

A photograph of a steel mill at night, with various industrial structures and towers illuminated against a dark blue sky. The image is overlaid with a pattern of white, curved, concentric lines that create a sense of motion and depth.

# 2019 Financial Results

JAN 29, 2020

## ▣ Disclaimer

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Accounting figures contained in the following presentation have been prepared by Hyundai Steel Company (hereafter 'the Company') only for the convenience of investors.

Figures provided in this presentation are based on the unaudited financial statements of the Company. Certain content in this presentation may be subject to change during the course of the auditing process. Figures contained herein are based on K-IFRS standards.

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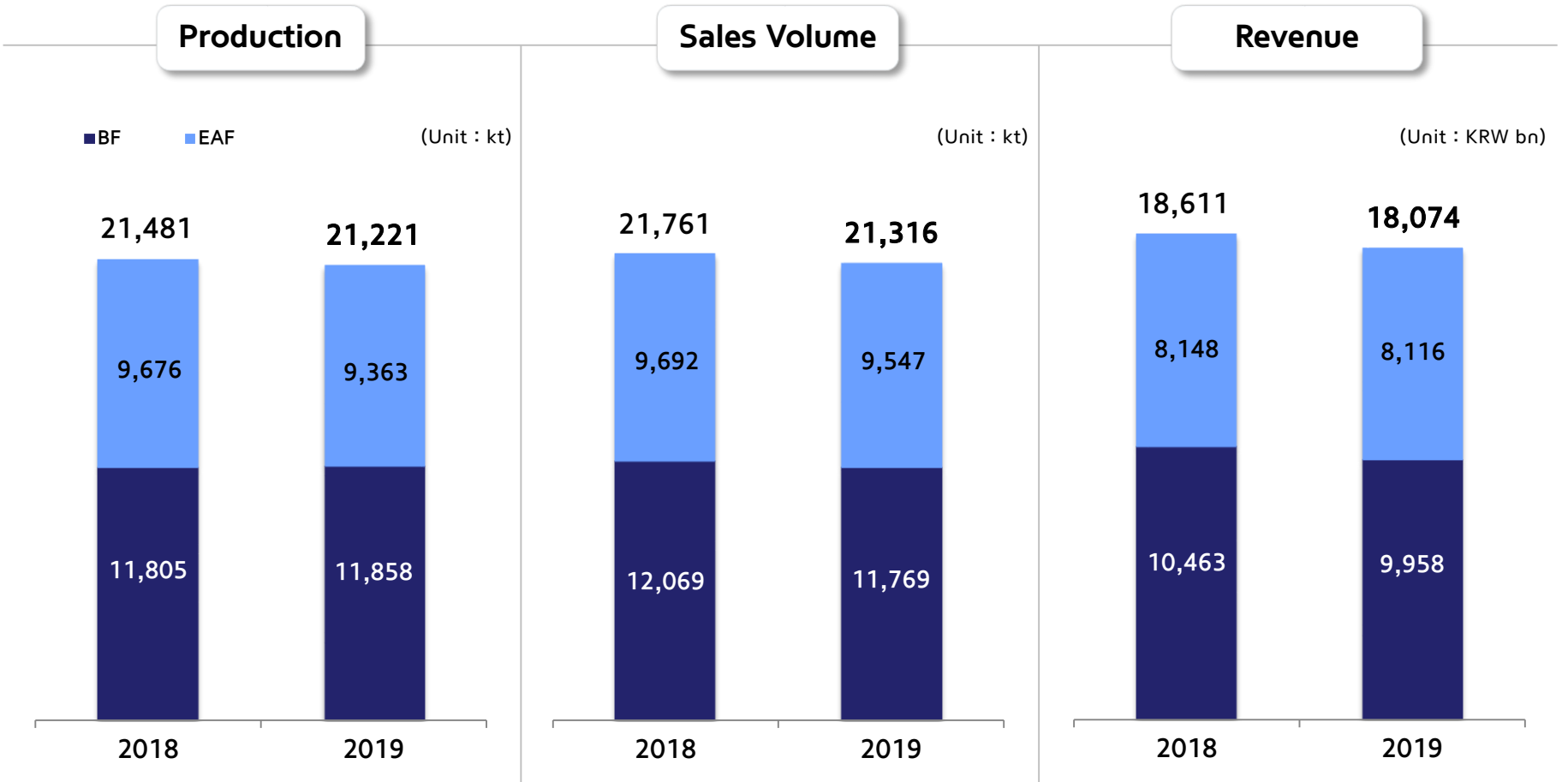
※ Appendix

# I . 2019 Financial Results

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# Non-Consolidated Results

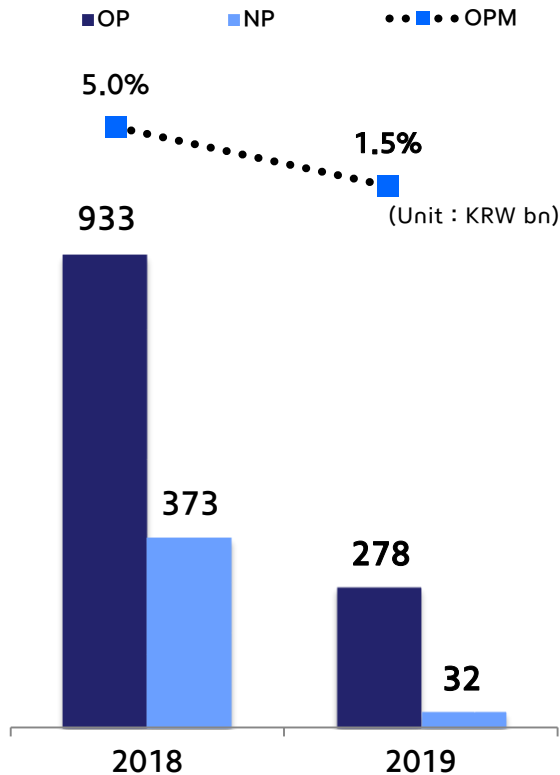
- ✓ EAF production decreased affected by weakening construction demand in the 2<sup>nd</sup> half
- ✓ Revenue declined due to sales volume & price fall from demand slowdown



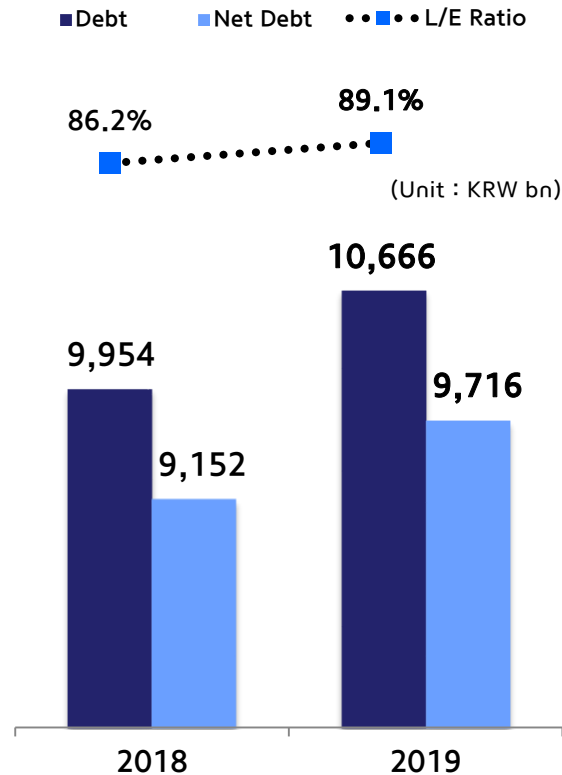
# Non-Consolidated Results

- ✓ Despite raw material cost increase, the decline of selling price led to margin spread squeeze
- ✓ Debt increased due to sluggish profit although the gradual easing of working capital

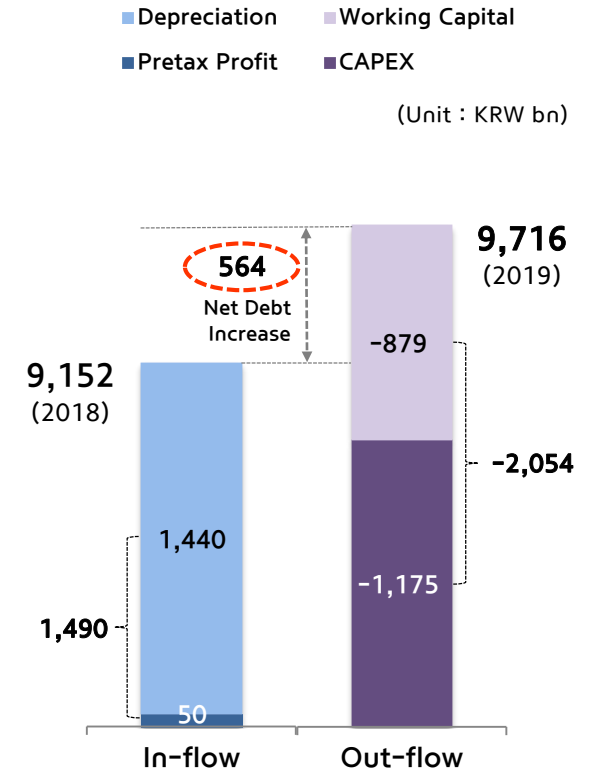
## Profit



## Debt



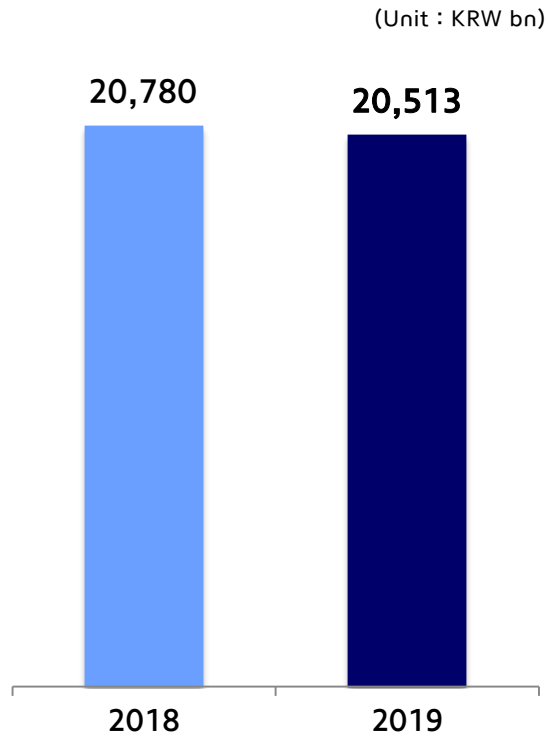
## Cash Flow



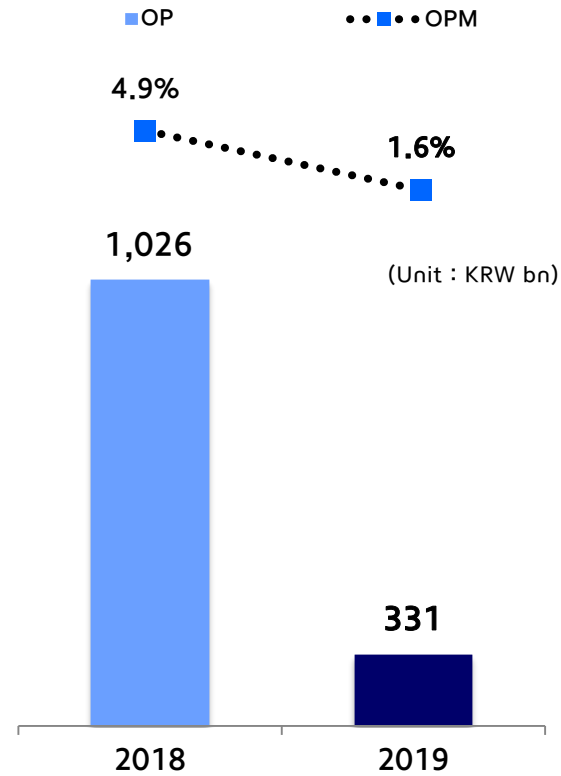
# Consolidated Results

✓ Overseas profitability worsened mainly due to slump in operations in China

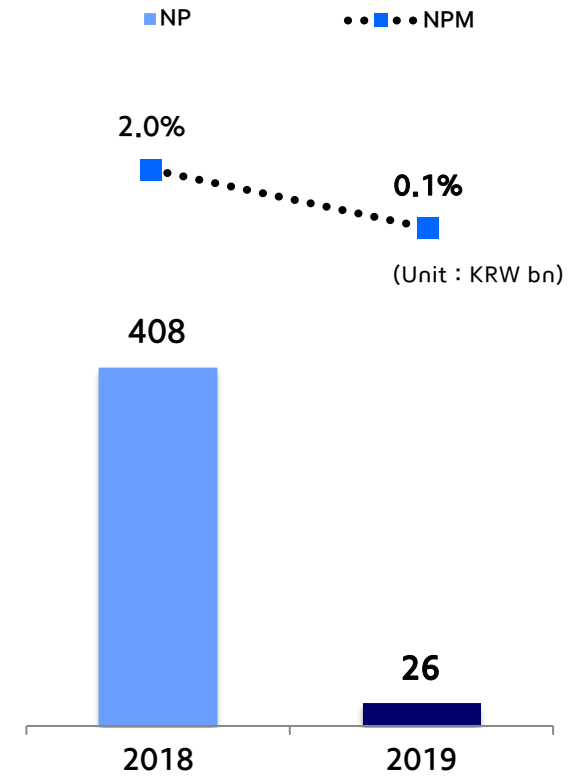
## Revenue



## Operating Profit



## Net Profit



## II. Key Activities

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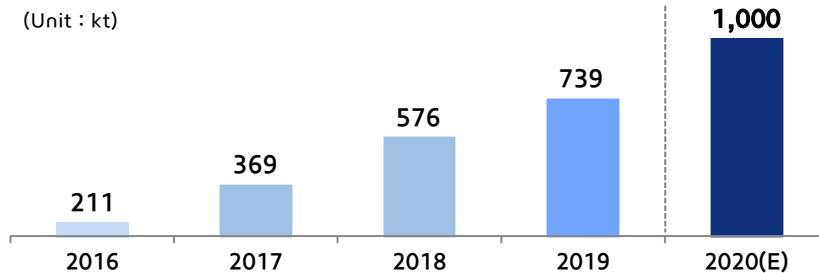
- ✓ Enhance product competitiveness & trade risk responsiveness to expand global sales
- ✓ Develop new & large demand led by customer-oriented technological superiority

## Global Sales Expansion

### ➤ Global Auto Sheet Customer Expansion

- Focus on capabilities to achieve **1mt sales target in 2020**

(Unit : kt)



### ➤ Active Response to Trade Restrictions

- Easing of anti-dumping duties on major export items (U.S. preliminary determinations in AD/CVD cases)

	Former Duty	Preliminary	Change	Remarks
Galvanized	0.57%	0.00%	-0.57	• Sep 2019
Cold-Rolled	37.17%	0.00%	-37.17	• Nov 2019
Hot-Rolled	6.02%	0.94%	-5.08	• Dec 2019

## New Demand Creation

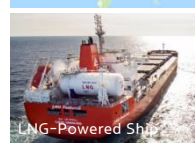
### ➤ HICORE Safety Steel Demand Lead

- Development of world's first anti-seismic & fire-proof steel
- Diversification of structural standards for various demands

	2017	2018	2019	YoY
Seismic Rebar Sales	5kt	48kt	120kt	+150%

### ➤ Heavy Plate New & Large Orders

- Steel supply to offshore wind farm projects
- Develop overseas shipbuilding customers & expand high value-added exports  
→ Increase API sales in high-end markets
- Accelerate development of 9% Nickel Steel in response to enlarging LNG vessel demand



# ▣ Sustainable Growth Investments

- ✓ Improving competitiveness of automotive materials & facility renewals to secure future demands
- ✓ Establishing eco-friendly & high-efficient steelworks through environmental investments

## Future Growth

### ➤ Top Automotive Competitiveness



- Establishing firm foundation for **global automotive material specialized steel mill**

	CRC Facility Renewal	Czech Hot Stamping Plant
Target	Auto sheet quality & productivity enhancement	Localization & global auto order expansion base
Items	CVGL furnace/cooling upgrade CGL direct furnace renewal, etc.	2 Hot Stamping, 1 Blanking Annual CAPA 3.35 million PCS
CAPEX	KRW 120 bn (2019 ~ 2021)	KRW 58 bn (Jan '21 production)

### ➤ Pohang Plant Rail Facility Upgrade

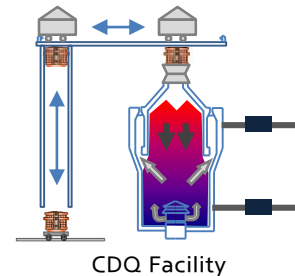
- Increase rail capacity in response to large infra demands

	Content	Rail Demand Forecast(kt)
Target	CAPA increase (65kt → 120kt) Improve quality & work environment	
Items	Replacement, automation, layout optimization	
CAPEX	KRW 10 bn (2019.4Q ~ 2021.1Q)	

## Green Investments

### ➤ Introduction of Coke Dry Quenching(CDQ)

- Environmental risk control, improve energy & productivity



	Content
Items	Install 3 CDQs in coke plant
Schedule	Sequential CDQ operation plan → Completion: Mar/Dec 2023, Dec 2024
CAPEX	KRW 340 bn (2020 ~ 2024)

### ➤ Long-term Environmental Improvement Plan

- Preemptive response to escalating environmental standards & aim co-prosperity with local communities

	Major Investments
Air	NOx reduction, Micro gas purifier, Maritime power supply
Water	Wastewater filter, MBR facility expansion
Others	Chemical leak detection system, New waste storage, etc.

- ✓ Reinforce customer marketing by global auto material development & product branding
- ✓ High performance product widening & establishing Smart Factory foundation

## 2019 Results

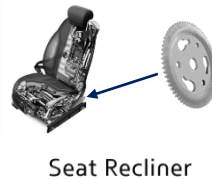
### ➤ Secure Global Auto Sheet Competitiveness

- Continuous development to widen product coverage
- Expand manufacturer qualification (Audi, PSA, GM, etc.)

	2017	2018	2019	2020(E)
Steel Grades (accumulated)	106	161	218	247
Coverage	30%	51%	66%	70%

### ➤ New Wear Resistant Steel Brand (WEAREX\*)

- Independent spec development → high-performance brand
- High durable auto parts & industry-use demand expansion



## 2020 Plan

### ➤ Premium Product Development

- Steel for transport in polar & special area
- Independent spec armored plates
- Next-gen auto sheet production technology



### ➤ Enhance Manufacturing Technology

- Whole process efficiency improvement
- Energy reduction based on recycling skills



### ➤ Establish Smart Factory Base

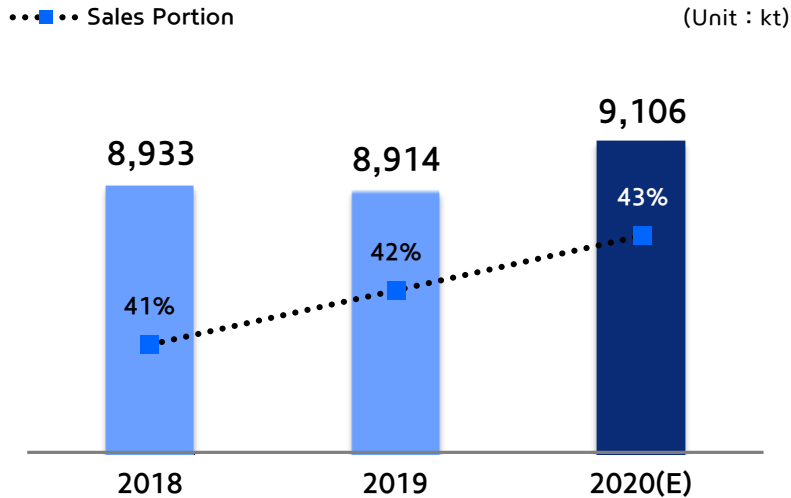
- Process data platform → advanced analysis
- Intelligent management & AI specialist training



# Competitive Edge

- ✓ Enhance profitability by new premium product development & sales base expansion
- ✓ Improve corporate confidence & implement social responsibility based on ESG competency

## Global Premium



- Global auto competitiveness by customized production
- Target high-end market: seismic steel & marine projects
- Secure growth by continuous improvement & strict control

## ESG Competency

### ➤ KCGS ESG Evaluation Rating Upgrade

- Two notch upgrade to 'A' in 2019 (Oct 2019 release)
- Revision of sustainable management policies & widening information disclosure

KCGS 한국기업지배구조원	2018	2019	Change
Integrated Rating	B	A	+2 notch
Environment	B+	B+	-
Social	B+	A+	+2 notch
Governance	C	B+	+2 notch

### ➤ Sustainable Management Strategy

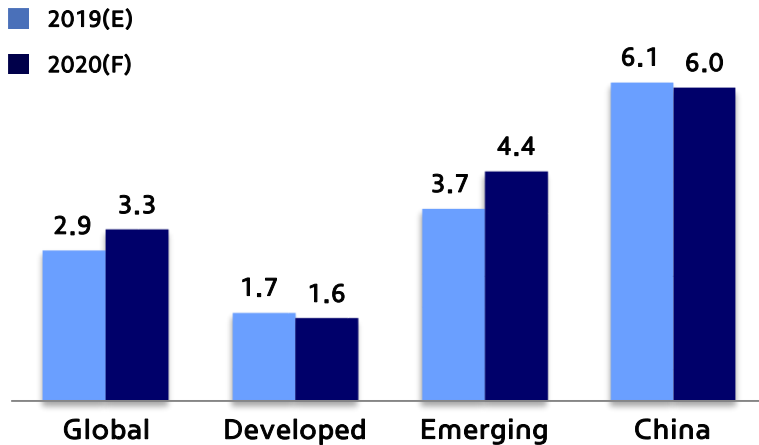
- ESG strategy & roadmap to minimize non-financial risks
- Promote international reputation (2<sup>nd</sup> DJSI inclusion, etc.)

## III. Market Outlook & 2020 Forecast

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- ✓ Economy stabilizing as trade tensions ease, sluggish recovery due to remaining risks
- ✓ Global steel supply & demand unstable, expect acceleration of stimulus programs

## Global Economy



\* Source : IMF, World Economic Outlook, Jan 2020 / Unit : %

### ➤ Slow Recovery of Global Economy

- Positive factors rise; ongoing trade deals, monetary easing
- Downward risks such as geopolitical tensions remain

## Steel Industry

### ➤ Demand Outlook

- Though low growth continues, reduced uncertainties positive

	2018	2019(E)	YoY	2020(F)	YoY
Global	1,709	1,775	3.9%	1,806	1.7%
Developed	411	410	-0.1%	413	0.6%
Emerging	1,298	1,365	5.2%	1,393	2.1%
China	835	900	7.8%	909	1.0%

\* Source : WSA SRO, Oct 2019 / Unit : mt

### ➤ Enlarging Infrastructure Stimulus in China

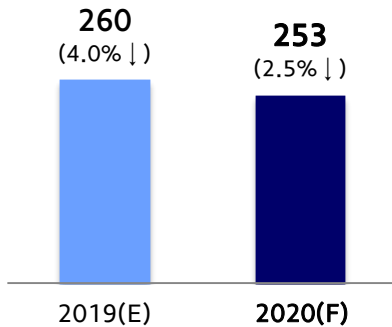
- Easing trade conflicts, liquidity supply, large infra projects
- Oversupply concerns due to facility expansion & easing of environmental regulations

# Domestic End-use Industries

- ✓ Construction & Auto demand recovery limited, expect partial improvement from stimulus
- ✓ Shipbuilding recovery based on global trade volume increase & order competitiveness

## Construction

Investment (KRW tn, YoY)

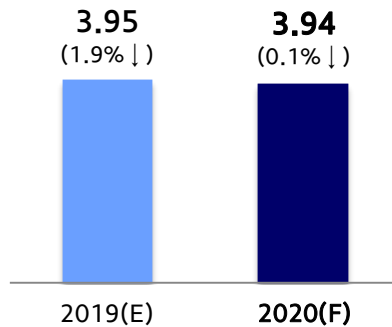


- Demand Slump Easing
  - Infrastructure investment expansion
- Anticipate Stimulus Policy
  - Focus on order increase effect

(Source : CERIK, Nov 2019)

## Automobile

Production (million units, YoY)

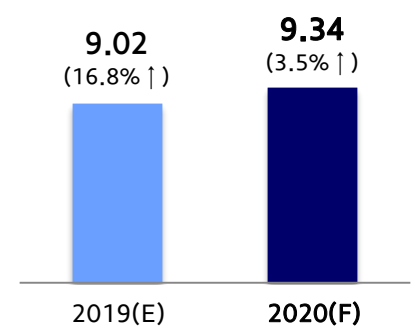


- Domestic Sales Increase
  - New SUV models & base effect
- Global Recovery Limited
  - Expect stimulus, uncertainties remain

(Source : KAMA · KIET, Jan 2020)

## Shipbuilding

Construction (million CGT, YoY)

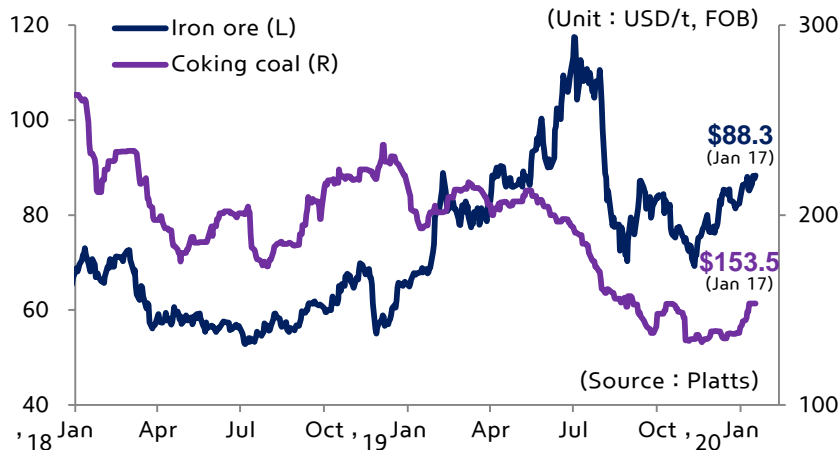


- Global Orders Rebound
  - Trade recover, delayed orders resume
- LNG Vessel Demand Expansion
  - Secure new demand by competitiveness

(Source : KIET, Dec 2019)

- ✓ Ore price stagnant due to demand & supply decrease, Coal price increase due to China policy
- ✓ Efforts to raise domestic product price following the global steel price hike

## Raw Material

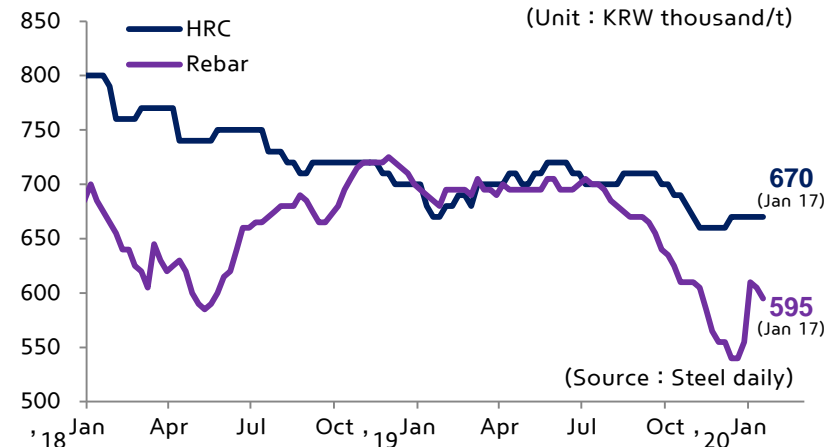


\* Iron : Australian Fine ore Fe 62%, FOB  
\* Coal : Australian High grade Hard Coking Coal

### ➤ Iron Ore Stagnant, Coal Increase

- Ore : Expect to maintain price due to off-season low demand
  - Volatility possible by China stimulus & ore supply change
- Coal : China production decrease & eased import regulation

## Product



\* Domestic Distribution Price

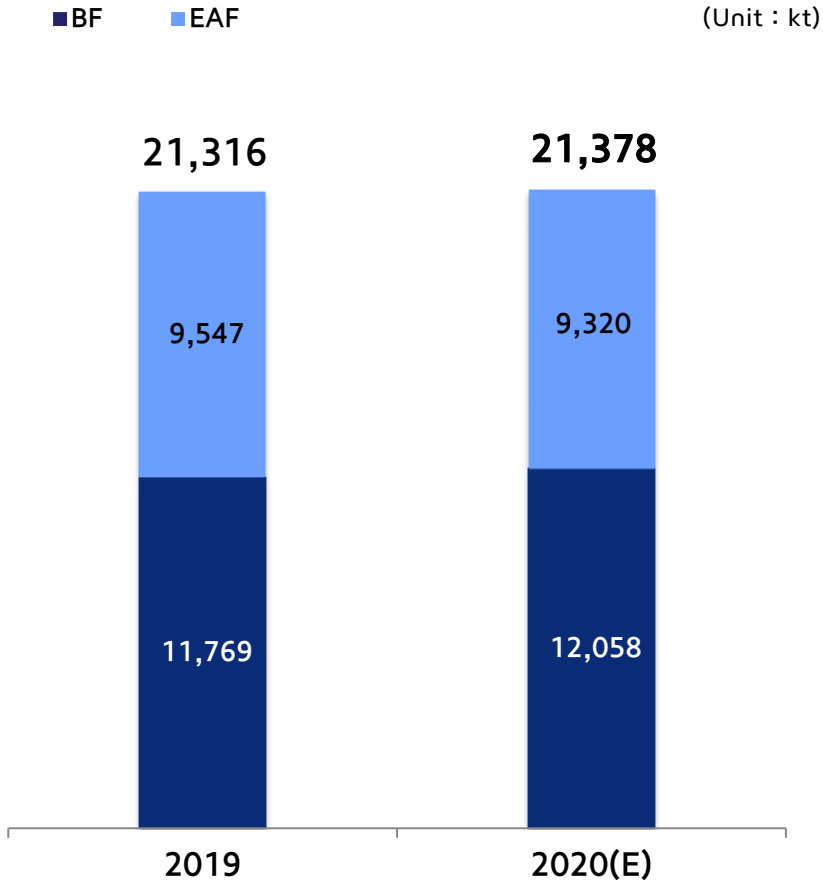
### ➤ Domestic Price Increase Attempts

- Due to sluggish economy, demand recovery limited
  - HRC : Import price hike, trying to apply increased price
  - Rebar : Focus on profit recovery by price normalization



# 2020 Sales Plan & Management Policy

## Sales Volume



\* Non-consolidated

## Management Policy

### “Secure Sustainable Growth by Strengthening Corporate Capabilities”

#### Growth from Basics

- Qualitative growth based on improved core competency

#### Optimize Business

- Focus on competitiveness of core business & products

#### Proactive Response

- Preemptive risk control in response to volatile environment

#### Social Responsibility

- Community driven Safety/Environment/Ethics management

## ※ Appendix

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# Financial Summary \_ P/L

\* Non-Consolidated

(Unit : KRW bn)

	2018	4Q	2019	3Q	4Q	YoY
Revenue	18,611	4,820	18,074	4,459	4,120	-537
Gross Profit	1,845	347	1,200	284	67	-645
Operating Profit	933	258	278	34	-143	-655
OP Margin	5.0%	5.3%	1.5%	0.8%	-3.5%	-3.5%p
Gain/Loss (Financial, Etc.)	-407	-136	-229	-85	1	178
FX related Profit/Loss	-41	-2	-35	-31	36	6
Pretax Profit	526	121	50	-51	-142	-477
Net Profit	373	81	32	-52	-54	-341
NP Margin	2.0%	1.7%	0.2%	-1.2%	-1.3%	-1.8%p

## ▣ Financial Summary \_ B/S

\* Non-Consolidated

(Unit : KRW bn)

	2018		2019	
<b>Total Assets</b>	<b>31,189</b>	100.0%	<b>32,025</b>	100.0%
<b>Current Assets</b>	6,823	21.9%	7,492	23.4%
(Cash & Cash equiv.)	803	2.6%	950	3.0%
<b>Non-Current Assets</b>	24,365	78.1%	24,533	76.6%
<b>Total Liabilities</b>	<b>14,435</b>	46.3%	<b>15,086</b>	47.1%
<b>Current Liabilities</b>	5,604	18.0%	5,387	16.8%
<b>Non-Current Liabilities</b>	8,831	28.3%	9,699	30.3%
(Interest-Bearing Debt)	<b>9,954</b>	31.9%	<b>10,666</b>	33.3%
<b>Shareholder's Equity</b>	<b>16,753</b>	53.7%	<b>16,939</b>	52.9%
<b>Capital Stock</b>	667	2.1%	667	2.1%
<b>Liability to Equity</b>	<b>86.2%</b>		<b>89.1%</b>	
<b>Current Ratio</b>	<b>121.8%</b>		<b>139.1%</b>	

# Financial Summary \_ P/L

\* Consolidated

(Unit : KRW bn)

	2018	4Q	2019	3Q	4Q	YoY
<b>Revenue</b>	<b>20,780</b>	5,313	<b>20,513</b>	5,047	4,822	-268
<b>Gross Profit</b>	<b>2,072</b>	385	<b>1,397</b>	318	104	-675
<b>Operating Profit</b>	<b>1,026</b>	255	<b>331</b>	34	-148	-695
<b>OP Margin</b>	4.9%	4.8%	1.6%	0.7%	-3.1%	-3.3%p
<b>Gain/Loss</b> (Financial, Etc.)	<b>-456</b>	-141	<b>-280</b>	-99	-24	177
<b>Pretax Profit</b>	<b>570</b>	114	<b>52</b>	-65	-172	-518
<b>Net Profit</b>	<b>408</b>	79	<b>26</b>	-66	-74	-382
<b>NP Margin</b>	2.0%	1.5%	0.1%	-1.3%	-1.5%	-1.9%p

## Financial Summary \_ B/S

\* Consolidated

(Unit : KRW bn)

	2018		2019	
<b>Total Assets</b>	<b>33,305</b>	100.0%	<b>34,366</b>	100.0%
<b>Current Assets</b>	8,769	26.3%	9,579	27.9%
(Cash & Cash equiv.)	919	2.8%	1,071	3.1%
<b>Non-Current Assets</b>	24,536	73.7%	24,788	72.1%
<b>Total Liabilities</b>	<b>16,282</b>	48.9%	<b>17,133</b>	49.9%
<b>Current Liabilities</b>	6,703	20.1%	6,420	18.7%
<b>Non-Current Liabilities</b>	9,579	28.8%	10,712	31.2%
(Interest-Bearing Debt)	<b>11,286</b>	33.9%	<b>12,158</b>	35.4%
<b>Shareholder's Equity</b>	<b>17,023</b>	51.1%	<b>17,234</b>	50.1%
<b>Liability to Equity</b>	<b>95.6%</b>		<b>99.4%</b>	
<b>Current Ratio</b>	<b>130.8%</b>		<b>149.2%</b>	

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