

1Q 2020 Earnings Release

April 24, 2020

posco

Disclaimer

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Contents

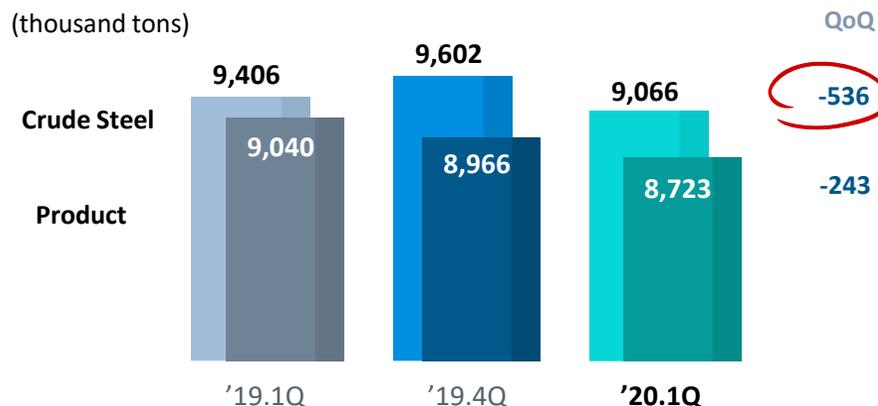
- **1Q 2020 Business Performance**
 - Parent Performance
 - Consolidated Performance
 - Subsidiary Performance

- **Treasury Share Buyback Plan**

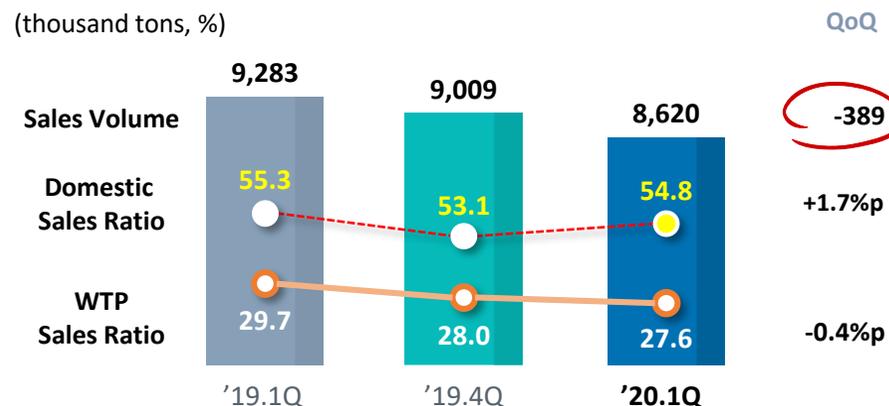
- **2020 Business Outlook**

Parent Performance_Production / Sales

Production



Sales



※ In WTP volume, semi-products and un-ordered products are excluded from total sales

- Crude steel and product production declined QoQ due to revamp of Gwangyang #3 Blast Furnace and maintenance of downstream mills incl. HR and plate lines

- Molten iron production volume down due to G) #3 BF revamp(2.12~5.28)
- Downstream maintenance schedule
 - G) #4 HR rationalization (2.26~4.21), CR Mill (2.11~15), Plate Mill (1.9~20)
 - P) #4 Wire Rod (3.24~31), etc.

* G) Gwangyang Works, P) Pohang Works

[Product Production]

| (thousand tons) | '19.1Q | '19.4Q | '20.1Q | QoQ |
|-----------------|--------|--------|--------|-------|
| Carbon | 8,542 | 8,463 | 8,242 | -221* |
| STS | 498 | 503 | 481 | -22 |

* HR -59, CR -107, Plate -35, etc.

- Product inventory remained same as previous quarter while product sales volume decreased affected by blast furnace revamp

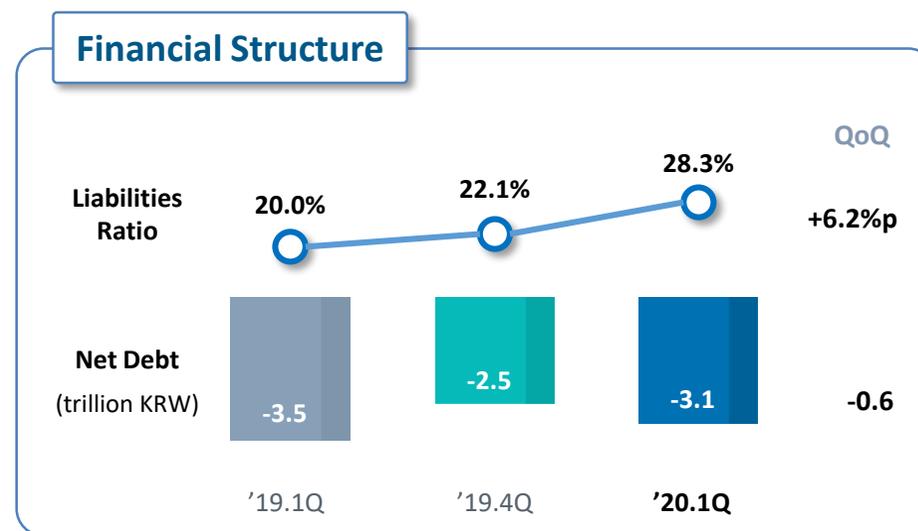
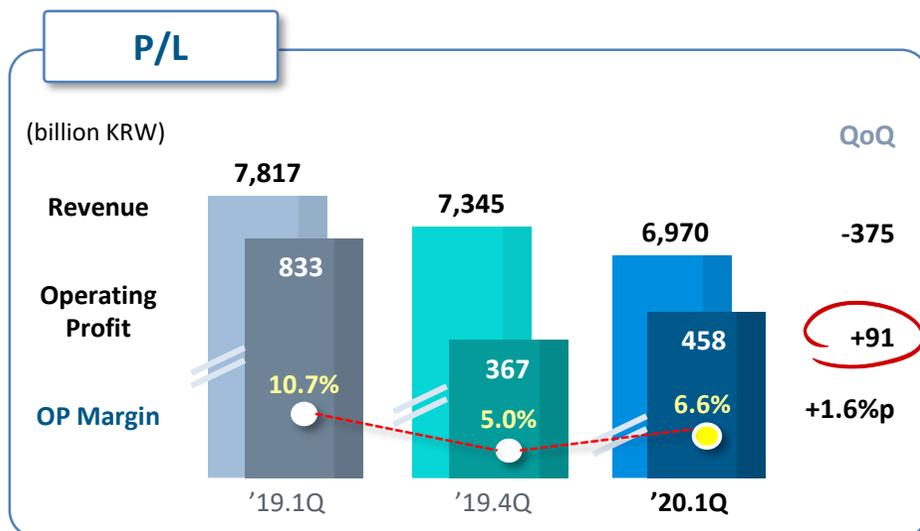
- Sales volume by product(k tons) : HR -89, CR -157, etc.
- WTP sales volume(k tons) : '19.4Q) 2,386 → '20.1Q) 2,266(-120)

[Product Sales]

| (thousand tons) | '19.1Q | '19.4Q | '20.1Q | QoQ |
|-----------------|--------|--------|--------|------|
| Domestic | 5,131 | 4,781 | 4,729 | -52 |
| Export | 4,152 | 4,228 | 3,891 | -337 |
| Inventory | 1,198 | 1,107 | 1,107 | - |

*WTP(World Top Premium) includes World First/World Best products

Parent Performance



- Operating profit gained with raw material prices declined despite sales volume contraction and softened price under worsening demand situation

- Raw material input cost (Indexed as of '19.3Q=100)
 - Iron ore : '19.4Q) 100 → '20.1Q) 95
 - Coking coal : '19.4Q) 88 → '20.1Q) 80

【Operating Profit】



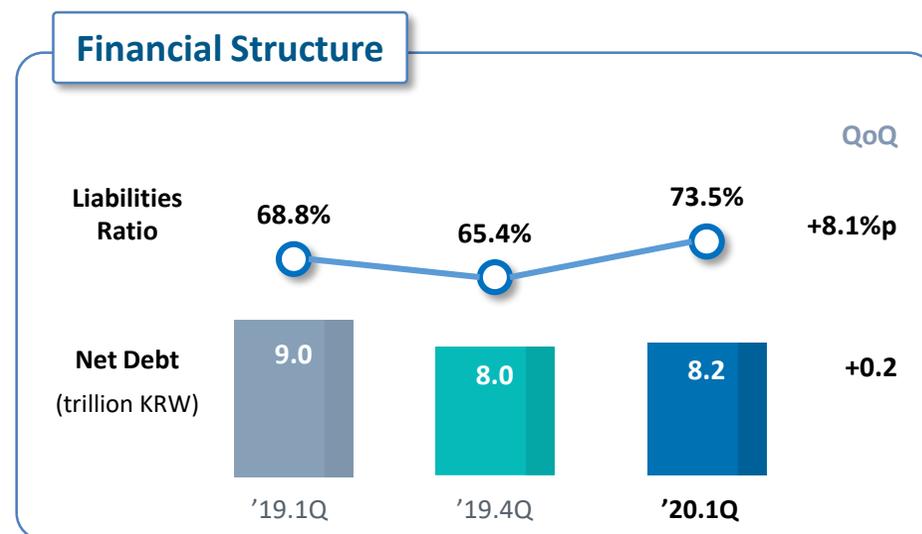
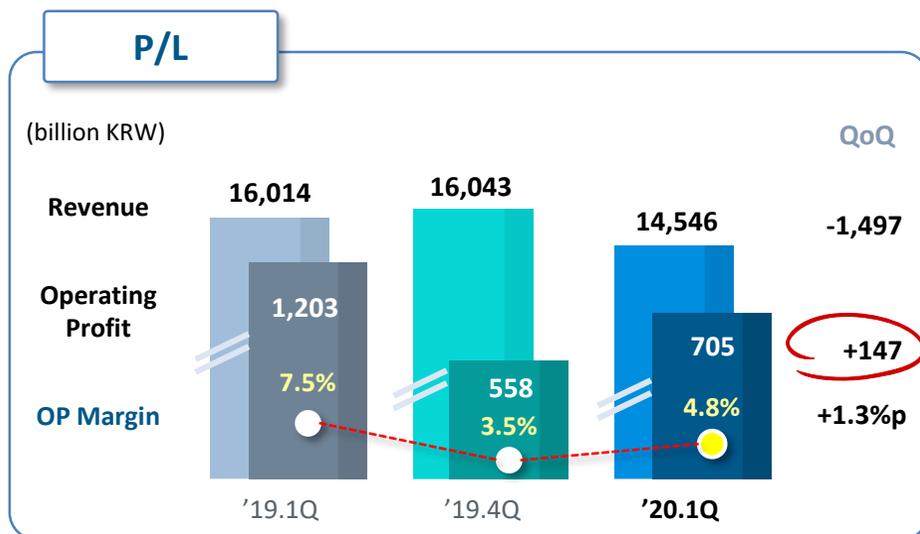
- Preemptively issued global bonds in preparation for debt repayment, which increased liabilities and cash balance

- Global bond issued : 940 million USD, 500 million EUR
- * Repayment schedule : '20) 1.0, '21) KRW 1.5 trillion

【Cash Balance & Debt】

| (bn KRW) | '19.1Q | '19.4Q | '20.1Q | QoQ |
|--------------|--------|--------|--------|--------|
| Cash Balance | 7,734 | 8,822 | 11,723 | +2,901 |
| Debt | 4,282 | 6,338 | 8,662 | +2,324 |

Consolidated Performance



- Consolidated operating profit improved on stronger performance of global&Infra business incl. E&C and energy

【Aggregated Operating Profit】

| (billion KRW) | '19.1Q | '19.4Q | '20.1Q | QoQ |
|-------------------------|--------|--------|--------|------|
| Steel | 893 | 279 | 383 | +104 |
| Overseas steel | 13 | -89 | -81 | +8 |
| Global&Infra | 293 | 266 | 375 | +109 |
| New Growth | 21 | 20 | 14 | -6 |

- Overseas steel subsidiaries operating profit in '20.1Q (million USD)

PT.KP -38, PZSS -18, POSCO Maharashtra -2, PY VINA* -3

* Posco Yamato Vina Steel Joint Stock Company

- Liabilities ratio went up from bond issuing and short-term borrowings for preparing repayment

- Debt : POSCO +2,324 billion KRW

(Incl. global bonds 940 million USD, 500 million EUR)

POSCO International KRW 555 billion KRW

(Short-term borrowings for maintaining cash balance), etc.

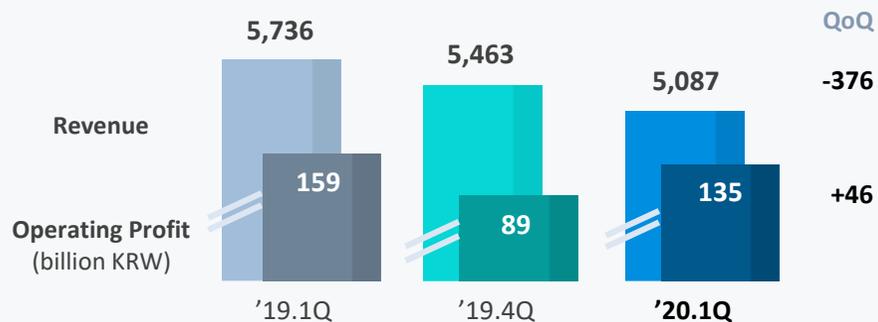
【Cash Balance & Debt】

| (billion KRW) | '19.1Q | '19.4Q | '20.1Q | QoQ |
|---------------------|--------|--------|--------|--------|
| Cash Balance | 10,887 | 12,463 | 15,351 | +2,888 |
| Debt | 19,932 | 20,442 | 23,503 | +3,061 |

Subsidiary Performance

POSCO International

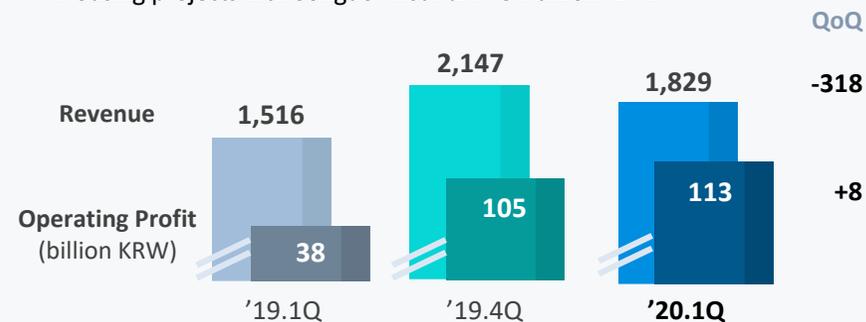
- Operating profit jumped on stable gas sales while revenue shrank from weakened global trading sector due to COVID-19



POSCO E&C

- Profit improved supported by housing segment and reduced general & administrative expenses

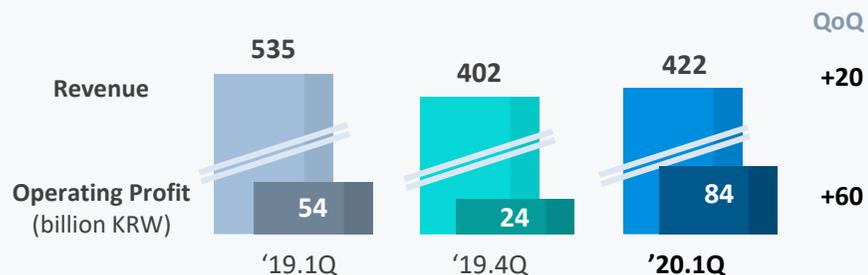
- Housing projects incl. Songdo First Park +34 billion KRW



POSCO Energy

- OP surged with lower cost of direct LNG import for Incheon #3 Power Plant, increased CP price and renewal of fuel cell LTSA

- CP price (KRW/kWh) : ('19.4Q) 8.1 → ('20.1Q) 11.8

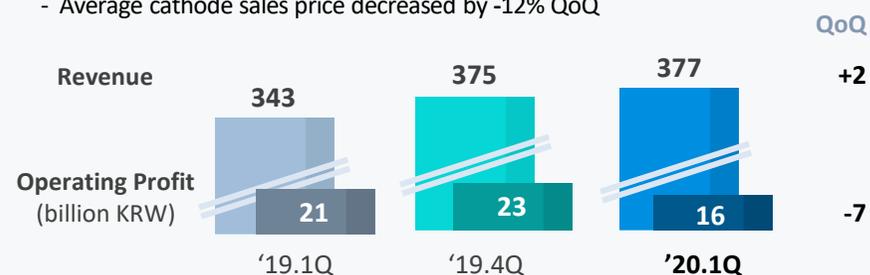


POSCO Chemical

- Profit declined as chemical margin worsened with collapse of oil prices and inventory valuation loss on cathode business

- Oil price applied in chemical segment(HSFO) : ('19.4Q) 393→('20.1Q) US\$276/ton

- Average cathode sales price decreased by -12% QoQ



Treasury Share Buyback Plan

Share repurchase worth of KRW 1 trillion to be carried out through trust agreement for one year period

○ **Purpose of Share Buyback**

- Raise shareholders' value by stabilizing the stock price and increasing shareholder return

○ **Trust Agreement Period**

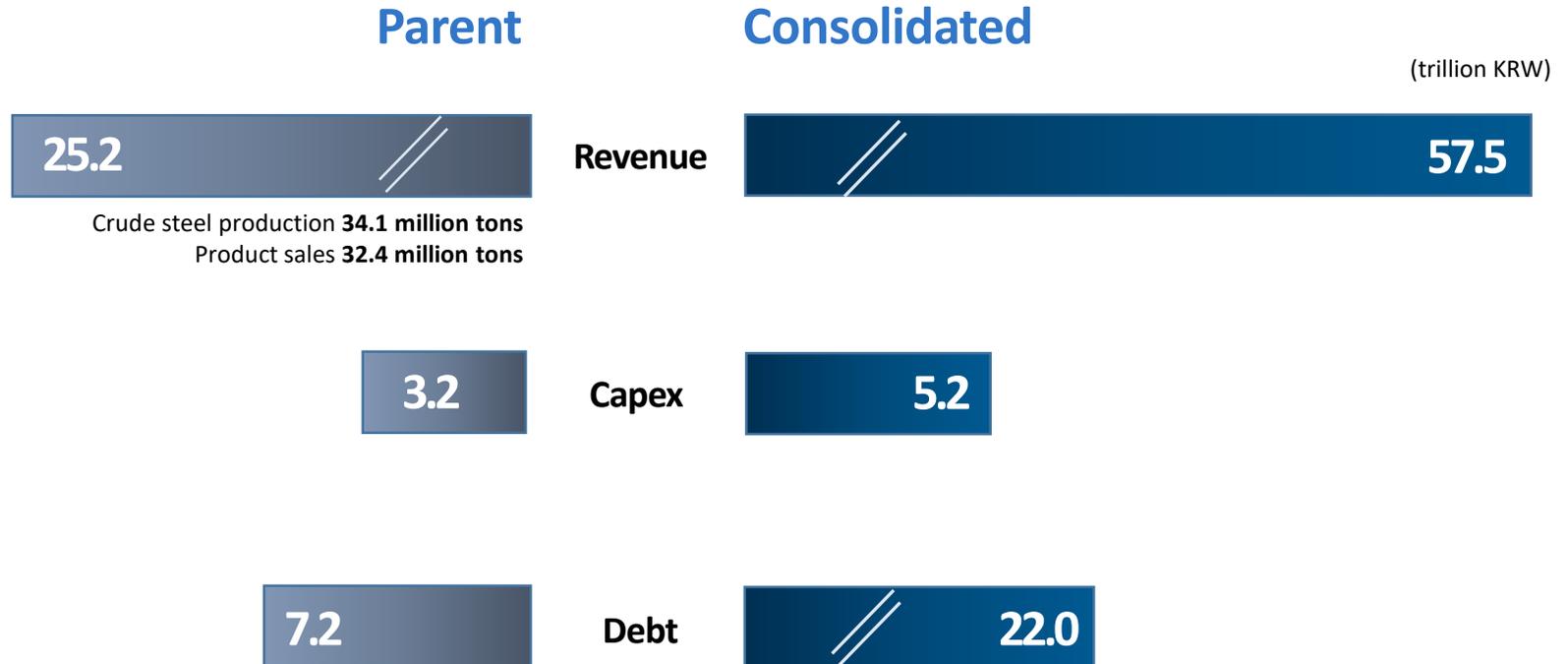
- April 13, 2020 ~ April 12, 2021

※ **History of Share Repurchase, Disposal and Cancellation**

| | Year | '000 shares | Purpose |
|---------------------|---------|-------------|---|
| Repurchase | '94~'07 | 30,655 | Raise shareholders' value and stabilize stock price |
| Disposal | '95~'14 | 14,290 | List the stock on London and Tokyo Stock Exchanges and raise capital for ESOP |
| Cancellation | '01~'04 | 9,294 | Raise shareholders' value |

* Treasury stock as of April 24, 2020 : 7,071 thousand shares (8.1%)

2020 Business Outlook (Modified)



※ Appendix

- **Summarized Financial Statements**
- **Aggregated Earnings by Segment**

Summarized F/S_Parent Income Statement

| | '19.1Q | '19.4Q | '20.1Q | QoQ |
|--|---------|---------|---------------|---------------|
| Crude Steel Production (thousand tons) | 9,406 | 9,602 | 9,066 | -536 |
| Product Sales (thousand tons) | 9,283 | 9,009 | 8,620 | -389 |
| STS | 507 | 481 | 469 | -12 |
| Carbon Steel Sales Price (thousand KRW) | 722 | 697 | 692 | -5 |
| | | | | (billion KRW) |
| Revenue | 7,817 | 7,345 | 6,970 | -375 |
| Cost of Goods Sold | 6,728 | 6,676 | 6,230 | -446 |
| Gross Profit | 1,089 | 669 | 740 | +71 |
| SG&A | 256 | 302 | 282 | -20 |
| Operating Profit | 833 | 367 | 458 | +91 |
| (Operating Margin) | (10.7%) | (5.0%) | (6.6%) | +1.6%p |
| Non-Operating Profit | 90 | -896 | 159 | +1,055 |
| Net Profit | 671 | -540 | 453 | +993 |
| (Net Margin) | (8.6%) | (-7.4%) | (6.5%) | +13.9%p |

Summarized F/S_Parent Balance Sheet

(billion KRW)

| | '19.1Q | '19.4Q | '20.1Q | QoQ |
|---|--------|--------|---------------|---------|
| Current Assets | 17,604 | 18,216 | 20,774 | +2,558 |
| Cash Balance* | 7,734 | 8,822 | 11,723 | +2,901 |
| Accounts Receivable | 4,449 | 3,987 | 3,680 | -307 |
| Inventories | 4,998 | 4,989 | 4,768 | -221 |
| Current Ratio | 422.7% | 546.8% | 497.1% | -49.7%p |
| Non-Current Assets | 37,608 | 37,495 | 37,662 | +167 |
| Other Long-term financial assets | 1,200 | 1,258 | 1,197 | -61 |
| PP&E | 19,953 | 20,132 | 20,182 | +50 |
| Total Assets | 55,212 | 55,711 | 58,436 | +2,725 |
| Liabilities | 9,211 | 10,097 | 12,886 | +2,789 |
| Current Liabilities | 4,164 | 3,331 | 4,179 | +848 |
| Non-Current Liabilities | 5,047 | 6,765 | 8,707 | +1,942 |
| Interest-bearing Debt | 4,282 | 6,338 | 8,662 | +2,324 |
| Liabilities Ratio | 20.0% | 22.1% | 28.3% | +6.2%p |
| Equity | 46,001 | 45,614 | 45,550 | -64 |

* Cash Balance : Cash and cash equivalents, Short-term financial instruments, Short-term trading securities, Short-term securities, Current portion of held-to-maturity securities

Summarized F/S_Consolidated Income Statement

| | | | | (billion KRW) |
|--|---------|--------|---------------|---------------|
| | '19.1Q | '19.4Q | '20.1Q | QoQ |
| Revenue | 16,014 | 16,043 | 14,546 | -1,497 |
| Gross Profit | 1,813 | 1,210 | 1,310 | +100 |
| (Gross Margin) | (11.3%) | (7.5%) | (9.0%) | (+1.5%p) |
| SG&A | 610 | 652 | 605 | -47 |
| Operating Profit | 1,203 | 558 | 705 | +147 |
| (Operating Margin) | (7.5%) | (3.5%) | (4.8%) | (+1.3%p) |
| Non-Operating Profit | -66 | -372 | -51 | +321 |
| Share of Profit(Loss) of Equity-accounted Investees | 67 | 44 | 32 | -12 |
| Finance Income and Costs | -57 | -147 | -26 | +121 |
| Foreign Currency Transaction & Translation Gain(Loss) | 18 | 6 | -168 | -174 |
| Net Profit | 778 | 26 | 435 | +409 |
| (Net Margin) | (4.9%) | (0.2%) | (3.0%) | (+2.8%p) |
| Profit Attributable to Owners of the Controlling Company | 741 | 51 | 395 | +344 |

Summarized F/S_Consolidated Balance Sheet

(billion KRW)

| | '19.1Q | '19.4Q | '20.1Q | QoQ |
|--|--------|--------|---------------|--------|
| Current Assets | 34,678 | 34,843 | 37,813 | +2,970 |
| Cash Balance* | 10,887 | 12,463 | 15,351 | +2,888 |
| Accounts Receivable | 10,110 | 9,078 | 9,344 | +266 |
| Inventories | 11,259 | 10,920 | 10,712 | -208 |
| Current Ratio | 183.0% | 213.4% | 206.8% | -6.6%p |
| Non-Current Assets | 45,062 | 44,216 | 44,433 | +217 |
| Other Long-term financial assets | 1,667 | 1,669 | 1,604 | -65 |
| PP&E | 30,486 | 29,926 | 30,352 | +426 |
| Total Assets | 79,740 | 79,059 | 82,246 | +3,187 |
| Liabilities | 32,495 | 31,264 | 34,831 | +3,567 |
| Current Liabilities | 18,945 | 16,324 | 18,285 | +1,961 |
| Non-Current Liabilities | 13,550 | 14,940 | 16,546 | +1,606 |
| Interest-bearing Debt | 19,932 | 20,442 | 23,503 | +3,061 |
| Liabilities Ratio | 68.8% | 65.4% | 73.5% | +8.1%p |
| Equity | 47,245 | 47,795 | 47,415 | -380 |
| Owners of the Controlling Company | 43,945 | 44,472 | 43,990 | -482 |

* Cash Balance : Cash and cash equivalents, Short-term financial instruments, Short-term trading securities, Short-term securities, Current portion of held-to-maturity securities

Aggregated Earnings by Segment

(billion KRW)

| Segment | Revenue | | | Operating Profit | | | Net Profit | | |
|--------------|---------|--------|---------------|------------------|--------|------------|------------|--------|--------|
| | '19.1Q | '19.4Q | '20.1Q | '19.1Q | '19.4Q | '20.1Q | '19.1Q | '19.4Q | '20.1Q |
| Steel | 12,556 | 12,018 | 11,075 | 893 | 279 | 383 | 635 | -964 | 285 |
| Global&Infra | 12,155 | 12,710 | 11,435 | 293 | 266 | 375 | 178 | 45 | 261 |
| Trading | 9,371 | 9,232 | 8,424 | 180 | 107 | 148 | 73 | -3 | 78 |
| E & C | 1,638 | 2,315 | 1,937 | 25 | 96 | 124 | 21 | -61 | 103 |
| Energy | 568 | 443 | 454 | 66 | 36 | 84 | 68 | 99 | 63 |
| I C T | 223 | 282 | 269 | 11 | 13 | 11 | 7 | 8 | 8 |
| New Growth* | 383 | 387 | 388 | 21 | 20 | 14 | 30 | 16 | 33 |
| Total | 25,094 | 25,115 | 22,898 | 1,207 | 565 | 772 | 843 | -903 | 579 |

* New Growth segment includes the segment previously categorized as chemical business