

3Q 2019 Earnings Release

October 24, 2019

posco

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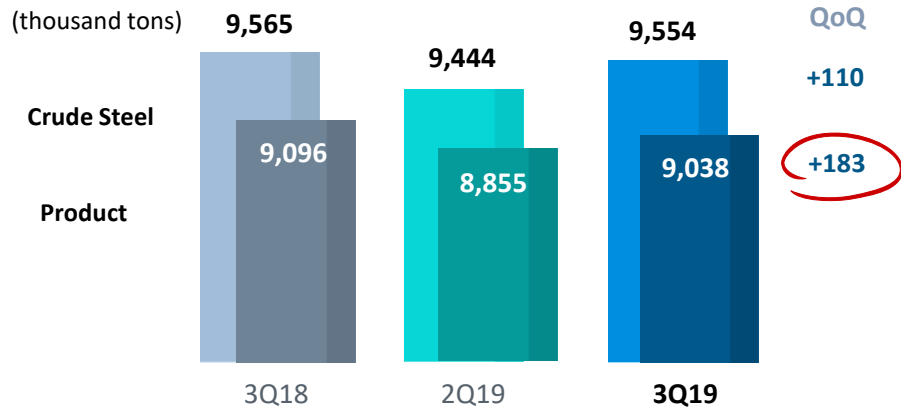
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Contents

- **3Q 2019 Business Performance**
 - Parent Performance
 - Consolidated Performance
 - Subsidiary Performance

Parent Performance_Production/Sales

Production

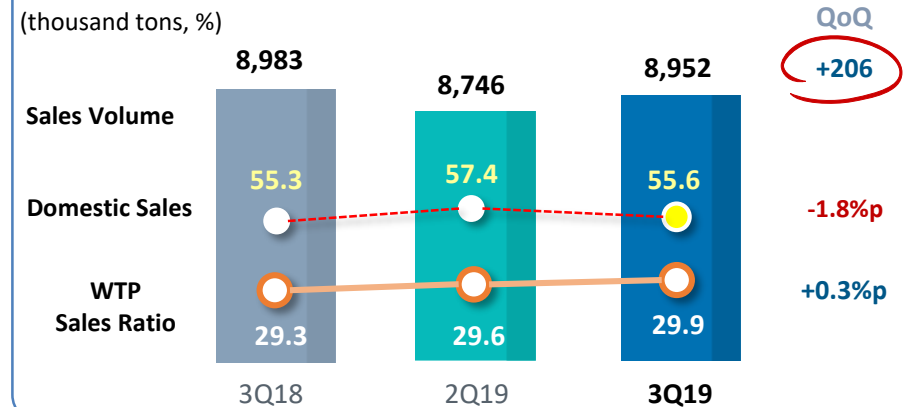


- Crude steel production increased on more calendar days than 2Q and manufactured product volume went up as downstream rationalizations were finished in 2Q

- Lines finished with rationalization in 2Q include #2 HR, #2 CR in Pohang Works and #4 HR, #4 CR in Gwangyang Works
- Product production (k tons) : HR +34, CR +252, Plate -137, etc.

(thousand tons)	3Q18	2Q19	3Q19	QoQ
Carbon Steel	8,556	8,389	8,536	+147
STS	540	466	502	+36

Sales



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

- With major rationalizations ended in 2Q, production normalized and sales volume increased

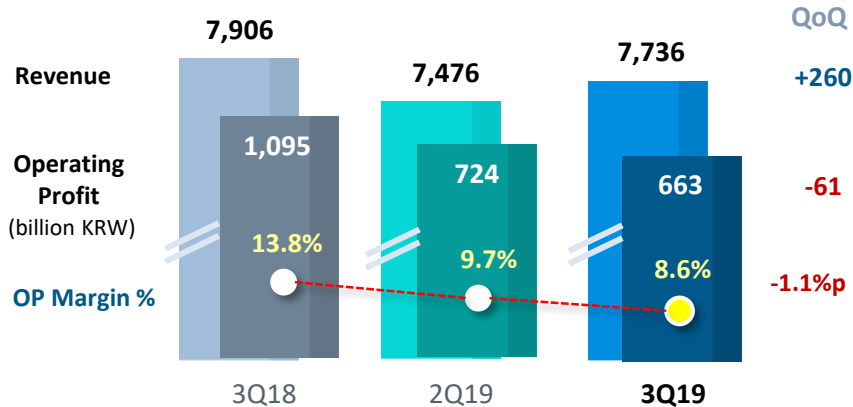
- Sales volume(k tons) : HR +85, CR +108, etc.

(thousand tons)	3Q18	2Q19	3Q19	QoQ
Domestic	4,970	5,024	4,973	-51
Export	4,013	3,722	3,979	+257
WTP*	2,477	2,449	2,529	+80
Product Inventory	1,126	1,227	1,220	-7

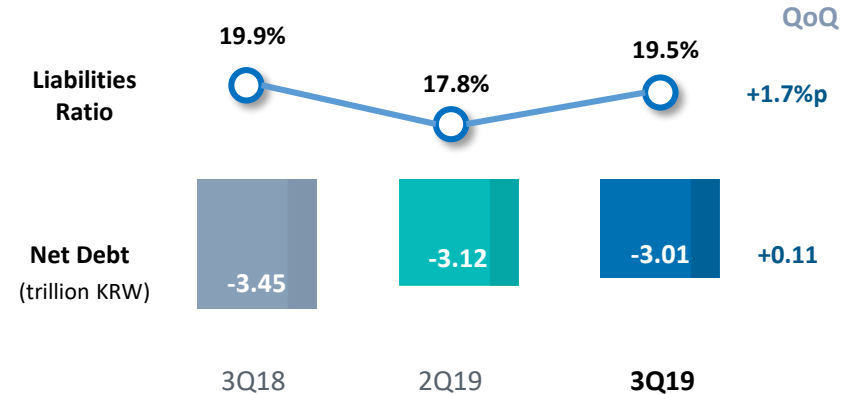
*WTP(World Top Premium) includes World First/World Best products

Parent Performance_Financials

P/L



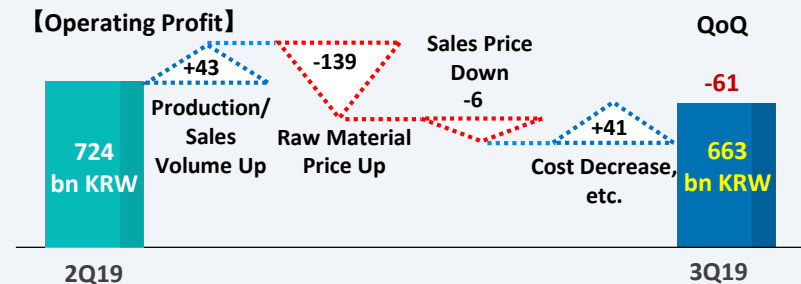
Financial Structure



- While sales volume increased and general costs came down, operating profit contracted from raw material cost hike

• Iron re Spot Price : (1Q) U\$83→(2Q) U\$100→(3Q) U\$102

(Platts Fe 62% Fine Ore CFR)



- Debt and cash balance size went up by issuing global bonds and won-denominated bonds

• Size of bonds issued amounts to 500bn KRW and 500mn USD of global ESG bond

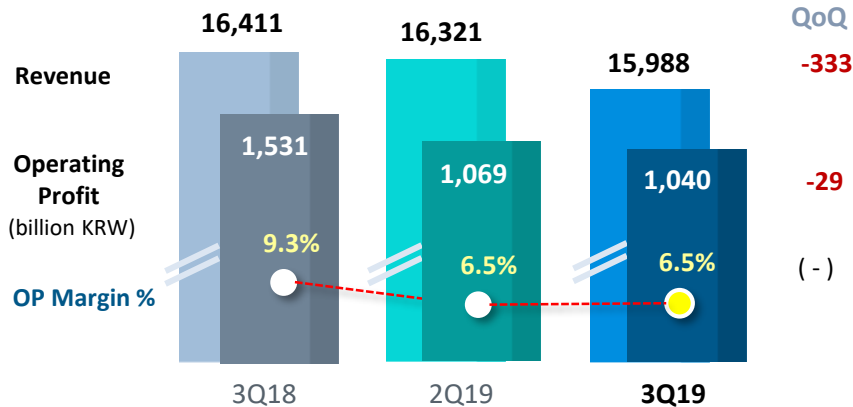
* Debt repayment : 350bn KRW (May), 300bn KRW (August)

【Cash Balance & Debt】

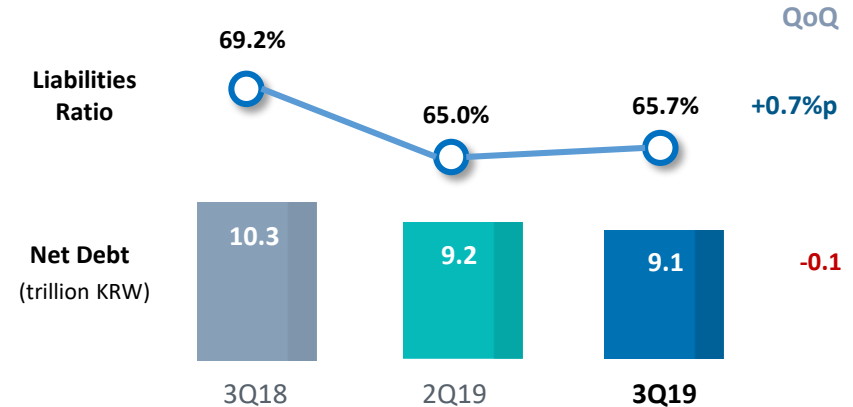
(billion KRW)	3Q18	2Q19	3Q19	QoQ
Cash Balance	8,502	7,110	7,850	+740
Debt	5,055	3,991	4,842	+851

Consolidated Performance

P/L



Financial Structure



- Overcoming the slowdown in the steel market and delayed recovery of demand industries, quarterly consolidated OP recorded higher than 1tn KRW for 9 consecutive quarters, mainly supported by strong performance of global&infra(non-steel) business segments

- Posted weaker earnings in steel segment as higher raw material costs squeezed mill margin
- Global&Infra(non-steel) earnings improved led by P-International, P-E&C and P-Energy

【 Aggregated Operating Profit 】

(billion KRW)	2Q19	3Q19	QoQ
Steel	805	710	-95
Overseas steel	38	8	-30
Global&Infra	299	322	+23
New Growth	15	26	+11

- Debt and cash balance expanded mainly by POSCO's newly issued bonds

- Cash balance (+688bn KRW) : POSCO +740, Int'l -62, etc.
- Debt (+656bn KRW) : POSCO +851, P-Energy -215, etc.

【 Cash Balance & Debt 】

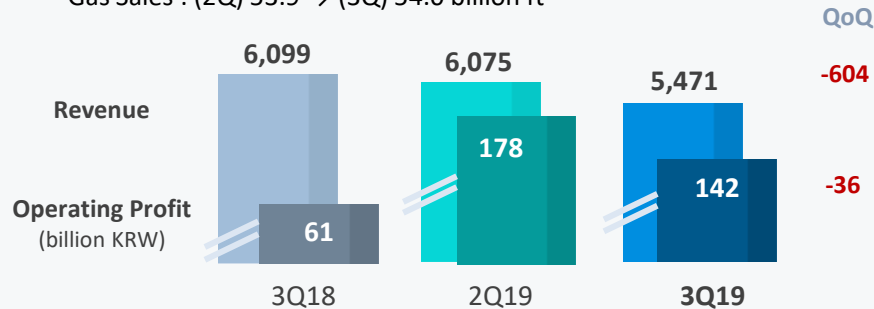
(billion KRW)	3Q18	2Q19	3Q19	QoQ
Cash Balance	11,723	10,021	10,709	+688
Debt	22,069	19,199	19,855	+656

Subsidiary Performance_Domestic

POSCO International

- Revenue and operating profit weakened as trading business slowed although Myanmar gas sales continued to be strong

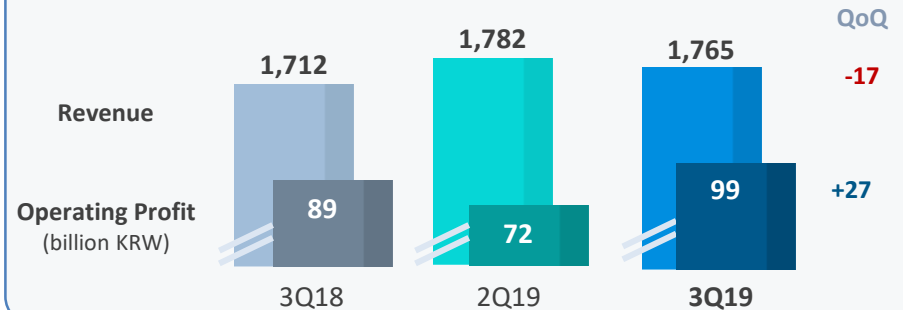
- Gas Sales : (2Q) 53.9 → (3Q) 54.0 billion ft³



POSCO E&C

- Operating profit improved on accelerated progress rate of plant constructions

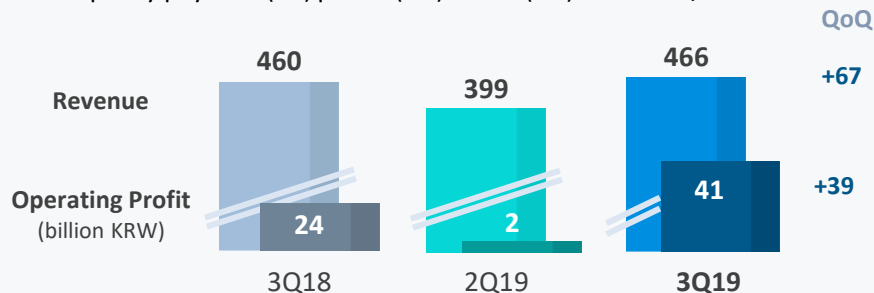
- Panama LNG Terminal +7.4 billion KRW, etc.



POSCO Energy

- Electricity price rise entering the peak season lifted up operating profit

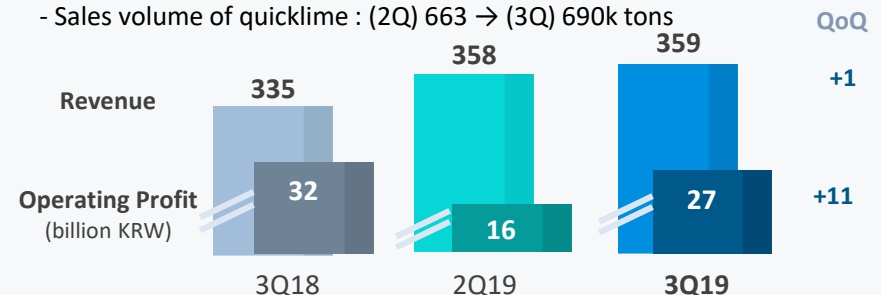
- Capacity payment(CP) price : (2Q) 4.6 → (3Q) 12.3 KRW/kWh



POSCO Chemical

- Operating profit increased contributed by stronger oil price positively affecting spread of chemical products and boost in quicklime sales

- Sales volume of quicklime : (2Q) 663 → (3Q) 690k tons

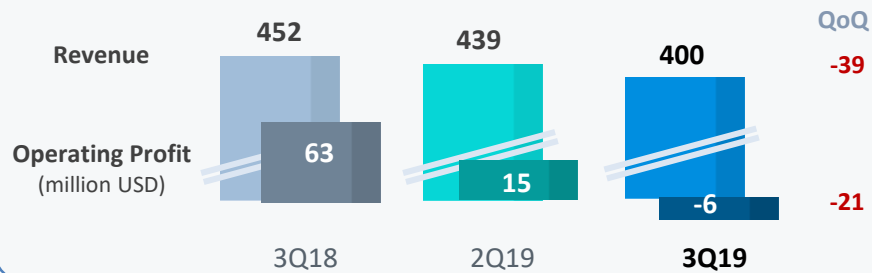


Subsidiary Performance_Overseas

PT. Krakatau POSCO

- Earnings dropped with sales volume down from blast furnace maintenance and weaker sales price from slow demand

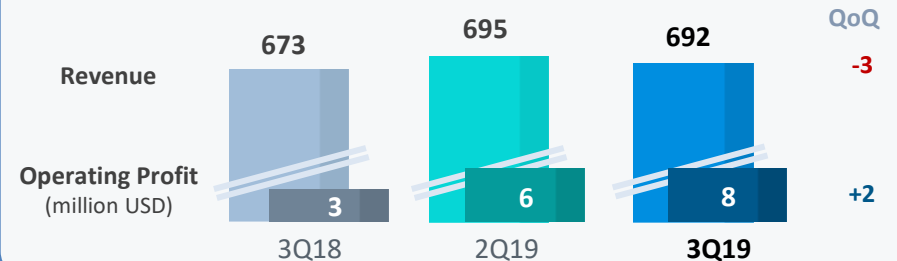
- Sales Volume(-58k tons) : (2Q) 771 → (3Q) 713



Zhangjiagang STS (PZSS)

- Profitability improved on expanded sales of WTP products and reduced costs

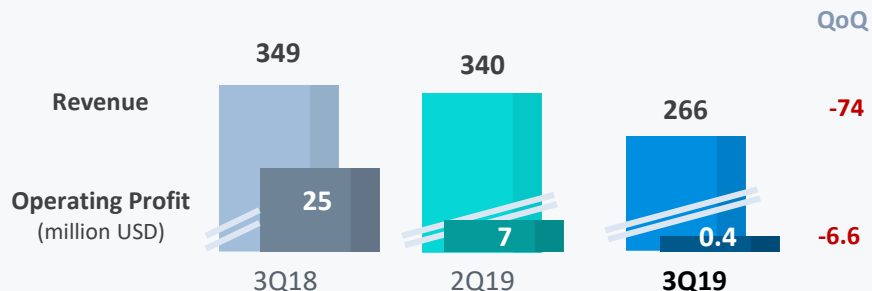
- WTP Sales Volume(+3k tons) : (2Q) 95 → (3Q) 98



POSCO Maharashtra

- Sales volume decreased as demand industries weakened and domestic competition became more severe

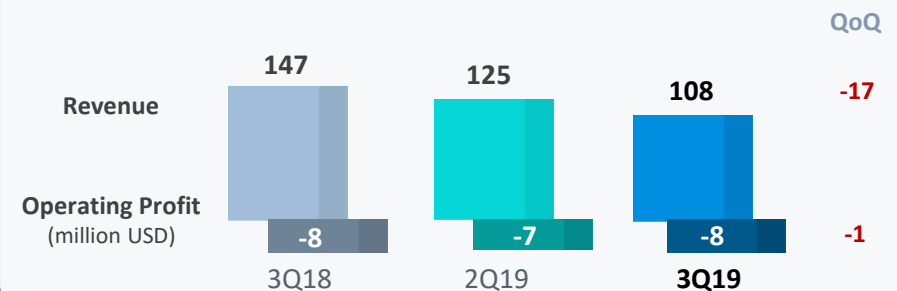
- Sales Volume(-81k tons) : (2Q) 431 → (3Q) 350



POSCO SS VINA

- Sales volume and revenue declined as domestic market competition intensified

- Sales Volume(-17k tons) : (2Q) 212 → (3Q) 196



※ Appendix

- **Market & Outlook**
 - Global Steel Demand
 - Domestic Steel Demand
 - Raw Materials Outlook
- **Summarized F/S_Parent**
- **Summarized F/S_Consolidated**
- **2019 Business Outlook**

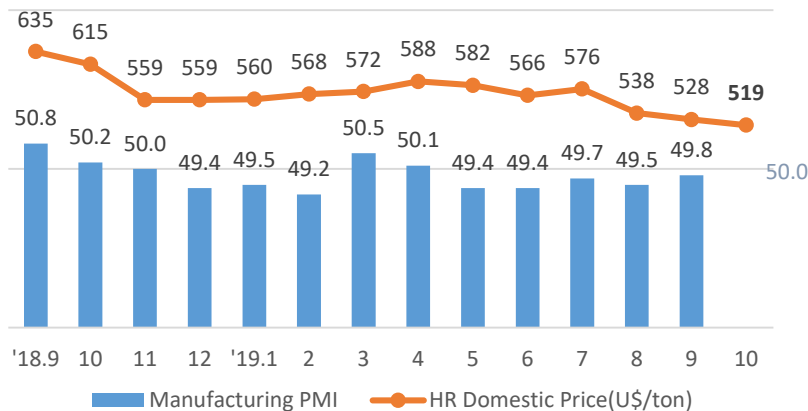
Global Steel Demand

Chinese Steel Market

“Steel market slows as manufacturing sector continued to dip due to US-China dispute”

- ✓ As GDP growth rate* is continuously lowered, concerns over an economic slowdown remain *(1Q) 6.4%→(2Q) 6.2%→(3Q)6.0%
 - While automobile, machinery and overall manufacturing sectors are declining, manufacturing PMI trended below baseline 50 for 5 consecutive months from May to Sep 2019, marking the lowest since 2012
- ✓ Expanded infrastructure investment, improved property market outlook and tax cut policy are positive to demand side, but with limited actual impact
 - Property development investment shows soundness, especially with the growing demand for redevelopment projects in under-developed areas

【Chinese Steel Price/Manufacturing PMI】



* Bloomberg(2019.10), National Bureau of Statistics of China(2019.10)

Demand by Region

“Global steel demand modestly grows in 2019 supported by sound Chinese steel demand”

- ✓ In 2019, Chinese steel demand will grow at a sound rate contributed by infrastructure & property market expenditures and tax cuts although manufacturing sector is depressed
 - ✗ 7.8% growth rate is by official statistics while real demand growth after statistical adjustment is estimated at 4.0%
- ✓ The U.S., EU and advanced countries demonstrate sluggish demand trend overall as economic growth is stagnant
- ✓ In India and Southeast Asia, still demand will be weaker than expected, and emerging markets will see 0.4% growth in demand mainly due to the regions such as MENA

【Steel Demand Outlook】

(million tons)

Region	2016	2017	2018	YoY	2019(f)	YoY
US	91.9	97.7	99.8	2.1%	100.8	1.0%
EU	157.9	163.1	168.9	3.6%	166.8	-1.2%
China	681.0	773.8	835.0	7.9%	900.1	7.8%
India	83.6	88.7	96.7	9.1%	101.6	5.0%
ASEAN	75.7	73.5	77.1	4.9%	79.5	3.1%
MENA	72.6	71.7	68.9	-4.0%	66.1	-4.0%
World	1,520	1,634	1,709	4.6%	1,806	3.9%

* World Steel Association(2019.10)

Domestic Steel Demand

Demand Industry

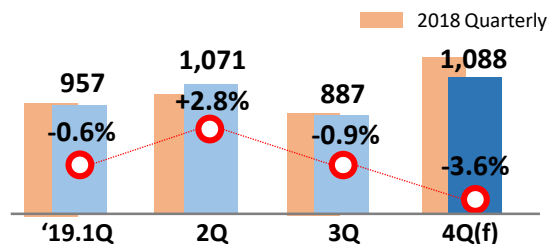


Automobile

- ✓ In 2019, government stimulus was not sufficient to fully recover depressed auto market and the shrinkage in OEM manufacturing
- During the period from Jan to Aug an automaker's production volume is forecast to reduced by 40k cars due to partial strike and reduced OEM production

【Auto Production】

(YoY, thousand cars)



* Korea Automobile Manufacturers Association (2019.10), POSRI(2019.10)

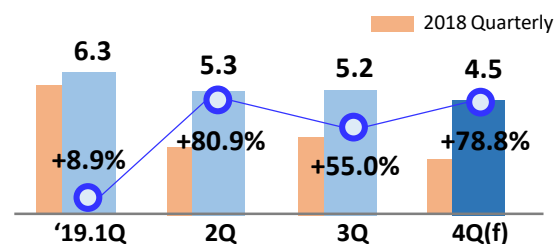


Shipbuilding

- ✓ Shipbuilding volume in 2019 shows an upward trend y-o-y with increased orders taken in 2017 and 2018
- Bottoming out from the order drought, shipbuilding volume will expand until 4Q supported by increased orders taken in 2018 for shortened delivery time

【Shipbuilding Volume】

(YoY, million GT)



* Clarkson(2019.10), POSRI(2019.10)

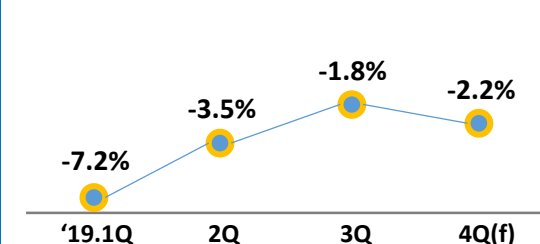


Construction

- ✓ Although private sector remains slow in 2019, construction investment will narrow the size of reduction in 2H with expanded public projects
- Civil engineering project orders from government and public organizations increased and offset private sector slowness

【Construction Investment】

(YoY)



* Bank of Korea(2019.10), POSRI(2019.10)

Steel Supply and Demand

(million tons)

	2016	2017	2018	2019(f)	1Q	2Q	3Q(f)	4Q(f)	YoY
Nominal Consumption	57.2	56.3	53.7	53.8	13.5	14.1	13.0	13.2	-7.4%
Export	30.8	31.7	30.4	30.1	7.7	7.5	7.5	7.4	+5.8%
Production	74.3	77.1	75.2	74.0	18.4	18.9	18.2	18.5	-1.6%
Import	13.7	10.9	8.9	9.9	2.7	2.7	2.3	2.2	-13.8%
Including Semi-Product	23.7	19.7	15.4	16.5	4.5	4.5	3.8	3.7	-9.9%

* POSRI(2019.10)

Raw Materials Outlook

Iron Ore

2019.3Q

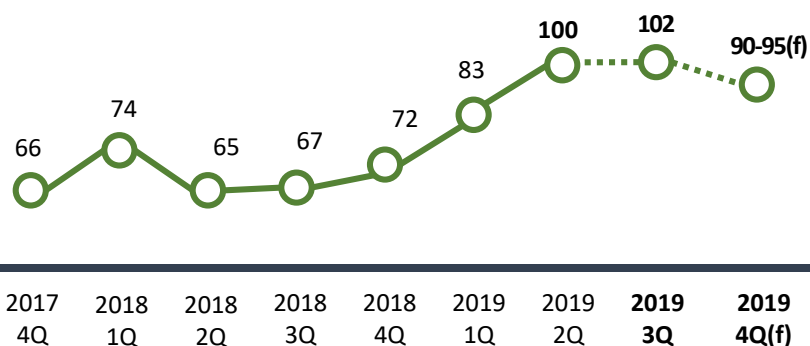
While iron ore price exceeded U\$126/ton temporarily in July due to the supply disruption in major producing countries in 1H, it declined to U\$80/ton in August as supply in Brazil and Australia was normalized and China's import demand decreased on depreciation of CNY. 3Q average price was U\$102/ton as it rebounded to U\$90/ton later on restocking demand before Chinese national holidays.

2019.4Q

"4Q fine ore price expected at U\$90~95/ton"

The price is forecast to be trending steady as China reinforces environmental regulation for winter season and there is restocking demand in reserve for supply disruption during the rainy season(Dec to Mar) in Brazil and Australia while major countries' supply is in good condition.

[Iron Ore Price] (US\$/ton)



*62% Fe IODEX CFR China (Quarterly Spot Average)

Coking Coal

2019.3Q

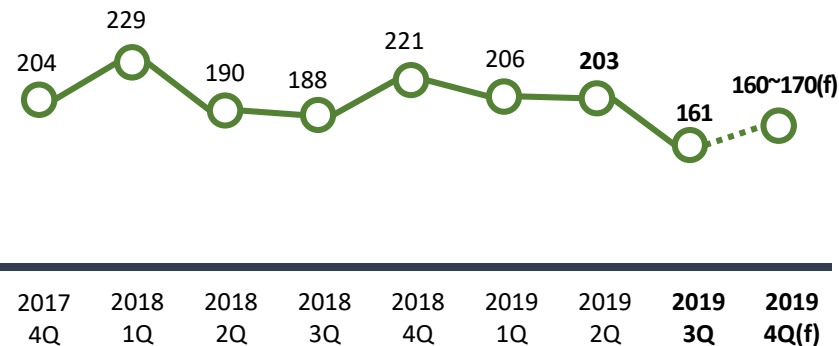
3Q average price recorded U\$161/ton as price dropped sharply from shrinking demand on the back of Chinese government's stricter regulation on coal imports, India's minimized spot purchase during monsoon period from Jun to Sep, and steel production cut in Europe while there is no major supply disruption major producing countries such as Australia and Russia.

2019.4Q

"4Q HCC price expected at U\$160~170/ton"

The price is forecast to rebound due to expected purchase along with the resumption of China's quota for coal imports in '20 and steel mills' restocking demand as they concern about supply disruption from rainy season(Dec to Mar) in Australia and severe cold in Russia and North America, etc.

[Coking Coal Price] (US\$/ton)



*Premium Coking Coal FOB Australia (Quarterly Price)

Summarized F/S_Parent Income Statement

	3Q 18	2Q 19	3Q 19	QoQ
Crude Steel Production (thousand tons)	9,565	9,444	9,554	+110
Product Sales (thousand tons)	8,983	8,746	8,952	+206
STS	518	448	533	+85
Carbon Steel Sales Price (thousand KRW)	747	735	734	-1
(billion KRW)				
Revenue	7,906	7,476	7,736	+260
Cost of Goods Sold	6,354	6,484	6,813	+329
Gross Profit	1,552	992	923	-69
SG&A	457	268	260	-8
Operating Profit	1,095	724	663	-61
(Operating Margin)	(13.8%)	(9.7%)	(8.6%)	(-1.1%p)
Non-Operating Profit	87	21	31	+10
Net Profit	891	545	499	-46
(Net Margin)	(11.3%)	(7.3%)	(6.5%)	(-0.8%p)

* Transportation charge is re-categorized from SG&A to cost of goods sold in accordance with the amendment of K-IFRS 1115 (Recognized since 4Q18)

Summarized F/S_Parent Balance Sheet

(billion KRW)

	3Q 18	2Q 19	3Q 19	QoQ
Current Assets	17,882	17,600	17,677	+77
Cash Balance*	8,502	7,110	7,850	+740
Accounts Receivable	4,485	4,281	4,046	-235
Inventories	4,534	5,385	5,246	-139
Current Ratio	413.5%	566.7%	634.6%	+67.9%p
Non-Current Assets	38,246	37,038	37,711	+673
Other Long-term financial assets	1,324	1,269	1,263	-6
PP&E	21,044	19,321	19,944	+623
Total Assets	56,128	54,638	55,388	+750
Liabilities	9,316	8,245	9,052	+807
Current Liabilities	4,324	3,106	2,785	-321
Non-Current Liabilities	4,992	5,139	6,267	+1,128
Interest-bearing Debt	5,055	3,991	4,842	+851
Liabilities Ratio	19.9%	17.8%	19.5%	+1.7%p
Equity	46,812	46,393	46,336	-57

* 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)

	3Q 18	2Q 19	3Q 19	QoQ
Revenue	16,411	16,321	15,988	-333
Gross Profit	2,390	1,614	1,613	-1
(Gross Margin)	(14.6%)	(9.9%)	(10.1%)	(+0.2%p)
SG&A	859	545	573	+28
Operating Profit	1,531	1,069	1,040	-29
(Operating Margin)	(9.3%)	(6.5%)	(6.5%)	(-)
Non-Operating Profit	122	-96	-186	-90
Share of Profit(Loss) of Equity-accounted Investees	44	75	89	+14
Finance Income and Costs	-251	-77	-89	-12
Foreign Currency Transaction & Translation Gain(Loss)	-103	-17	-43	-26
Net Profit	1,058	681	497	-184
(Net Margin)	(6.4%)	(4.2%)	(3.1%)	(-1.1%p)
Profit Attributable to Owners of the Controlling Company	1,020	612	431	-181

* Transportation charge is re-categorized from SG&A to cost of goods sold in accordance with the amendment of K-IFRS 1115 (Recognized since 4Q18)

Summarized F/S_Consolidated Balance Sheet

(billion KRW)

	3Q 18	2Q 19	3Q 19	QoQ
Current Assets	35,395	34,058	34,827	+769
Cash Balance*	11,723	10,021	10,709	+688
Accounts Receivable	9,829	9,939	9,714	-225
Inventories	10,911	11,708	11,770	+62
Current Ratio	175.5%	192.6%	205.5%	+12.9%p
Non-Current Assets	45,948	44,933	44,909	-24
Other Long-term financial assets	1,845	1,717	1,686	-31
PP&E	31,040	30,340	30,318	-22
Total Assets	81,343	78,991	79,736	+745
Liabilities	33,270	31,117	31,608	+491
Current Liabilities	20,166	17,684	16,946	-738
Non-Current Liabilities	13,104	13,433	14,662	+1,229
Interesting-bearing Debt	22,069	19,199	19,855	+656
Liabilities Ratio	69.2%	65.0%	65.7%	+0.7%p
Equity	48,073	47,874	48,128	+254
Owners of the Controlling Company	44,694	44,457	44,756	+299

* 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		
	3Q18	2Q19	3Q19	3Q18	2Q19	3Q19	3Q18	2Q19	3Q19
Steel	12,992	12,509	12,725	1,295	805	710	957	520	395
Global&Infra	13,004	12,876	12,067	255	299	322	100	147	288
Trading	10,021	9,950	9,072	88	206	161	36	90	0.1
E & C	1,886	1,884	1,877	99	53	92	22	12	58
Energy	494	433	500	35	12	52	23	13	210
I C T	224	232	240	12	15	10	7	16	9
New Growth*	370	370	372	33	15	26	24	15	23
Total	26,366	25,755	25,164	1,583	1,119	1,058	1,081	682	706

* New Growth segment includes chemical business

2019 Business Outlook

