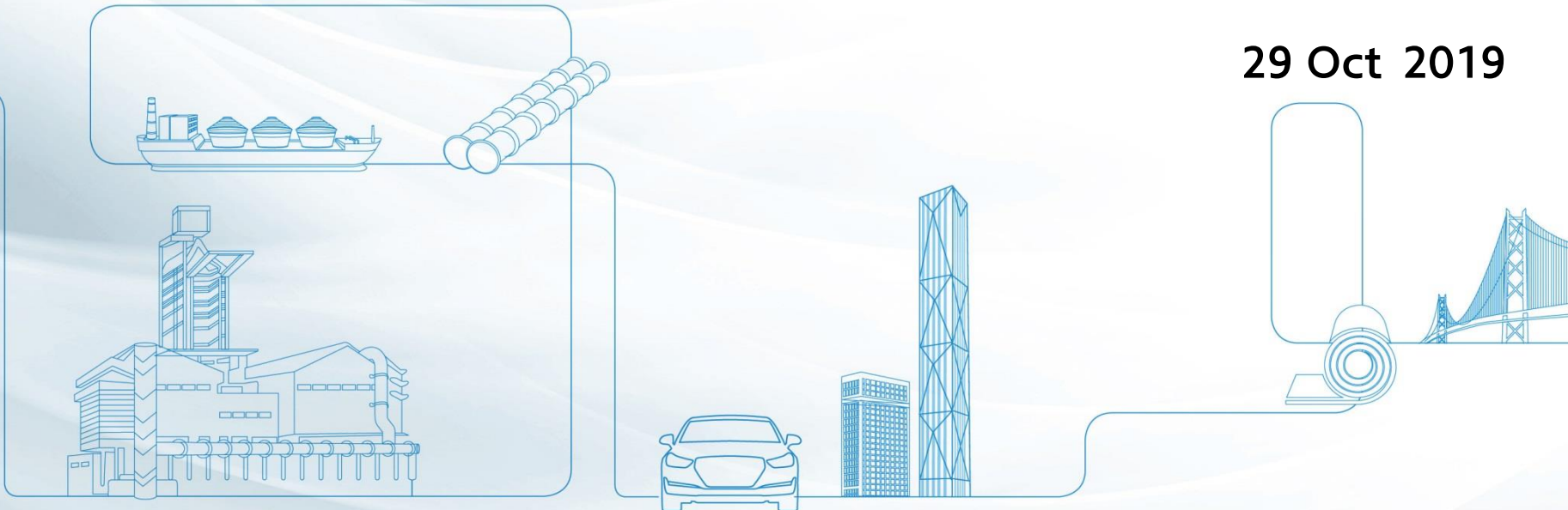


# Hyundai Steel

## 3Q 2019 Financial Results

29 Oct 2019



## ■ Disclaimer

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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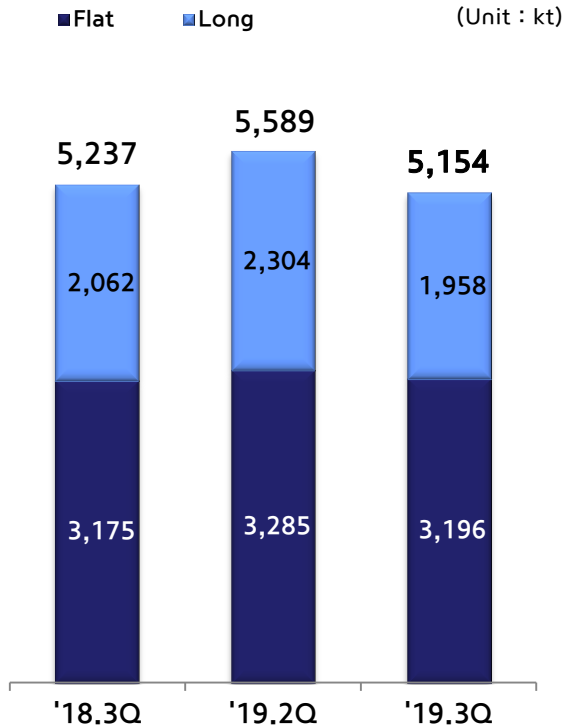
# I . 3Q 2019 Financial Results

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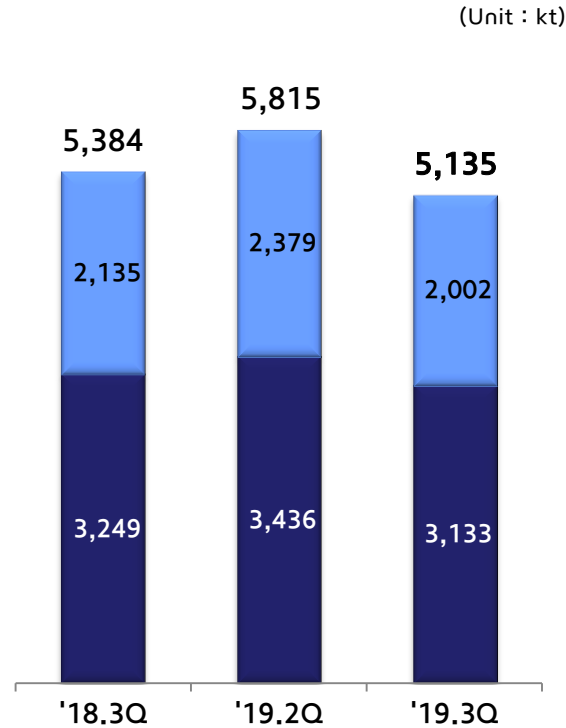
# Non-Consolidated Results

- ✓ Production of rebar & beam decreased YoY due to slowing construction demand
- ✓ Sales volume & price decline from unstable global steel market resulting lower revenue YoY

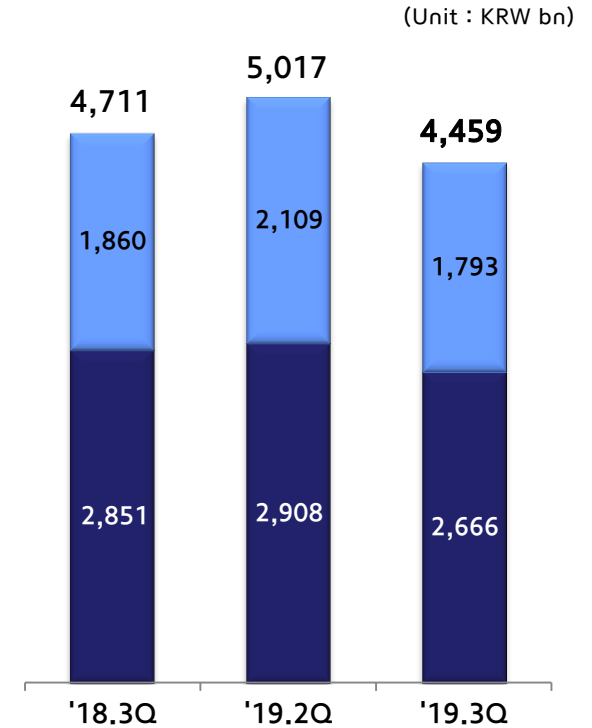
Production



Sales Volume



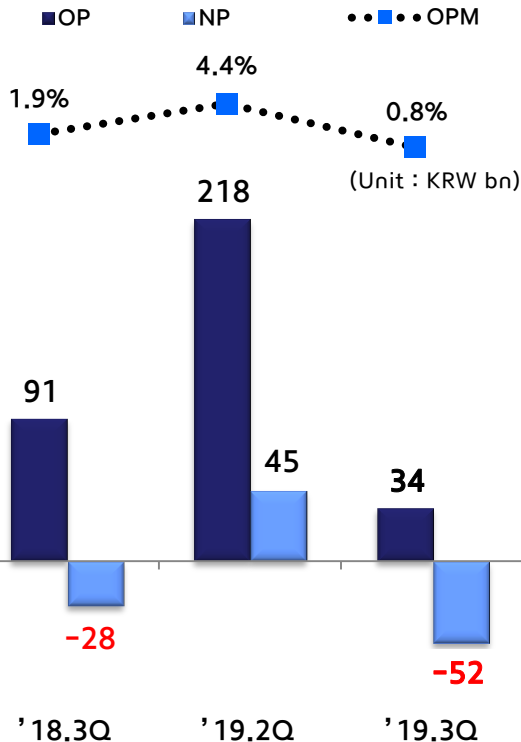
Revenue



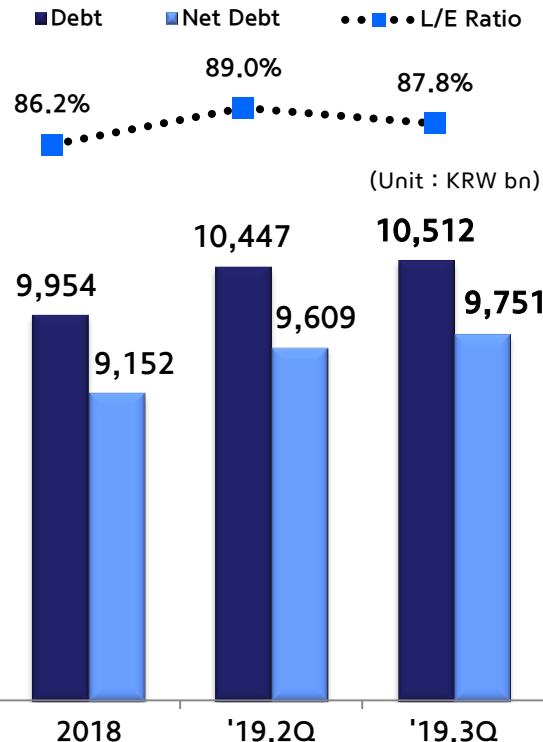
# Non-Consolidated Results

- ✓ Profit worsened from off-season cost burden & sluggish price transfer of raw material hike
- ✓ Debt increased due to rising working capital burden from margin squeeze & raw material cost

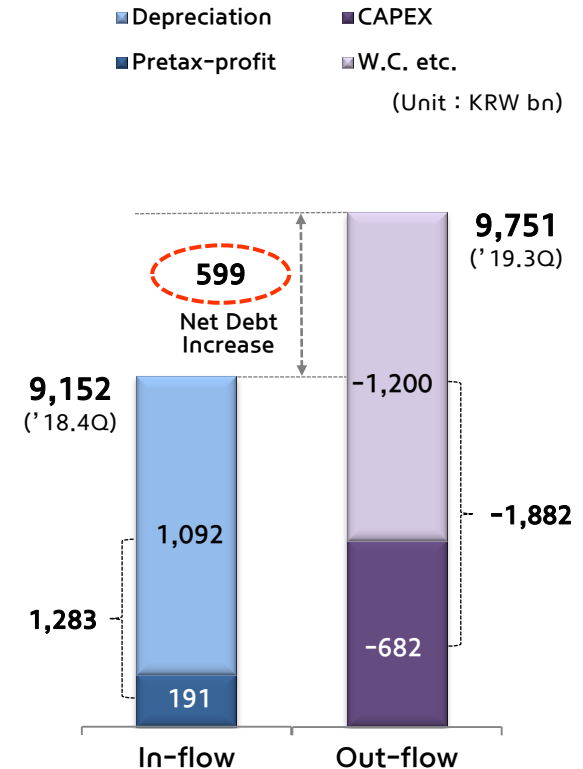
## Profit



## Debt



## Cash Flow

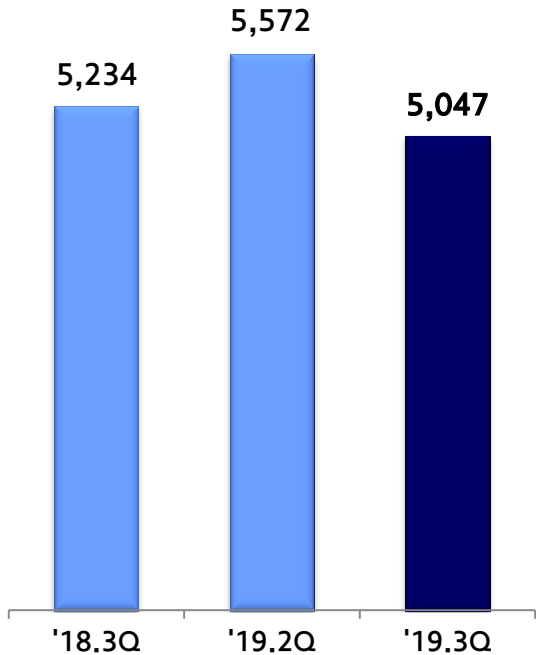


# Consolidated Results

✓ Profitability lowered with margin decline of overseas subsidiaries largely affected by China

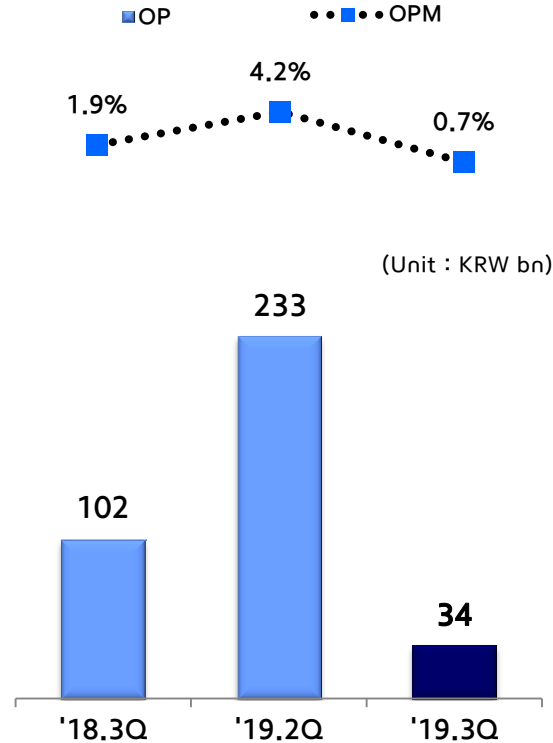
## Revenue

(Unit : KRW bn)



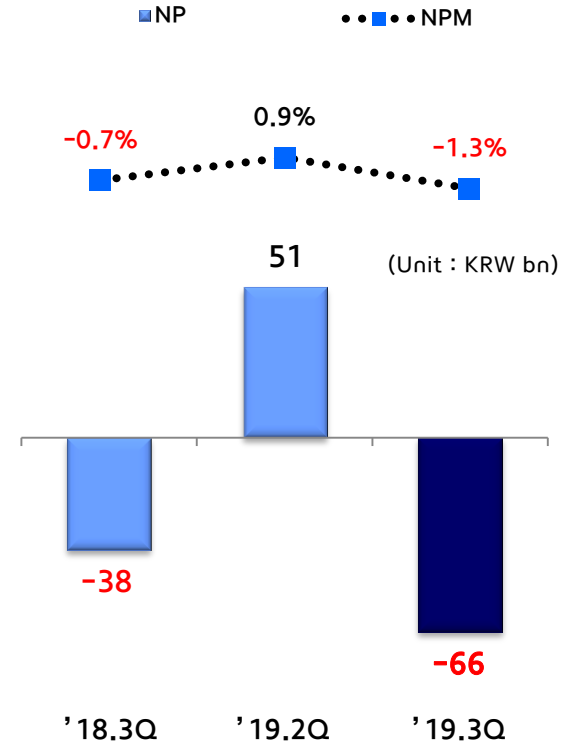
## Operating Profit

(Unit : KRW bn)



## Net Profit

(Unit : KRW bn)



## II. Key Activities

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- ✓ Optimizing operations by product & continuing efforts to secure future growth
- ✓ Leading steel market demand trends on top of technological capabilities

## Flat

### ➤ Profit Optimizing Sales & Secure Stable Volume

- Max opportunity benefit based on optimal sales by product  
→ Expanding advanced steel(API, etc.) & direct transactions
- Promote product price increase & secure large pre-orders

### ➤ Expansion of Global Auto Orders by Region

- Customer relations by tech marketing, SEA/LA penetration

	'18.1~3Q	'19.1~3Q	Change
Global Auto Sheet Sales	463 kt	523 kt	+13%



New Grade Development



AE Skill Enhancement



Customer Tech Support



Technical Cooperation

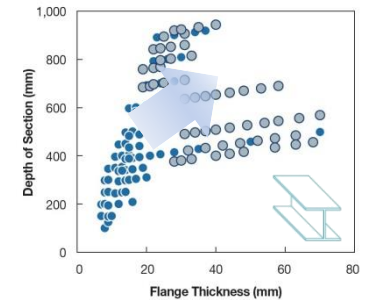


## Long

### ➤ Competitive New Standard H-Beam(RH+) Release

- Diversification & size-up to support value engineering  
→ Securing new market demand
- Leading safety steel market by structural standard expansion

	Former	New	Change
Standard #	82	137	+55
Size	• 400x400 ~ 920x310 (mm)		
Effects	• Large PJT order competitiveness • Responsiveness to import steel		



### ➤ Hyundai Steel Tech Show 2019

- Introduction of advanced tech & shared growth
- Localization/Quality Productivity/Environment/Safety/Energy (75 participating companies)



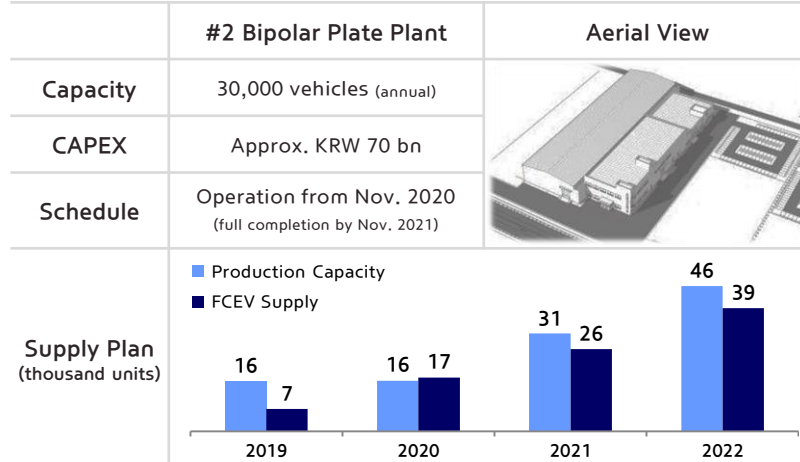
- ✓ Accelerating metal bipolar plate capacity expansion responding to 『FCEV Vision 2030』
- ✓ Global competitiveness by improving auto parts performance & developing advanced products

## #2 Bipolar Plate Plant

### ➤ FCEV Bipolar Plate Supply Growth



- New plant investment responding to master plan (~2030, 500k)  
→ #2 production plant construction (commence in 2H19)

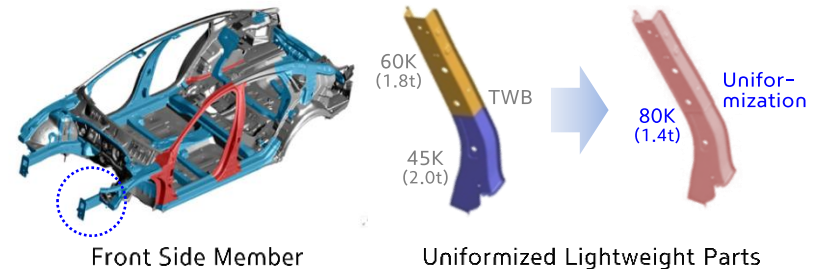


- Improve productivity/quality & lead new skill development  
→ cost saving material, durable coating, process automation

## High-Performance Steel

### ➤ Improved Lightweight & Machinability UHSS

- 80K high elongation steel with improved strength & forming  
→ 15% weight down with parts unification & reduced thickness
- 100K galvanized CRC for global autos with better elongation & hole expansion properties



### ➤ H(CORE) Brand Portfolio Expansion

- Beam/Rebar centered portfolio → product type expansion to create new demands
- 60K seismic pipe for high strength safety steel demand  
→ Lightweight through increased yield strength by 30%

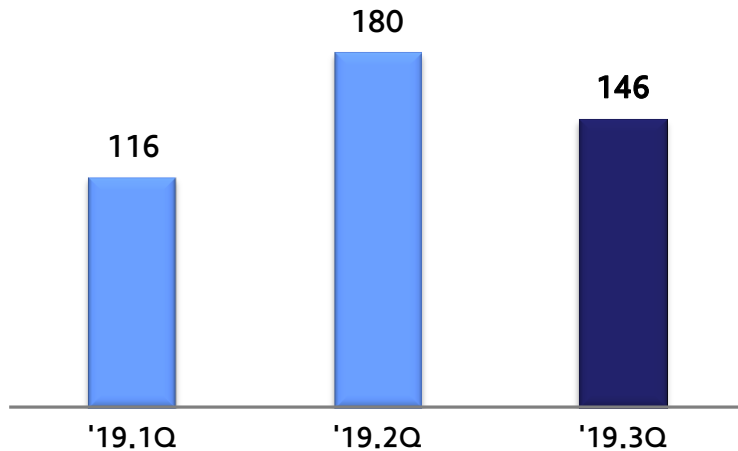
# Competitive Edge

- ✓ Improving cost competitiveness through process efficiency & low-cost operation capabilities
- ✓ Strengthen confidence for global stakeholders based on continuous ESG capacity improvement

## Cost Reduction

### ➤ 3Q Result

(Unit : KRW bn)



- Low-cost production by raw material mix adjustment, etc.
- Improve facility efficiency & active expense curtailment

## ESG Competency

### ➤ Safety & Environment Advisory Committee

- 14 external professionals from safety/health/law/media fields
- Implementation of 'Comprehensive Safety Improvement Plan' reflecting the consultation conclusions

### ➤ Global Leader of Sustainability Management

- 2<sup>nd</sup> consecutive **DJSI World Index** inclusion & **Industry Leader\***
- Excellence in supply chain management, corporate ethics, social contribution, etc.

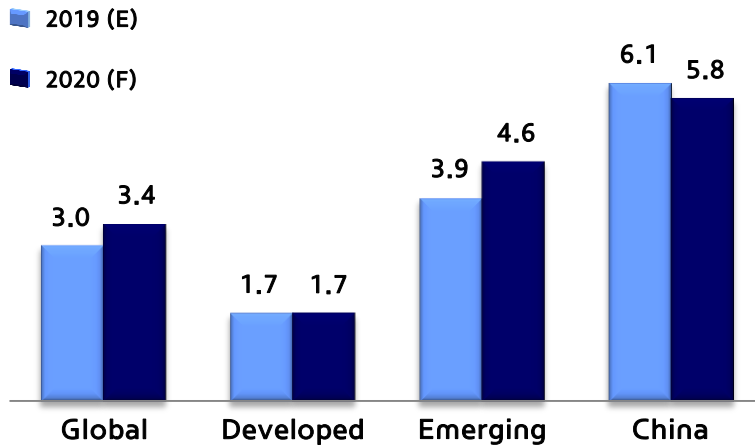
 Dow Jones Sustainability Indices 20 <sup>th</sup> Anniversary	DJSI World	DJSI Asia Pacific	DJSI Korea
Target Pool (Market Cap)	Global Top 2500 Firms	Asia/Pacific Top 600 Firms	Korean Top 200 Firms
Nomination Criteria	Top 10% by Industry	Top 20% by Industry	Top 30% by Industry
<b>Hyundai Steel</b>	<b>2<sup>nd</sup> Consecutive</b>	<b>11<sup>th</sup> Consecutive</b>	<b>2<sup>nd</sup> Consecutive</b>

## III. Market Outlook

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- ✓ Global slowdown by prolonged trade disputes, anticipate fiscal stimulus to improve economy
- ✓ China's steel production expansion despite sluggish global demand, worsening market balance

## Global Economy



\* Source : IMF, World Economic Outlook, Oct 2019 / Unit : %

### ➤ Concerns on Uncertainty Driven Low Growth

- Corporate confidence & investment cooling mixed with structural factors such as slowing productivity gains, etc.
- Promoting economic vitality through stimulus measures

## Steel Industry

### ➤ Demand Outlook

- Supply & demand unbalance to be continued in 2020

	2018	2019(E)	YoY	2020(F)	YoY
Global	1,709	1,775	3.9%*	1,806	1.7%
Developed	411	410	Δ0.1%	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

### ➤ China Production & Inventory ↑ Weakening Price

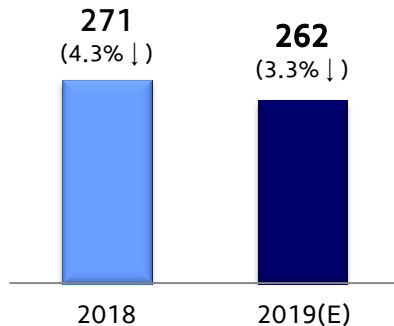
- Firm construction & infra demand, but manufacturing weak
- Environmental production curbs insufficient to lower supply

# Domestic End-use Industries

- ✓ Construction & Auto demand decline, expect global stimulus trend to support partial recovery
- ✓ Strengthening shipbuilder's order competitiveness based on increasing high-value vessel needs

## Construction

Investment (KRW tn, YoY)



### ➤ Public Sector Supplementation

- Continuing Private sector downturn impacted by regulations

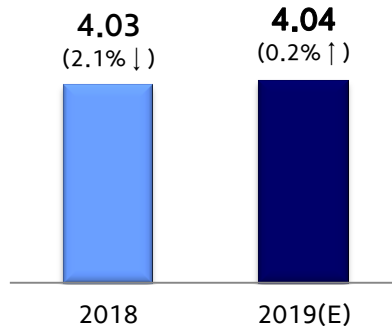
### ➤ Stimulus Policy Expectation High

- Benefit from transition to Fiscal easing

(Source : BoK · CERIK, Jul 2019)

## Automobile

Production (million units, YoY)



### ➤ Domestic Sales Slight Recovery

- Supported by tax & interest cuts, etc.

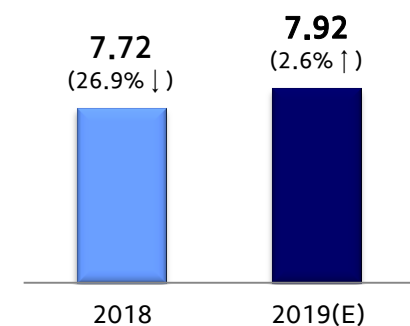
### ➤ Global Uncertainties Worries

- Expect developed market sales decline

(Source : KIET, Jul 2019)

## Shipbuilding

Construction (million CGT, YoY)



### ➤ Forecast Global Orders Recovery

- Resuming of delayed orders, application of environmental regulations

### ➤ High-Value Competitiveness

- Differentiated LNG vessel technology

(Source : Clarksons · KIET, Oct 2019)

# Raw Material & Steel Product Price

- ✓ Weak iron ore price based on stabilized supply, Coal price rebound due to China purchase recovery
- ✓ Despite production curbs, strong supply maintained, inventory burden & demand worries continue

## Raw Material

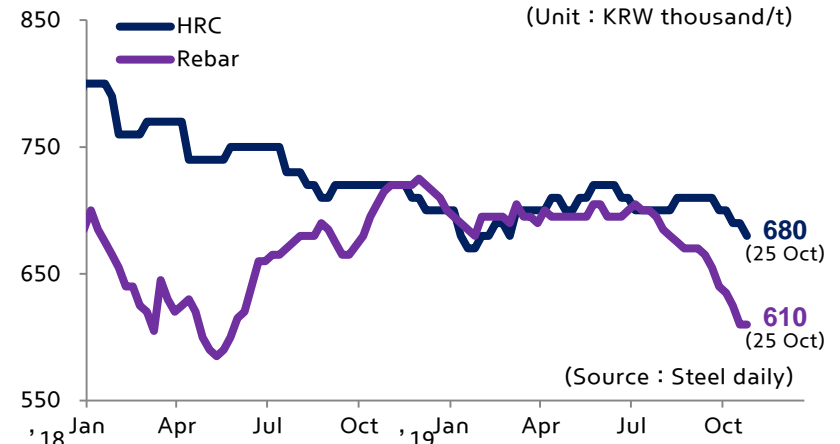


\* Iron : Australian Fine ore Fe 62%, FOB  
\* Coal : Australian High grade Hard Coking Coal

### ➤ Ore Price Weak · Coal Price Rebound

- Ore : Suppliers production increase, China growth slowdown  
→ Relatively weakening demand, price stabilization expected
- Coal : China purchase increase utilizing 2020 import quota

## Product



\* Domestic Distribution Price

### ➤ Price Downturn with Worsening Demand

- Limited China production cut, demand forecast unpromising  
→ HRC : Downward pressure attributed by global price decline
- Rebar : High inventory burden, weak scrap price concerned

## ※ Appendix

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## Financial Summary \_ P/L

\* Non-Consolidated

(Unit : KRW bn)

	3Q 18	2Q 19	3Q 19		
				QoQ	YoY
Revenue	4,711	5,017	4,459	-559	-253
Gross Profit	376	468	284	-184	-92
Operating Profit	91	218	34	-184	-57
OP Margin	1.9%	4.4%	0.8%	-3.6%p	-1.1%p
Gain/Loss (Financial, Etc.)	-118	-93	-85	8	33
FX related Profit/Loss	14	-28	-31	-3	-45
Pretax Profit	-27	126	-51	-177	-24
Net Profit	-28	45	-52	-97	-24
NP Margin	-0.6%	0.9%	-1.2%	-2.1%p	-0.6%p

## Financial Summary \_ B/S

\* Non-Consolidated

(Unit : KRW bn)

	2018		3Q 19	
<b>Total Assets</b>	<b>31,189</b>	100.0%	<b>31,886</b>	100.0%
<b>Current Assets</b>	6,823	21.9%	7,499	23.5%
(Cash & Cash equiv.)	803	2.6%	760	2.4%
<b>Non-Current Assets</b>	24,365	78.1%	24,387	76.5%
<b>Total Liabilities</b>	<b>14,435</b>	46.3%	<b>14,903</b>	46.7%
<b>Current Liabilities</b>	5,604	18.0%	5,218	16.4%
<b>Non-Current Liabilities</b>	8,831	28.3%	9,685	30.4%
(Interest-Bearing Debt)	<b>9,954</b>	31.9%	<b>10,512</b>	33.0%
<b>Shareholder's Equity</b>	<b>16,753</b>	53.7%	<b>16,983</b>	53.3%
<b>Capital Stock</b>	667	2.1%	667	2.1%
<b>Liability to Equity</b>	<b>86.2%</b>		<b>87.8%</b>	
<b>Current Ratio</b>	<b>121.8%</b>		<b>143.7%</b>	

## Financial Summary \_ P/L

\* Consolidated

(Unit : KRW bn)

	3Q 18	2Q 19	3Q 19		
				QoQ	YoY
Revenue	5,234	5,572	5,047	-525	-187
Gross Profit	419	518	318	-200	-101
Operating Profit	102	233	34	-199	-68
OP Margin	1.9%	4.2%	0.7%	-3.5%p	-1.2%p
Gain/Loss (Financial, Etc.)	-140	-101	-99	2	41
Pretax Profit	-38	132	-65	-197	-27
Net Profit	-38	51	-66	-117	-28
NP Margin	-0.7%	0.9%	-1.3%	-2.2%p	-0.6%p

## Financial Summary \_ B/S

\* Consolidated

(Unit : KRW bn)

	2018		3Q 19	
<b>Total Assets</b>	<b>33,305</b>	100.0%	<b>34,278</b>	100.0%
<b>Current Assets</b>	8,769	26.3%	9,661	28.2%
(Cash & Cash equiv.)	919	2.8%	885	2.6%
<b>Non-Current Assets</b>	24,536	73.7%	24,617	71.8%
<b>Total Liabilities</b>	<b>16,282</b>	48.9%	<b>16,961</b>	49.5%
<b>Current Liabilities</b>	6,703	20.1%	6,354	18.5%
<b>Non-Current Liabilities</b>	9,579	28.8%	10,607	30.9%
(Interest-Bearing Debt)	<b>11,286</b>	33.9%	<b>12,030</b>	35.1%
<b>Shareholder's Equity</b>	<b>17,023</b>	51.1%	<b>17,317</b>	50.5%
<b>Liability to Equity</b>	<b>95.6%</b>		<b>97.9%</b>	
<b>Current Ratio</b>	<b>130.8%</b>		<b>152.0%</b>	

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