Hyundai Motor's 4Q Profit Dented By Won's Rise

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SEOUL, South Korea (AP) — South Korea's Hyundai Motor Co. reported its lowest quarterly profit in nearly two years Thursday due to lackluster car sales at home and a surge in the local currency that made it less competitive with Japanese automakers.

South Korea's largest automaker earned 1.89 trillion won ($1.77 billion) in the October-December quarter, down 5.5 percent over a year earlier.

The result was below the median analyst forecast of 2.05 trillion won, according to FactSet. It was also the automaker's smallest profit since the first quarter of 2011. Hyundai's shares fell 4.6 percent in Seoul after the earnings release.

Hyundai put aside 240 billion won ($224 million) during the fourth quarter as compensation for American buyers after U.S. authorities found Hyundai overstated gas mileages. Hyundai said the estimate is based on $82 per vehicle compensated for 10 years

Sales rose 11 percent over a year earlier to 22.72 trillion won while operating profit fell 12 percent to 1.83 trillion won.

Even though Hyundai sold more vehicles in the fourth quarter over a year earlier, its profit was lower because the won's rise eroded overseas profit and made it harder to compete with Japanese rivals such as Toyota Motor Corp.

The won has been rising against the U.S. dollar and the yen as both the U.S. and Japan have implemented super easy monetary policy to boost their struggling economies.

Lee Won-hee, the company's chief financial officer, warned that a continued rise in the won could further hurt Hyundai's profit this year, even though its annual vehicle shipments are expected to rise 6 percent to 4.66 million in 2013.

Lee said the weak yen could intensify competition from Japanese cars in Australia and Russia in particular.

In South Korea, where Japanese firms are selling cars manufactured in U.S. factories to benefit from the free trade agreement between Seoul and Washington, Japanese firms may start directly shipping cars from Japan to South Korea if yen continues to weaken, Lee said.

They could also aggressively discount car prices to take domestic market share from Hyundai and its Kia affiliate, who have been suffering from sluggish car demand at home.