

2Q 2020 Earnings Release

July 21, 2020

posco

Disclaimer

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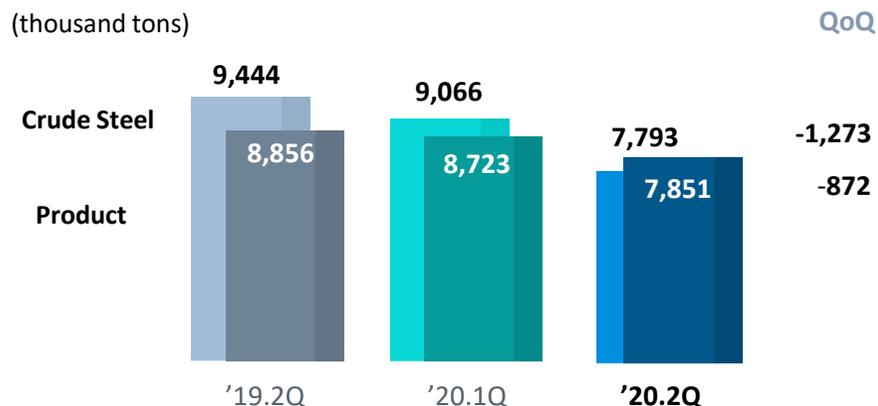
- **2Q 2020 Business Performance**
 - Parent Performance
 - Consolidated Performance
 - Subsidiary Performance

- **Key Business Activities**

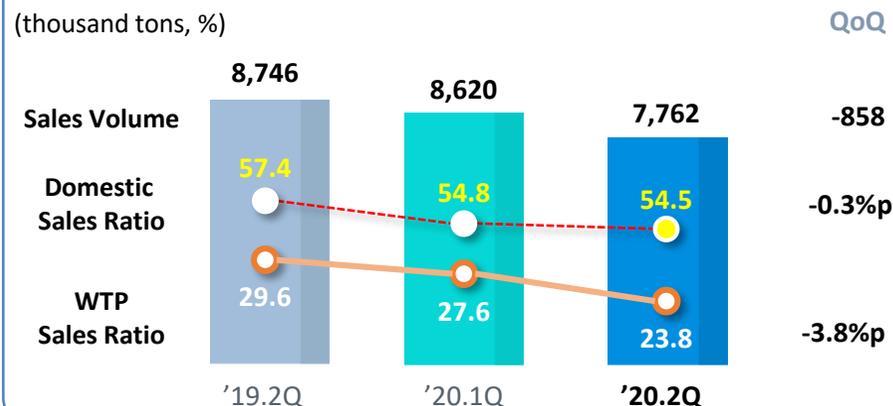
- **2020 Business Outlook**

Parent Performance_Production / Sales

Production



Sales



○ In response to weakened demand due to COVID-19, minimized impact from production decrease by adopting flexible production and sales system

- **(Iron & Steel-making Processes)** Restart of Gwangyang #3 Blast Furnace postponed from June to July and adjust HMR(Hot Metal Ratio) flexibly
- **(Rolling Mill)** Production/halt managed considering processing cost

[Product Production]

(thousand tons)	'19.2Q	'20.1Q	'20.2Q	QoQ
Carbon	8,390	8,242	7,460	-782*
STS	466	481	391	-90

* HR +123, CR -870, Plate -184, etc.

○ Sales volume declined from sluggish market while product inventory maintained last quarter level

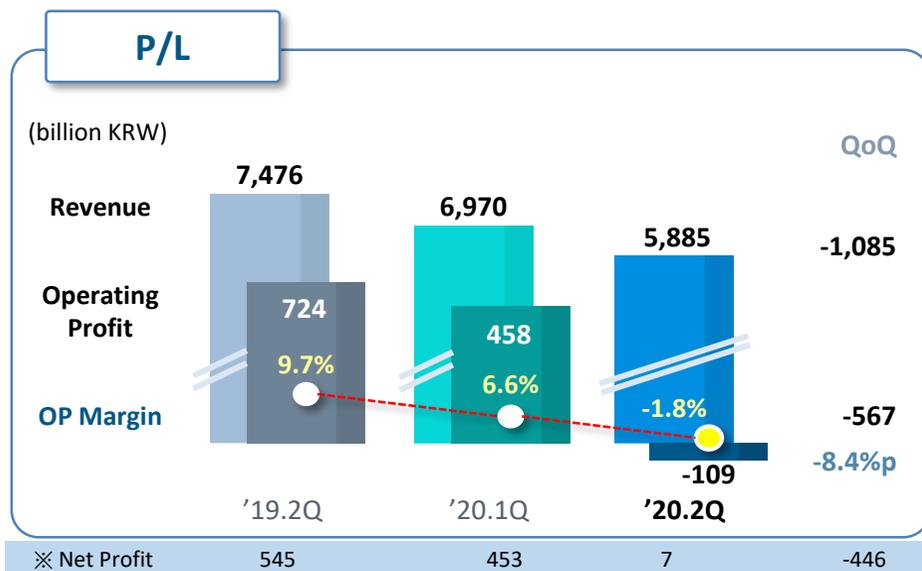
- Product sales decrease (thousand tons) : CR -718, Plate -128, etc.
- WTP sales (thousand tons) : '20.1Q) 2,267 → '20.2Q) 1,711(-556)
- * WTP sales reduced especially to automobile sector

[Product Sales]

(thousand tons)	'19.2Q	'20.1Q	'20.2Q	QoQ
Domestic	5,024	4,728	4,234	-494
Export	3,722	3,892	3,528	-364
Inventory	1,227	1,107	1,121	+14

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

Parent Performance



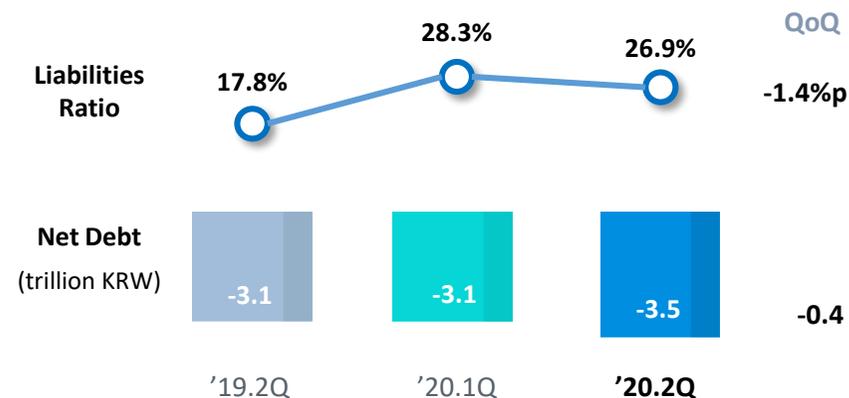
○ Recorded operating loss on weak demand and fallen sales price from COVID-19

- Sales dropped due to lockdowns in major export countries
- Price declined with slump of global demand industries

【Operating Profit】



Financial Structure



○ Cash balance increased by putting the highest priority on cash-flow management, and raised financial soundness by lowering liabilities

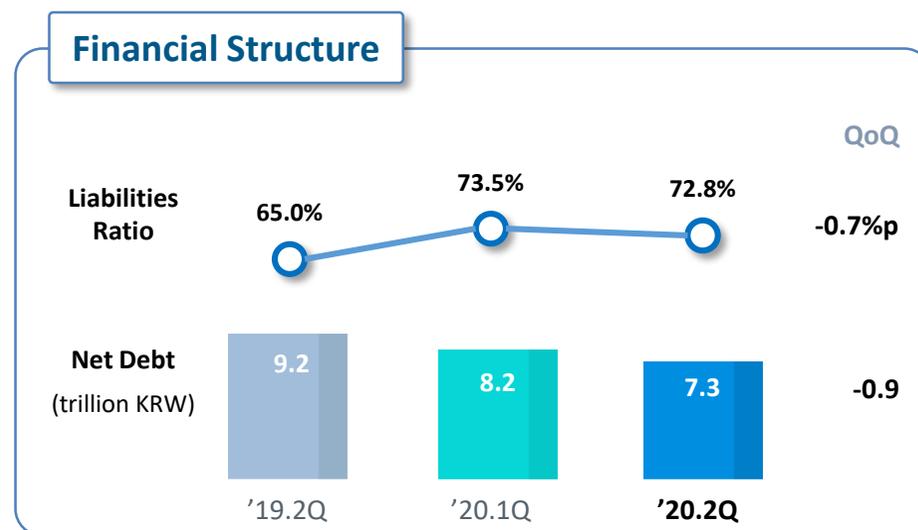
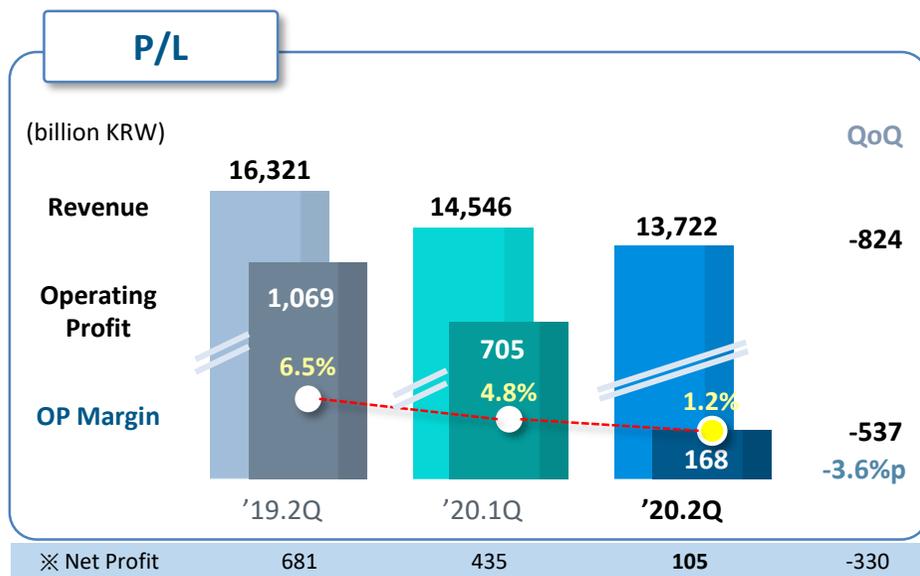
- Made company-wide efforts to lower inventory and save costs by reducing raw material purchase volume

* Inventory assets (1Q) 4.8 → (2Q) 4.2 trillion KRW

【Cash Balance & Debt】

(bn KRW)	'19.2Q	'20.1Q	'20.2Q	QoQ
Cash Balance	7,110	11,723	12,064	+341
Debt	3,991	8,662	8,562	-100

Consolidated Performance



- Consolidated earnings decreased as steel business performance aggravated while robust earnings of companies in Global & Infra business sustained

【Aggregated Operating Profit】

(billion KRW)	'19.2Q	'20.1Q	'20.2Q	QoQ
Steel	805	383	-197	-580
Overseas steel	38	-81	-93	-12
Global&Infra	299	375	304	-71
New Growth	15	14	1	-13

- Overseas steel subsidiaries operating profit in '20.1Q (million USD)
PT.KP -28, PZSS 8, POSCO Maharashtra -13, PY VINA -9

- Despite total debt growth from subsidiaries' preemptive financing, net debt was lowered with cash increased by reducing working capital

· Debt(bn KRW): P-Chemical +507 (Incl. Bonds for facility investment 210, US\$ 100 million), P-Energy +333 (Incl. Long-term bond for refinancing 200)

【Cash Balance & Debt】

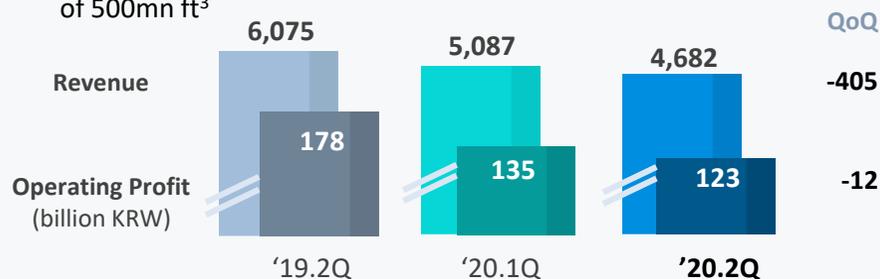
(billion KRW)	'19.2Q	'20.1Q	'20.2Q	QoQ
Cash Balance	10,021	15,351	16,913	+1,562
Debt	19,199	23,503	24,238	+735

Subsidiary Performance

POSCO International

- Solid operating profit recorded on continuously strong Myanmar gas sales despite weaker trading performance from COVID-19

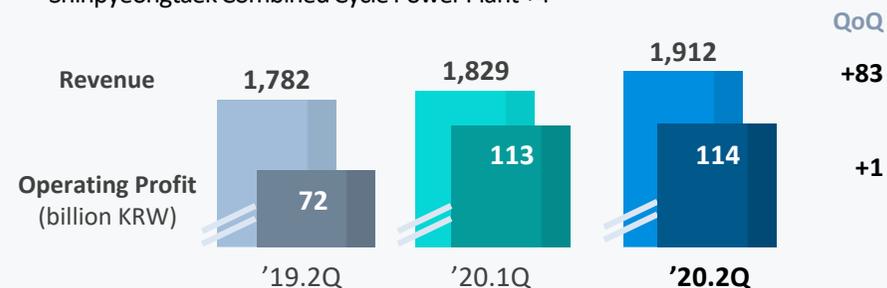
- 2Q gas sales was 550mn ft³/day, exceeding daily contract volume of 500mn ft³



POSCO E&C

- Supported by building works and plant businesses, revenue and operating profit increased

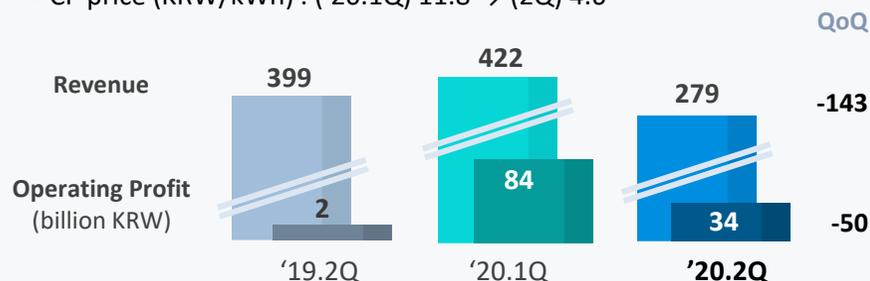
- Operating profit (bn KRW) : Pyeongtaek Jije Segyo +6, Shinpyeongtaek Combined Cycle Power Plant +4



POSCO Energy

- Profits in power generation was lowered due to seasonality and weak market, but expanded terminal business and renewal of fuel cell LTSA minimized size of profit decrease

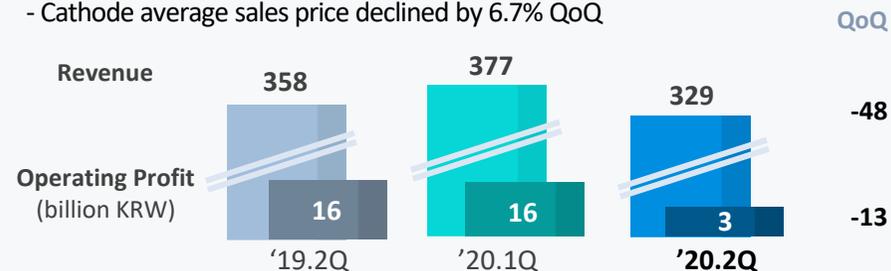
- CP price (KRW/kWh) : ('20.1Q) 11.8 → (2Q) 4.6



POSCO Chemical

- Revenue in chemical business decreased from oil price drop, operating profit weakened due to inventory valuation loss on cathode business

- Cathode average sales price declined by 6.7% QoQ

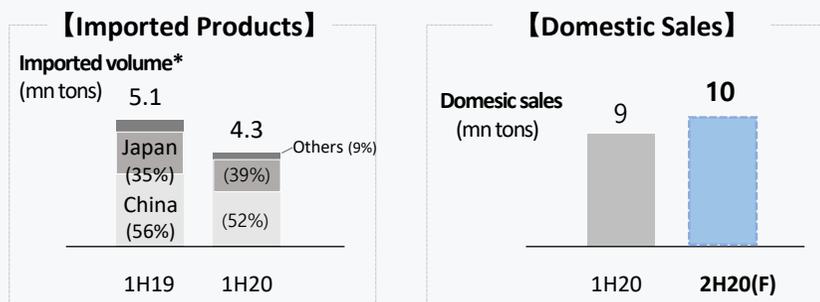


Key Business Activities_Steel

Enhance Sales Profitability

Strengthen domestic sales responding to trade protectionism in major countries

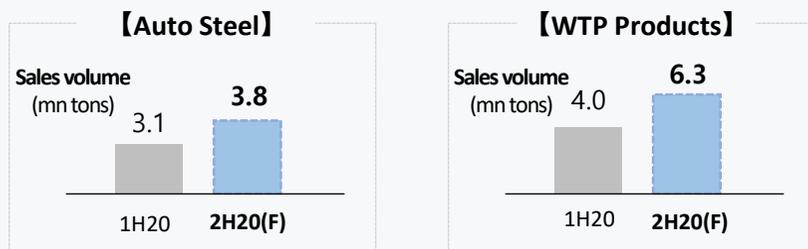
- Replace imported products from China and Japan for domestic customers by providing tailored solutions



* Based on products manufactured by POSCO

Optimize sales-mix focused on high-margin sectors

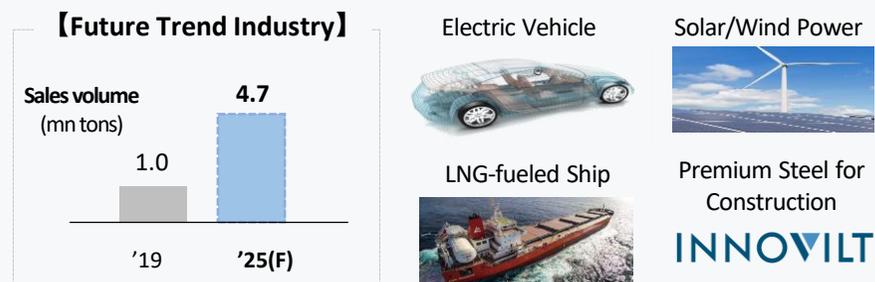
- Improve profitability by boosting sales of World Top Premium (WTP) products incl. Giga Steel for automobile and solar power structural steel PosMAC



Boost Sales to Industries Leading Future Trend

Expand sales to environment-friendly vehicles & energy, mega-city industries

- Lock customers earlier in three future new demand industries
- Foster and support industries related with eco-friendly products



Create a strong and robust steel industry ecosystem through co-existence with customers

Support overseas business

- Assist with POSCO's overseas infrastructure and networks

Foster small but strong companies

- Provide solutions incl. application technology, product quality, trade and finance

Safe industrial environment

- Block imports dissatisfying safety standards, cooperate in responding to low quality products

Steel Ecosystem

Key Business Activities _ Global & Infra/New Growth

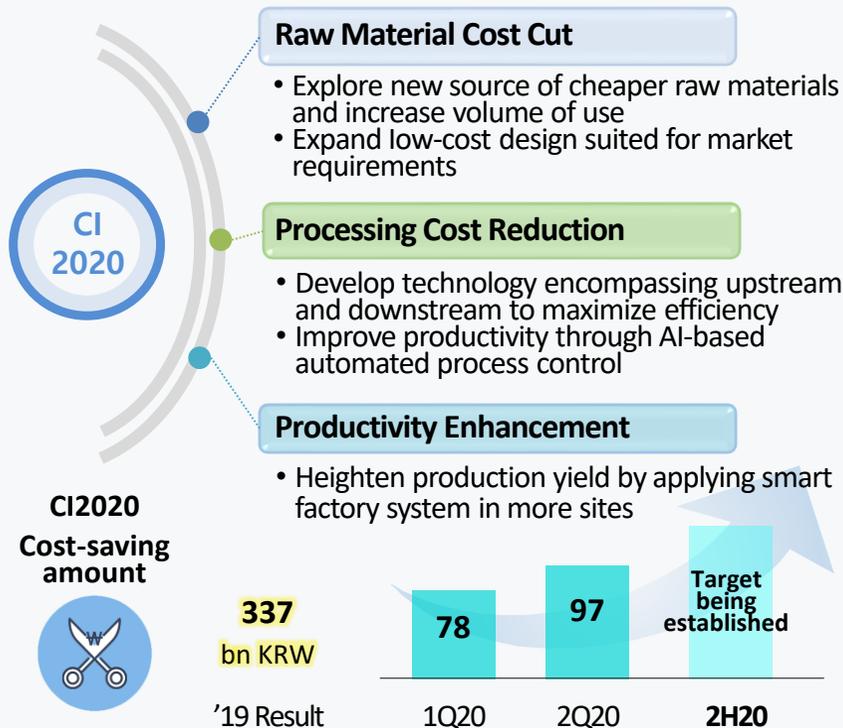
POSCO International	POSCO E&C	POSCO Energy	POSCO Chemical
<div data-bbox="113 325 203 411"></div> <p>Stable operation of Myanmar gasfield</p> <ul style="list-style-type: none"> ▪ Maintain daily production of 500 million ft³ ▪ Continue to explore additional mine including Block A-3 <div data-bbox="113 668 203 753"></div> <p>Increase food trading and fully operate grain terminal</p> <ul style="list-style-type: none"> ▪ Expand trading volume mainly in Asia <ul style="list-style-type: none"> · ('19) 5.5 → ('20) 6million tons target ▪ Commercial operation of Ukraine grain terminal <ul style="list-style-type: none"> · First year target volume 1.5 million tons <div data-bbox="113 1039 203 1125"></div> <p>Qualitative growth of trading business</p> <ul style="list-style-type: none"> ▪ Raise trading profitability in three strategic businesses of steel, LNG and food 	<div data-bbox="582 325 671 411"></div> <p>Enhance profits in Building Works Business</p> <ul style="list-style-type: none"> ▪ Strong performance in apartment sales <ul style="list-style-type: none"> · ('19) 21k → ('20) 22k apartments target ▪ Respond flexibly to housing market fluctuation by increasingly taking city rebuilding projects <ul style="list-style-type: none"> · Selected for rebuilding Sinbanpo 21 lot (May, 102bn KRW) <div data-bbox="582 668 671 753"></div> <p>Risk management in plant business</p> <ul style="list-style-type: none"> ▪ Orders of low profit-making projects are not taken ▪ Participate in overseas projects selectively <ul style="list-style-type: none"> · Focus on four strategic countries and key products <div data-bbox="582 982 671 1068"></div> <p>Continue to improve financial soundness</p> <ul style="list-style-type: none"> ▪ Normalize Songdo International Business District Project <ul style="list-style-type: none"> · Collect account receivables and reduce contingent liabilities ▪ Credit rating raised in Jun '20 <ul style="list-style-type: none"> · A0 Positive → A+ Stable (Korea Investors Service) 	<div data-bbox="1050 325 1139 411"></div> <p>Raise profitability of LNG power generation</p> <ul style="list-style-type: none"> ▪ Expand direct LNG purchase contract to secure cost competitiveness <ul style="list-style-type: none"> · New direct buying contract for #4 (Jul '20 ~) <div data-bbox="1050 668 1139 753"></div> <p>Grow businesses utilizing LNG terminal</p> <ul style="list-style-type: none"> ▪ Strengthen base for terminal business by building #2 Terminal ▪ Expand terminal-affiliated business including LNG carrier test run <ul style="list-style-type: none"> · Completed building Gwangyang #5 Tank (Apr '20, 200k kℓ) with total capacity reaching from 530 to 730k kℓ 	<div data-bbox="1518 325 1607 411"></div> <p>Invest in LiB battery material business and develop next-generation product</p> <ul style="list-style-type: none"> ▪ Continue to invest in cathode production to secure capacity in line with growth of EV market ▪ Diversify customers and increase revenue by advancing product portfolio <ul style="list-style-type: none"> · Natural graphite/artificial graphite anode <div data-bbox="1518 739 1607 825"></div> <p>Enter downstream business using byproduct</p> <ul style="list-style-type: none"> ▪ Start joint venture producing hydrogen peroxide using steelmaking byproduct (COG) <ul style="list-style-type: none"> · Form a joint venture with OCI for a business to produce super-pure hydrogen peroxide for semiconductor with annual capacity of 50k tons (from '22~) <div data-bbox="1518 1096 1607 1182"></div> <p>Improve profitability</p> <ul style="list-style-type: none"> ▪ Strengthen cost competitiveness by innovating processes and reducing fixed cost

Key Business Activities

Cost Competitiveness

Company-wide efforts to save costs through Cost Innovation 2020 (CI2020)

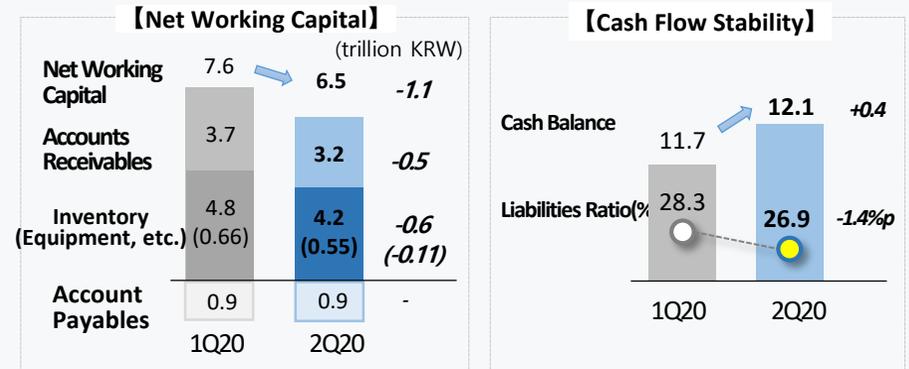
- CI2020 is an initiative to strengthen manufacturing cost competitiveness
- Innovation tasks are performed in cooperation among procurement, steelworks and marketing departments
- Cost competitiveness is secured by expanding using low-priced raw materials and advancing process technology



Financial Soundness

Enhance financial soundness by focusing on cash flow

- Reduced working capital by decreasing accounts receivables and tightening inventory assets management
- Improved financial soundness by increasing cash balance and lowering liabilities ratio
 - Maintaining the highest credit rating among global peers
 - S&P : BBB+ Stable, Moody's : Baa1 Stable (July '20)



*Parent-based

Strengthen liquidity management on each subsidiary level by reducing net working capital and adjusting priorities of investment

- Decrease net working capital on group-level through cash flow-focused management
- Adjust timeline of investment projects focusing on essential investments to boost competitiveness

Key Business Activities_ESG

Established ESG management system to minimize risks under Corporate Citizenship Philosophy

E

- **Became the first TCFD Supporter as a Korean manufacturer and run Low-Carbon Environment-Friendly Council led by Head of Steel Division***

- Published 'Corporate Citizenship Report' in line with TCFD guidelines and SASB standards in Apr '20

- *Head of Steel Division : Representative Director Chang In-Hwa

- **[2H20] Separate publication of climate report containing low-carbon strategy, Start operation of Gwangyang #3 Blast Furnace reinforced with environment-friendly facilities**

- Setting up mid-to long-term carbon reduction target and strategy aligned with long-term low carbon development strategy formed by the Korean government targeting the year 2050

S

- **Joined Responsible Minerals Initiative(RMI) and established a group-wide management system to cope with responsible minerals issue**

- Efforts made to minimize risks associated with child labor and human rights violation issues in conflict minerals incl. cobalt, tin, tungsten, etc.

- **[2H20] Corporate citizenship activities to continue centered on six major programs**

- Six Major Programs : Shared Growth, Establishing Venture Platform, Approach to Enhancing Fertility, Support for Youth Employment and Startups, Creating a Marine Forest, Becoming and Nurturing Good Global Citizens

G

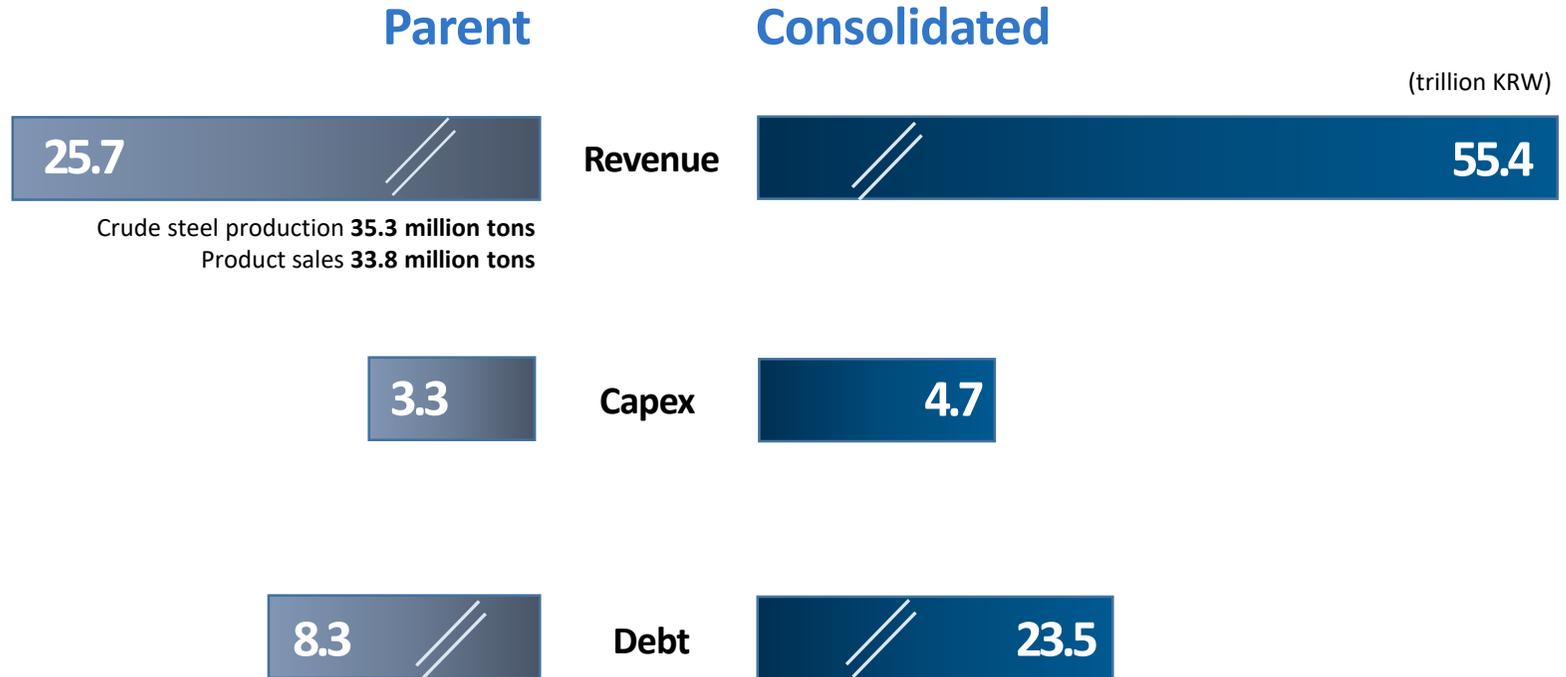
- **ESG Department is newly formed to strengthen the system for comprehensive management of ESG risks along with 「Corporate Citizenship Committee」**

- Monitor issues in ESG areas, disclose information on 'Corporate Citizenship Report', communicate with internal and external stakeholders

- **[2H20] Review various measures to better manage ESG risks on BOD level**

- Agenda on ESG strategy, policy, implementation plan and risk management are raised to BOD on a regular basis for in-depth discussion

2020 Business Outlook (Modified)



※ Appendix

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

Summarized F/S_Parent Income Statement

	'19.2Q	'20.1Q	'20.2Q	QoQ
Crude Steel Production (thousand tons)	9,444	9,066	7,793	-1,273
Product Sales (thousand tons)	8,746	8,620	7,762	-858
STS	448	469	415	-54
Carbon Steel Sales Price (thousand KRW)	735	692	643	-49
				(billion KRW)
Revenue	7,476	6,970	5,885	-1,085
Cost of Goods Sold	6,484	6,230	5,743	-487
Gross Profit	992	740	142	-598
SG&A	268	282	251	-31
Operating Profit	724	458	-109	-567
(Operating Margin)	(9.7%)	(6.6%)	(-1.8%)	-8.4%p
Non-Operating Profit	21	159	58	-101
Net Profit	545	453	7	-446
(Net Margin)	(7.3%)	(6.5%)	(0.1%)	-6.4%p

Summarized F/S_Parent Balance Sheet

(billion KRW)

	'19.2Q	'20.1Q	'20.2Q	QoQ
Current Assets	17,599	20,774	20,017	-758
Cash Balance*	7,110	11,723	12,064	+341
Accounts Receivable	4,281	3,680	3,143	-537
Inventories	5,385	4,768	4,216	-552
Current Ratio	566.7%	497.1%	422.5%	-74.6%p
Non-Current Assets	37,038	37,662	37,603	-59
Other Long-term financial assets	1,269	1,197	1,177	-21
PP&E	19,321	20,182	20,187	+5
Total Assets	54,638	58,436	57,620	-816
Liabilities	8,245	12,886	12,217	-669
Current Liabilities	3,106	4,179	4,738	+559
Non-Current Liabilities	5,139	8,707	7,480	-1,228
Interest-bearing Debt	3,991	8,662	8,562	-100
Liabilities Ratio	17.8%	28.3%	26.9%	-1.4%p
Equity	46,393	45,550	45,403	-147

* 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)			
	'19.2Q	'20.1Q	'20.2Q	QoQ
Revenue	16,321	14,546	13,722	-824
Gross Profit	1,614	1,310	734	-576
(Gross Margin)	(9.9%)	(9.0%)	(5.3%)	-3.7%p
SG&A	545	605	566	-39
Operating Profit	1,069	705	168	-537
(Operating Margin)	(6.5%)	(4.8%)	(1.2%)	-3.6%p
Non-Operating Profit	-96	-51	-1	+50
Share of Profit(Loss) of Equity-accounted Investees	75	32	-11	-43
Finance Income and Costs	-77	-26	-21	+5
Foreign Currency Transaction & Translation Gain(Loss)	-17	-168	49	+217
Net Profit	681	435	105	-330
(Net Margin)	(4.2%)	(3.0%)	(0.8%)	-2.2%p
Profit Attributable to Owners of the Controlling Company	612	395	40	-355

Summarized F/S_Consolidated Balance Sheet

(billion KRW)				
	'19.2Q	'20.1Q	'20.2Q	QoQ
Current Assets	34,058	37,813	37,869	+56
Cash Balance*	10,021	15,351	16,913	+1,562
Accounts Receivable	9,939	9,344	8,562	-782
Inventories	11,708	10,726	9,744	-982
Current Ratio	192.6%	206.8%	205.6%	-1.2%p
Non-Current Assets	44,933	44,448	44,392	-56
Other Long-term financial assets	1,717	1,604	1,622	+18
PP&E	30,340	30,352	30,131	-221
Total Assets	78,991	82,261	82,261	-
Liabilities	31,117	34,846	34,668	-178
Current Liabilities	17,684	18,285	18,415	+130
Non-Current Liabilities	13,433	16,561	16,253	-308
Interest-bearing Debt	19,199	23,503	24,238	+735
Liabilities Ratio	65.0%	73.5%	72.8%	-0.7%p
Equity	47,874	47,415	47,593	+178
Owners of the Controlling Company	44,457	44,235	44,331	+96

* 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		
	'19.2Q	'20.1Q	'20.2Q	'19.2Q	'20.1Q	'20.2Q	'19.2Q	'20.1Q	'20.2Q
Steel	12,509	11,075	9,788	805	383	-197	520	285	-148
Global&Infra	12,875	11,435	10,906	299	375	304	147	260	306
Trading	9,950	8,424	8,030	206	148	115	90	78	72
E & C	1,884	1,937	1,986	53	124	97	12	103	137
Energy	433	454	316	12	84	45	13	63	50
I C T	232	269	224	15	11	13	16	8	10
New Growth*	370	388	340	15	14	1	15	34	-3
Total	25,754	22,898	21,034	1,119	772	108	682	579	155