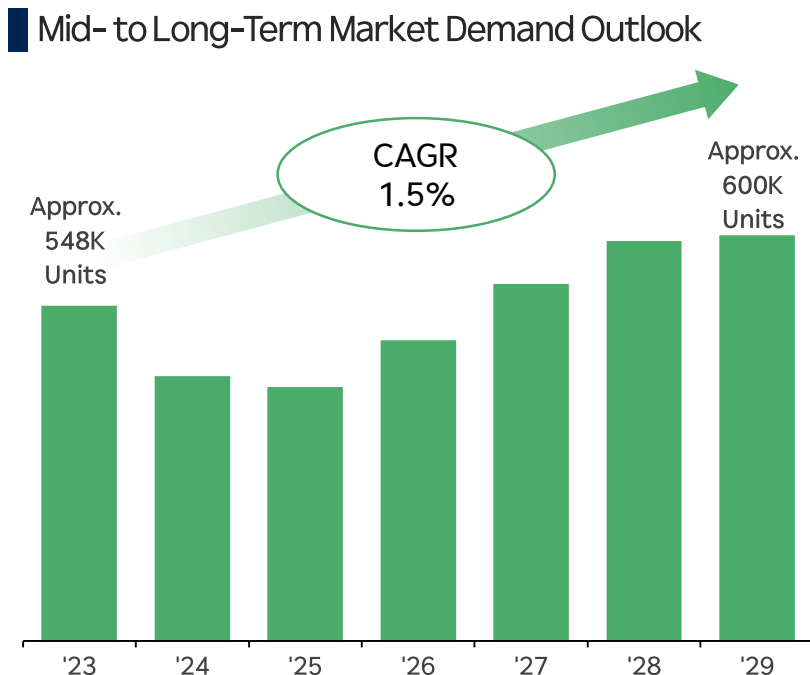
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● Value-up Targets

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Target to Outperform Market Growth Rates



Note : Market volume based on excavators + mid/large wheel loaders
Source : Company data

Action plan: Market and Product Innovation

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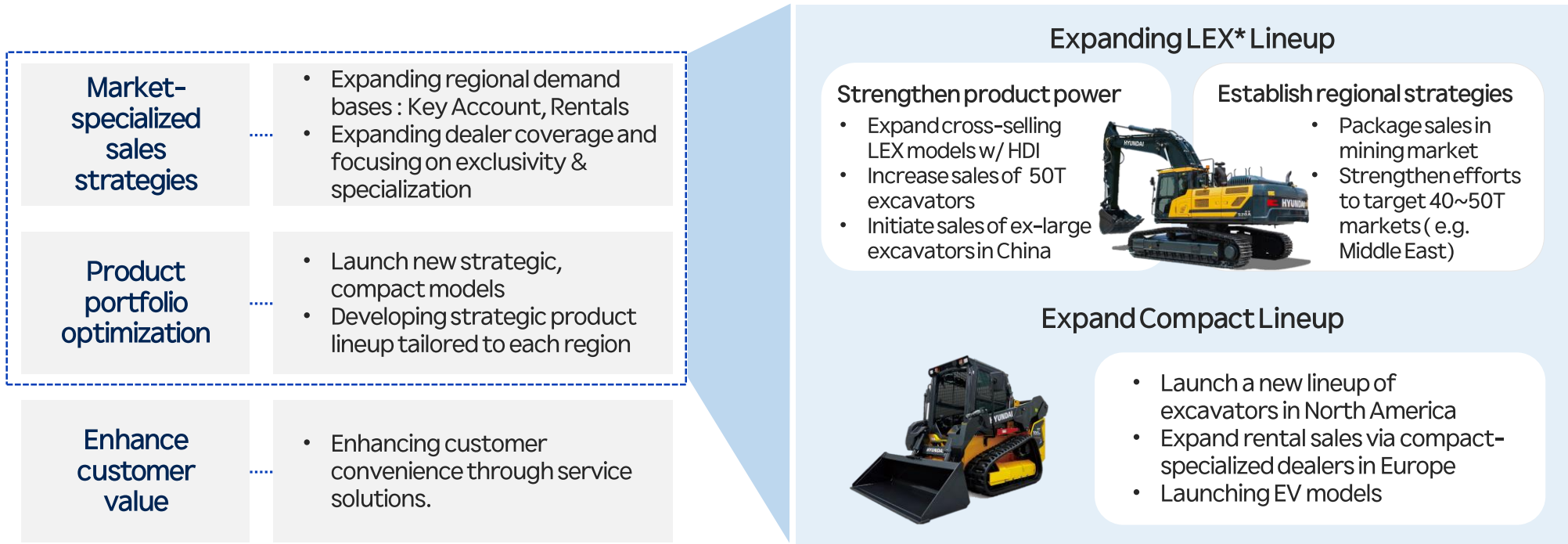
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1) Expand demand base with market-specialized sales strategies & Optimizing product portfolio



*LEX: Large Excavator

Action plan: Global production optimization

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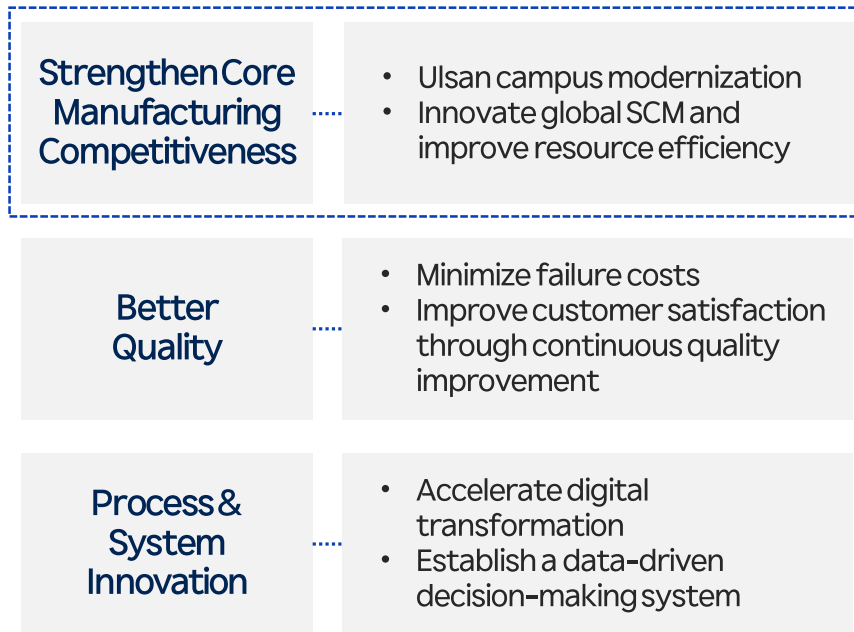
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2) Strengthening core manufacturing competitiveness and establishing a foundation for ex-large equipment, starting with the completion of factory modernization



Ulsan campus modernization



Prevent accidents through real-time data analysis
 Reduce cost by automated production & quality inspection
 Capacity increase by 60% (9,600/year → 15,400/year)
 ⇒ **Mother Plant for Medium to Large Excavator & Wheel Loader**

Action plan: Establish India as a New Growth Hub

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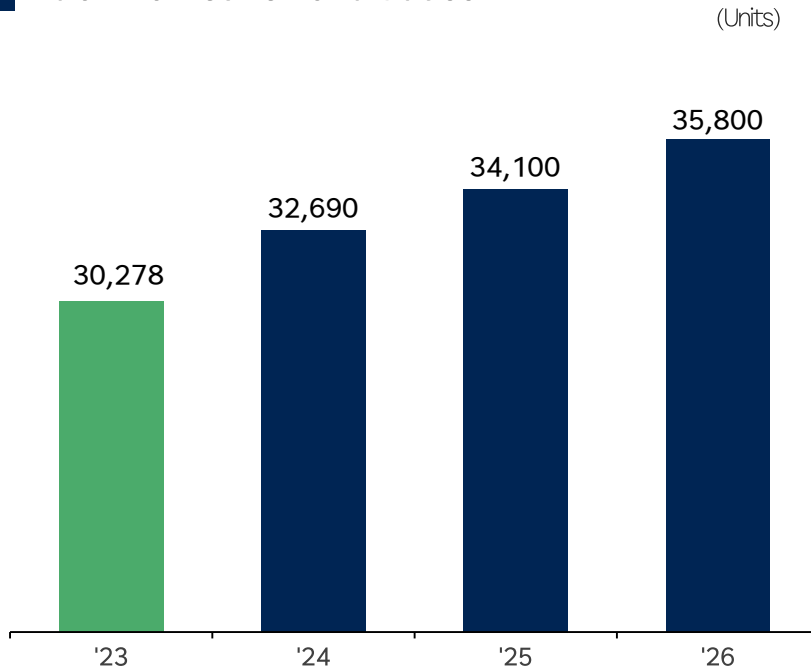
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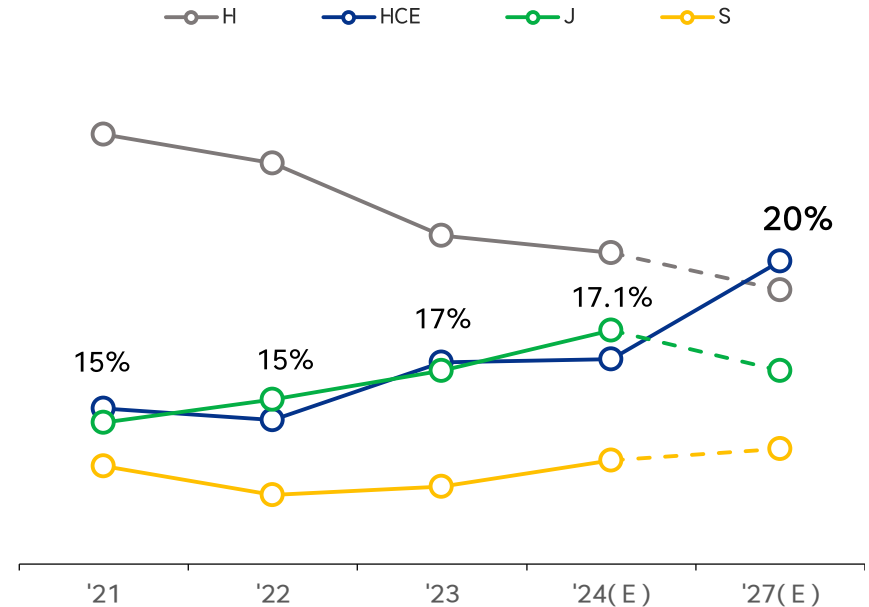
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3) Achieve market share of 20% in India by 2027 & position India as a key global growth hub

Indian Market Demand Outlook



Growing M/S in India

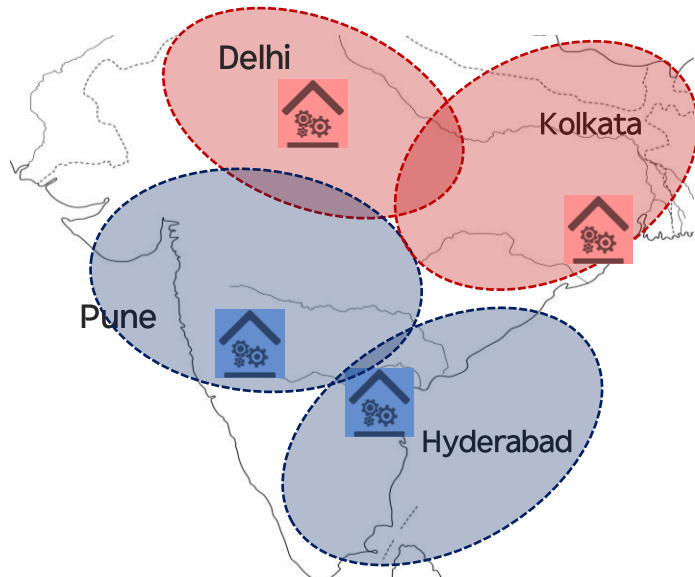


▶ Key strategies- Strengthen services in India

Establish comprehensive service centers

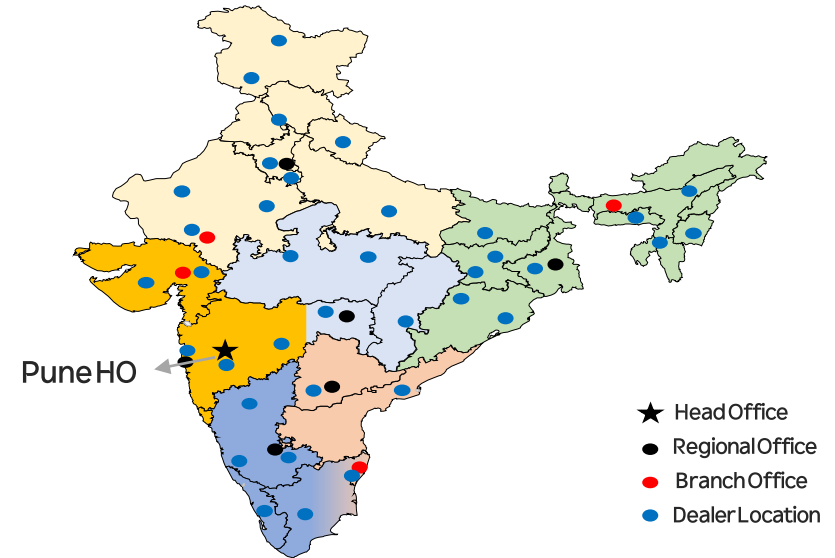
STEP 1 Establish service centers in the southern region, the largest market, by 2026

STEP 2 Expand to the northern and eastern regions while monitoring market conditions



Expand dealer coverage and develop new dealer

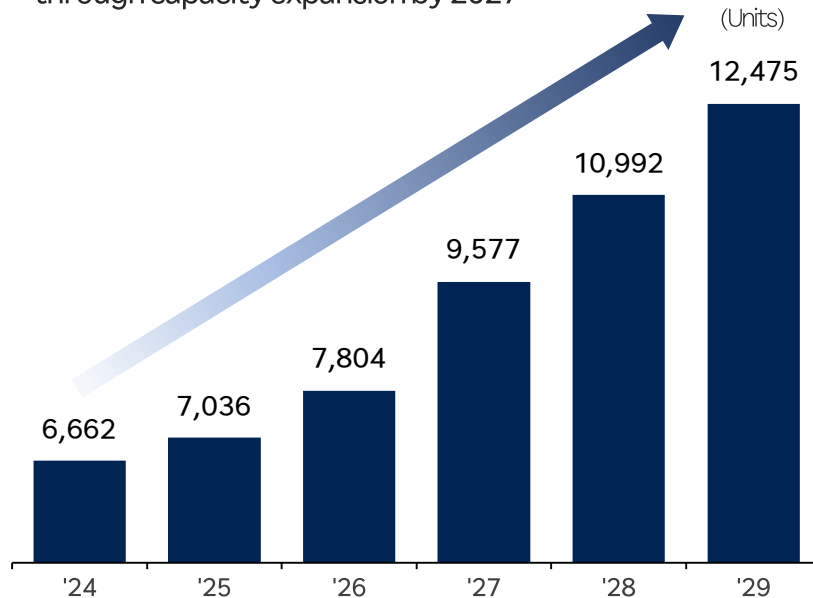
Currently 37 dealers, 3 of which are newly developed dealers in 2024
 Strengthened sales capabilities in the south-eastern region and developed additional new dealers for large equipment sales



▶ Key strategies- Strengthen manufacturing competitiveness in India

■ Production requirements for the Indian subsidiary

- Investment in transportation infrastructure is expected to continue under the Modi 3.0 government
- Production target over 13,000 units annually, through capacity expansion by 2027



■ Expanding the role of a global production base



Target②&Action plan: Active Shareholder Return Policy

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Establish sustainable shareholder return policy and actively communicate with shareholders

Shareholder Return Ratio of
over 30%

- Increase cash dividends and future investments
(If needed, share buyback and cancellation can be considered)
- One-time gains and losses can be excluded when calculating net profit

Change in Dividend Record Date

- Setting the dividend record date after the dividend declaration date to enhance predictability of shareholder return
(from 31st December to the date determined by the Board of Directors (scheduled for February))

Establish Sustainable Shareholder
Return Policy

- Actively communicate with shareholders through the annual announcement of a shareholder return policy for the next three years
(2024 announcement for the future three years was disclosed on March 28, 2024.)
- Pursuing a balance between the company's mid- to-long term growth and an active shareholder return policy

Target③&Action plan: Sustainable Management

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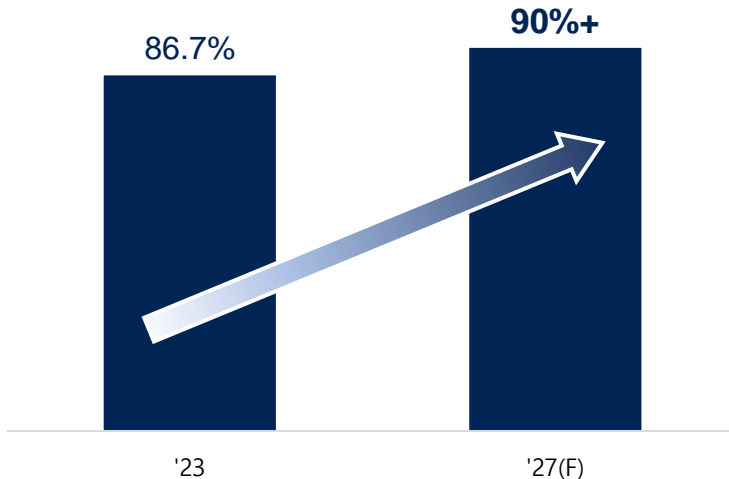
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Comply with key metrics of corporate governance and strengthen ESG management for sustainable growth

Improving Key Governance Metrics Targets

The company puts forth the efforts to secure the transparency of governance by complying with one additional key metrics of corporate governance until 2027



Strengthening ESG management

Deliver customer comfort

- Enhance customer satisfaction through continuous communication
- Develop customer-focused product

Contribute to social comfort

- Strengthen collaborative frameworks for sustainable growth
- Enhance management transparency & external credibility
- Decision-making based on corporate citizenship

Realize comfort for employees

- Build pleasant and safe working environment
- Build culture of mutual respect and trust
- Strengthen principles of human rights

Communication

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● Communication

Ensure effective communication to align intrinsic value with market value



Expand Communication Channels

- Regular C-Level meetings (at least twice a year)
- Regular domestic and overseas NDRs



Comprehensive Materials

- Providing IR materials in KOR/ENG simultaneously
- Providing IR materials on website



Address Market Feedback

- Actively listen to market feedback
- Implement improvements and disclose in the annual Value-up Plan



ESG

- Strengthen communication on ESG issues
- Transparent disclosure via Sustainability Report and ESG Website

