



2019 Earnings Release

January 31, 2020

posco

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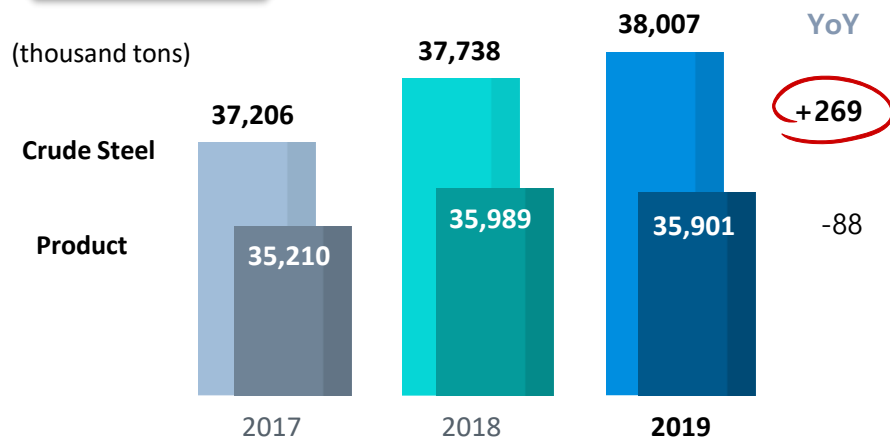
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Contents

- **2019 Business Performance**
 - Parent Performance
 - Consolidated Performance
 - Subsidiary Performance
- **2020 Business Outlook**
- **Mid-term Dividend Policy (FY2020~FY2022)**

Parent Performance_Production / Sales

Production



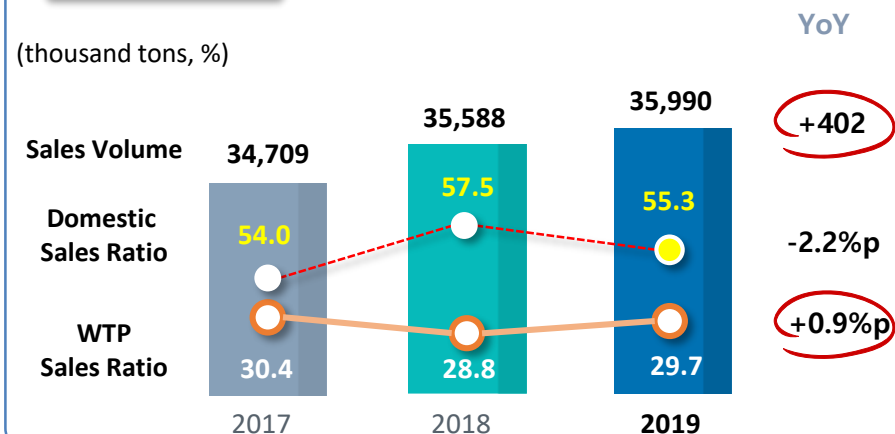
- Crude steel production in 2019 increased in preparation for a revamp scheduled in 2020, product production remained previous year level

- Gwangyang Works produced larger volume of crude steel y-o-y by 143k tons to prepare for a revamp of blast furnace #3 in 2020
- BF #3 expansion revamping will last for about 3 months starting from Feb 2020

[Product Production]

(thousand tons)	2017	2018	2019	YoY
Carbon	33,182	33,956	33,931	-25
STS	2,028	2,033	1,970	-63

Sales



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

- Product sales went up on plate sales growth for shipbuilding and construction sectors
 - Sales volume by product(k tons) : HR +99, Plate +283, etc.
- WTP sales increased, mainly eco-friendly premium products to construction and wind power sectors in domestic and overseas
 - WTP sales volume(k tons) : '18) 9,612 → '19) 10,110 (+498)

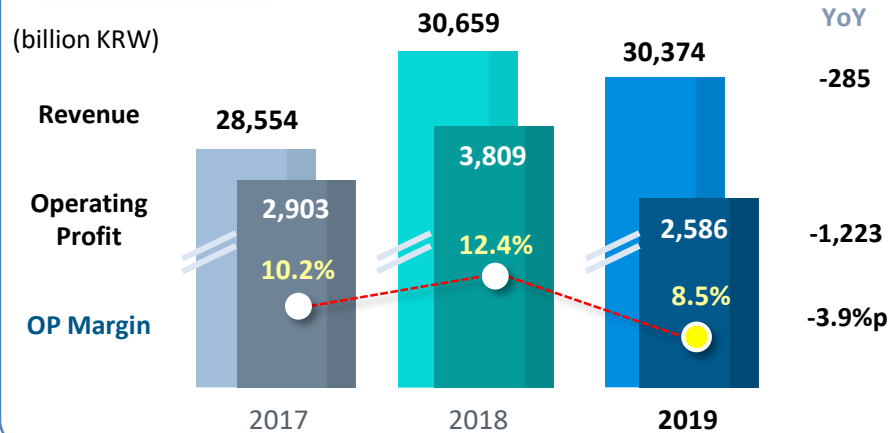
[Product Sales]

(thousand tons)	2017	2018	2019	YoY
Domestic	18,755	20,457	19,909	-548
Export	15,954	15,131	16,081	+950
Inventory	1,323	1,500	1,107	-393

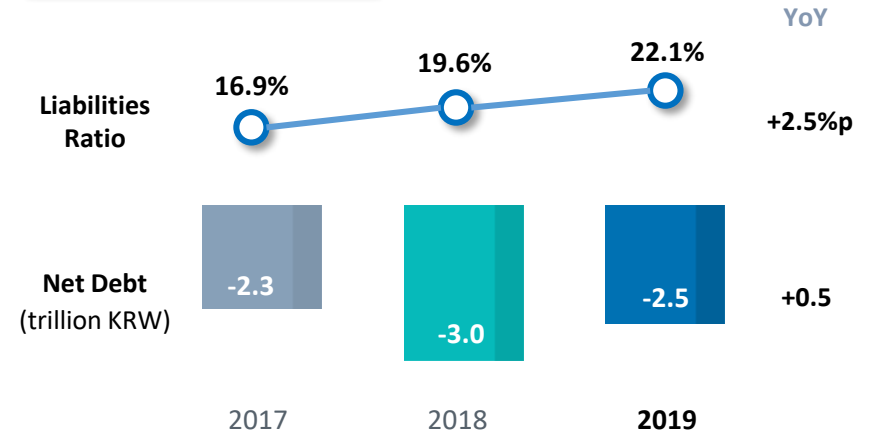
*WTP(World Top Premium) includes World First/World Best products

Parent Performance

P/L

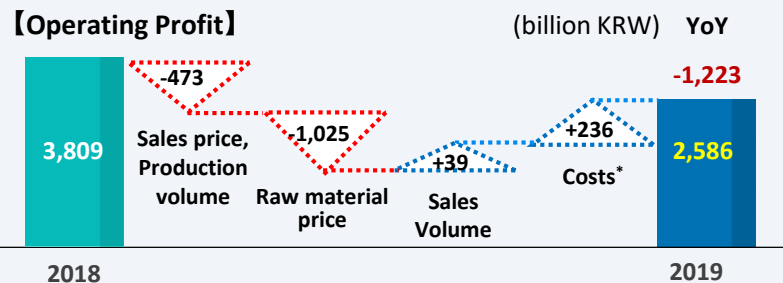


Financial Structure



- Operating profit reduced on manufacturing cost increase from iron ore price hike and sales price decline

· Iron ore spot price(\$/ton) : '17) 71 → '18) 70 → '19) 94
(Platts Fe 62% Fine Ore CFR)



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

· Issued bonds : 1.5 trillion KRW, U\$1 billion global bond

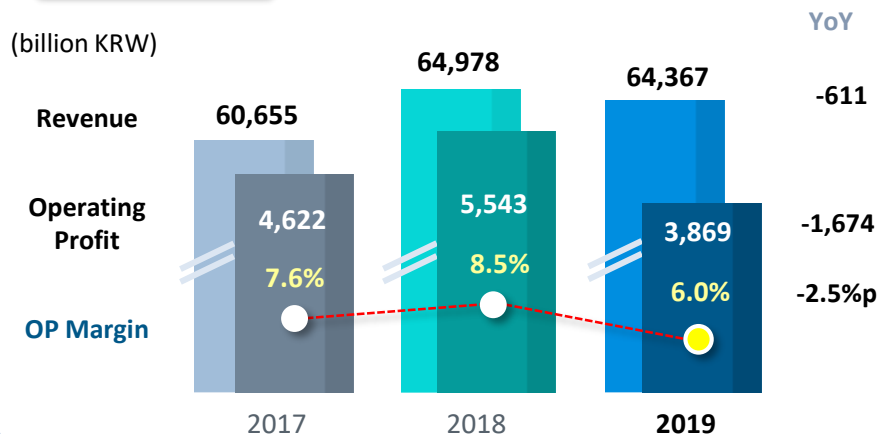
* Repayment schedule : '20) 1.0 → '21) 1.4 trillion KRW

【Cash Balance & Debt】

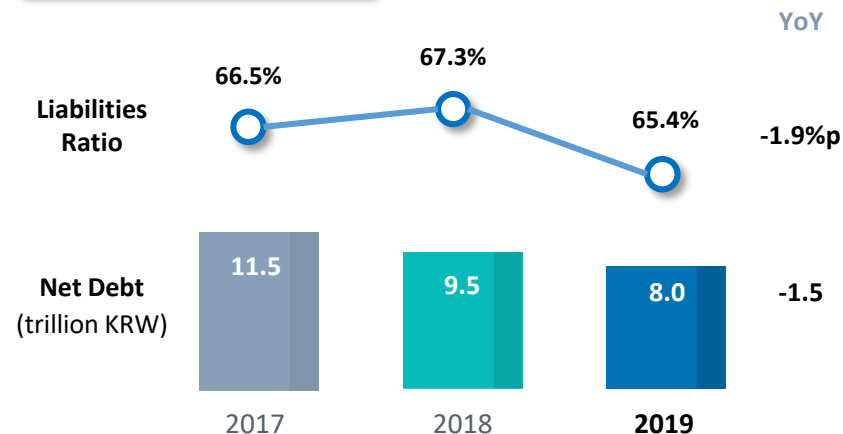
(bn KRW)	2017	2018	2019	YoY
Cash Balance	6,157	7,285	8,822	+1,537
Debt	3,901	4,271	6,338	+2,067

Consolidated Performance

P/L



Financial Structure



- While Global&Infra Business Segment continued to be strong, consolidated operating profit declined due to softer steel earnings

- **Steel** : Profitability affected with mill margin squeezed
- **Global&Infra** : P-Int'l and P-Energy recorded solid earnings

【Aggregated Operating Profit】

(bn KRW)	2017	2018	2019	YoY
Steel	3,605	4,516	2,687	-1,829
Overseas steel	489	490	-29	-519
Global&Infra	995	1,033	1,180	+147
New Growth	96	104	83	-21

- Consolidated liabilities ratio dropped on debt reduction efforts made by subsidiaries while parent debt level temporarily went up

- **Domestic subsidiaries**
: P-Int'l -1,278, P-Energy - 411 billion KRW, etc.
- **Overseas steel subsidiaries**
: PT.KP -136, P-America -118 billion KRW, etc.

【Cash Balance & Debt】

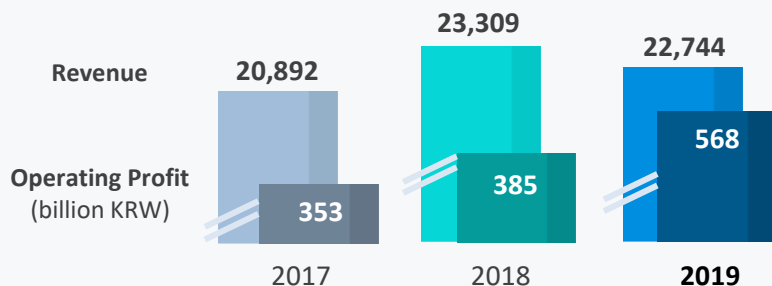
(bn KRW)	2017	2018	2019	YoY
Cash Balance	9,595	10,678	12,463	+1,785
Debt	21,064	20,209	20,442	+233

Subsidiary Performance_Domestic

POSCO International

- Achieved largest operating profit on strong performance in production/sales of Myanmar gas business while trading revenue was reduced due to global trade dispute

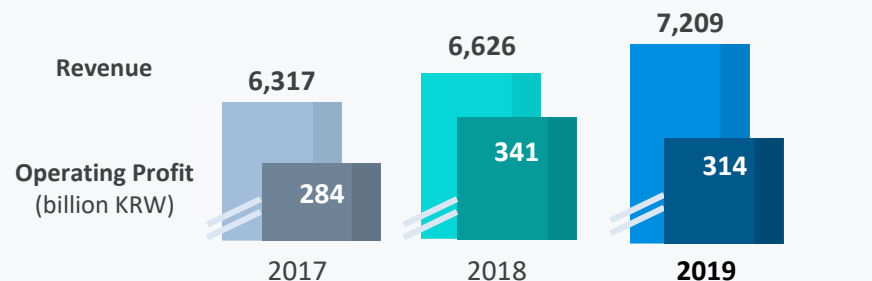
- Gas sales (billion ft³): '18) 144 → '19) 216



POSCO E&C

- Revenue increased by accelerating construction progress rate in housing segment, but operating profit went down from recognizing losses in several overseas projects

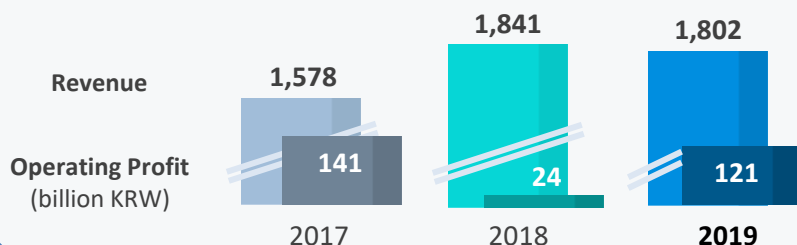
- Haeundae LCT, Songdo Residential Complex, etc. gained in revenue



POSCO Energy

- Operating profit went up on enhanced cost competitiveness by direct import of LNG for Power Plant Unit #3 in Incheon, CP price increase and restructuring of fuel cell business

- CP (Capacity Payment, KRW/kWh) : '18) 9.0 → '19) 9.2

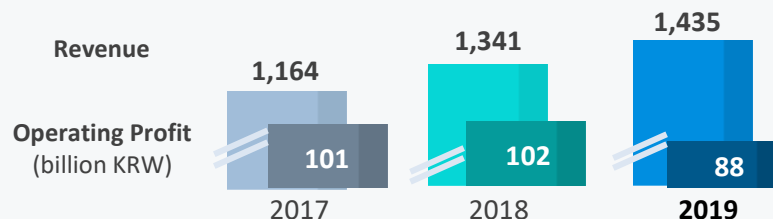


POSCO Chemical

- Revenue picked up on expansion of cathode/anode sales, operating profit decreased from refractories material price

- Cathode/Anode revenue (billion KRW) : '18) 91 → '19) 219

- Capacity expansion : (Cathode) Gwangyang 6k tons/year, (Anode) Sejong 20k tons/year

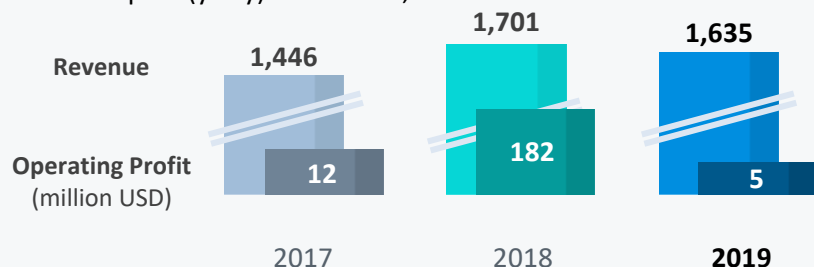


Subsidiary Performance_Overseas

PT. Krakatau POSCO

- Production/sales marked the highest, but operating profit shrank due to raw material price hike and weaker sales of high-margin products

- Sales price(y-o-y) : Slab -15%, Plate -6%

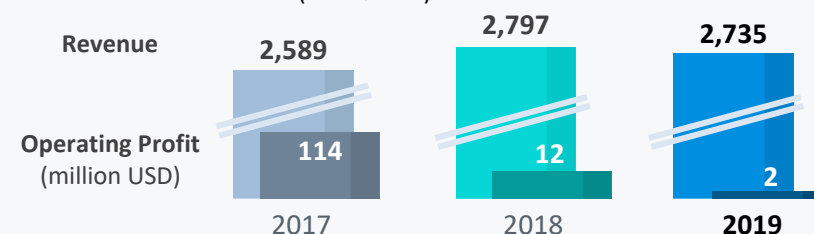


Zhangjiagang STS (PZSS)

- While sales volume peaked led by WTP sales growth, operating profit decreased due to declined mill margin from intense competition

- Sales volume(k tons) : '18) 1,227 → '19) 1,247 (+20)

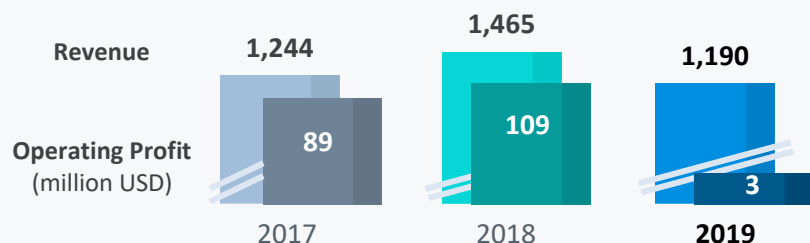
. WTP sales : +10k tons(354 → 364)



POSCO Maharashtra

- Under slowed economic growth and sluggish auto sector in India, sales volume and price both slipped, which reduced operating profit

- Sales volume(k tons) : '18) 1,778 → '19) 1,567 (-211)

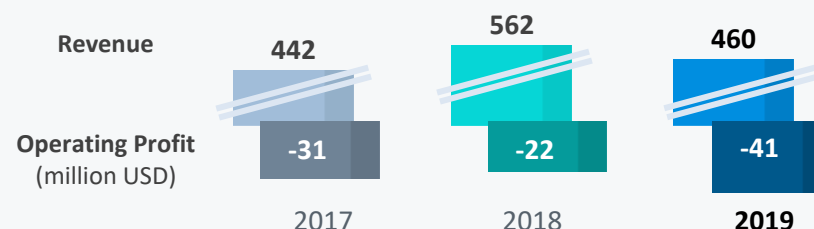


POSCO SS VINA

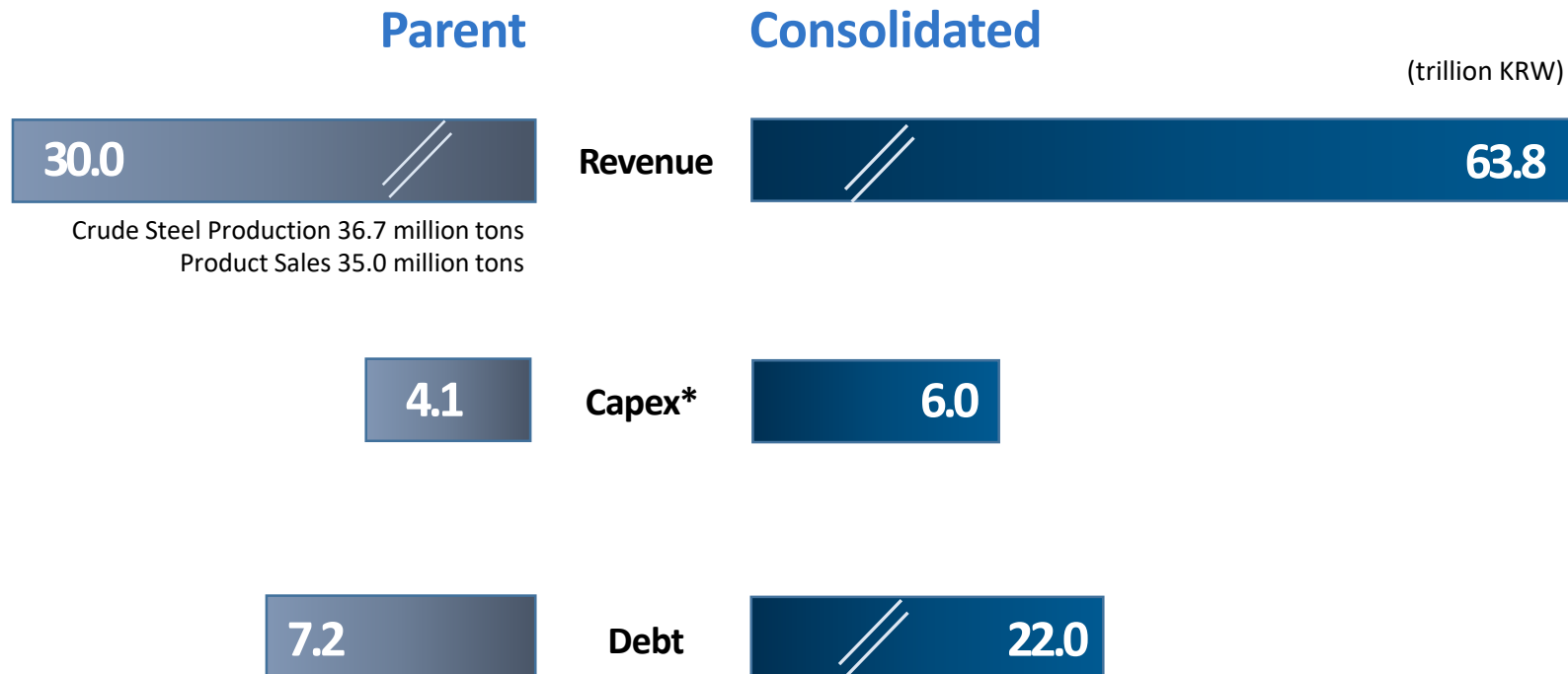
- Operating loss widened with weaker prices due to inflow of cheap products and worsened competition, and lower production/sales volume

- Sales volume(k tons) : '18) 918 → '19) 824 (-94)

- Push forward to improve profitability by business restructuring



2020 Business Outlook



* 2019 capex execution rate : Parent 70%, Consolidated 50%

Mid-term Dividend Policy (FY2020~FY2022)

Improve predictability of dividend policy by announcing mid-term target

○ Dividend Policy

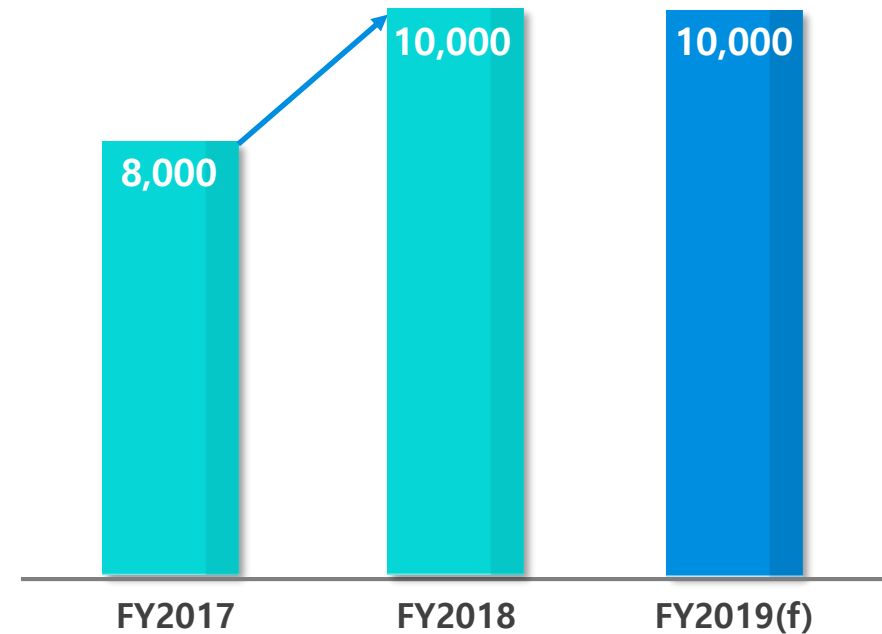
Target Pay-out Ratio around 30%

(Based on the profit attributable to owners of the controlling company)

- In calculating the profit, one-off costs not generating cash outflow will be adjusted
- Year-end dividend will be decided after comprehensive consideration of factors such as mid-term business plan, dividend yield, and FCF
- Mid-term dividend policy will be reviewed and announced on a 3-year basis

○ Dividend Per Share

(KRW)



※ Appendix

- **Market & Outlook**
 - Global Steel Demand
 - Domestic Steel Demand
 - Raw Materials Outlook
- **Summarized Financial Statements**
- **Aggregated Earnings by Segment**
- **Earnings Trend and Financial Soundness**

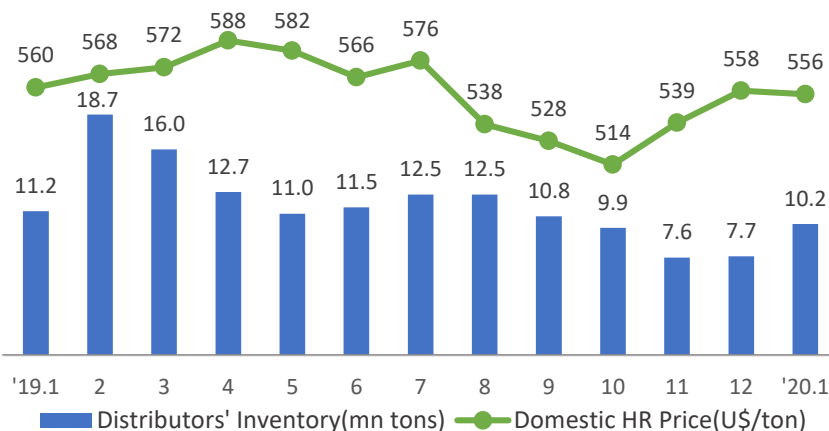
Global Steel Demand

Chinese Steel Demand

“Chinese steel price continued to be strong with winter production cut while steel demand sustained solid”

- ✓ Construction sector showcased results better than expected although economic growth slowed and manufacturing weakened
 - 2019 properties development investment up +9.9%, construction starts gained +8.5%
 - Manufacturing PMI went above baseline 50 for 2 consecutive months in Nov and Dec at 50.2
- ✓ In 4Q19, steel price remained strong temporarily by restocking demand and winter production control, but auto and other demand sectors will still be weak
 - Distributors' inventory slipped for 10 consecutive weeks from Oct to Dec

[Chinese Steel Price & Distributors' Inventory]



* Bloomberg(2020.1), CISA(2020.1)

Demand by Region

“Global steel demand growth in 2020 likely to slow down with low economic growth rate and continued trade dispute”

- ✓ Chinese demand in 2020 is expected to grow around 1.0% from last year to maintain 900 million tons mainly due to weakness in manufacturing sector and limited room for economic boost measure
- ✓ Advanced countries will show only 0.6% demand growth as U.S. and EU expect low economic growth rate and sluggish industrial activities
- ✓ Emerging markets will pull global demand supported by government-led stimulus and expanded infrastructure investment in India, ASEAN and Russia

[Steel Demand Outlook]

Region	(million tons)					
	2017	2018	2019(f)	YoY	2020(f)	YoY
U.S	97.7	99.8	100.8	1.0%	101.2	0.4%
EU	163.1	168.9	166.8	-1.2%	168.6	1.1%
China	773.8	835.0	900.1	7.8%	909.1	1.0%
India	88.7	96.7	101.6	5.0%	108.7	7.0%
ASEAN	73.5	77.1	79.5	3.1%	83.9	5.6%
MENA	71.7	68.9	66.1	-4.0%	66.9	1.1%
World	1,634	1,709	1,775	3.9%	1,806	1.7%

* World Steel Association(2019.10)

Domestic Steel Demand

Demand Industry

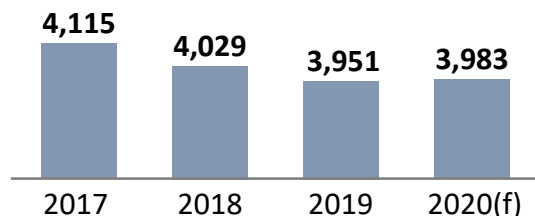


Automobile

- ✓ In 2020, auto production may fall under 4 mn units due to delayed recovery in domestic and export markets, but will show slight recovery yoy
 - Weak domestic performance due to liabilities and end of government subsidies

【Production】

(thousand cars)



* Korea Automobile Manufacturers Association(2020.1), POSRI(2020.1)

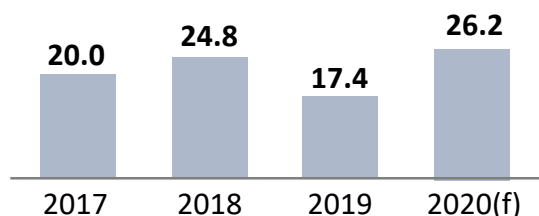


Shipbuilding

- ✓ New orders expected to grow as global demand recovers along with environment-friendly ship demand
 - Replacement demand will increase on IMO environment regulation

【New Orders】

(million GT)



* Clarkson(2020.1), POSRI(2020.1)

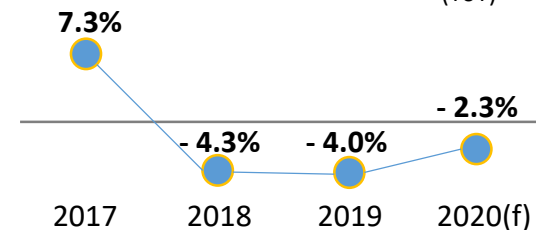


Construction

- ✓ Construction investment will decrease yoy but the rate will be narrower as public investment is expected to expand
 - Government will increase SOC to vitalize the economy

【Construction Investment】

(YoY)



* Bank of Korea(2020.1), POSRI(2020.1)

Steel Supply and Demand

(million tons)

	2017	2018	2019(e)	YoY	2020(f)	YoY
Nominal Consumption	56.3	53.7	53.3	- 0.7%	52.6	- 1.4%
Export	31.7	30.4	30.4	- 0.2%	30.5	+ 0.4%
Production	77.1	75.2	73.7	- 2.1%	73.4	- 0.3%
Import	10.9	8.9	10.0	+ 12.4%	9.6	- 4.2%
Including Semi-Product	19.7	15.4	16.8	+ 9.2%	15.8	- 6.1%

* POSRI(2020.1)

Raw Materials Outlook

Iron Ore

4Q19

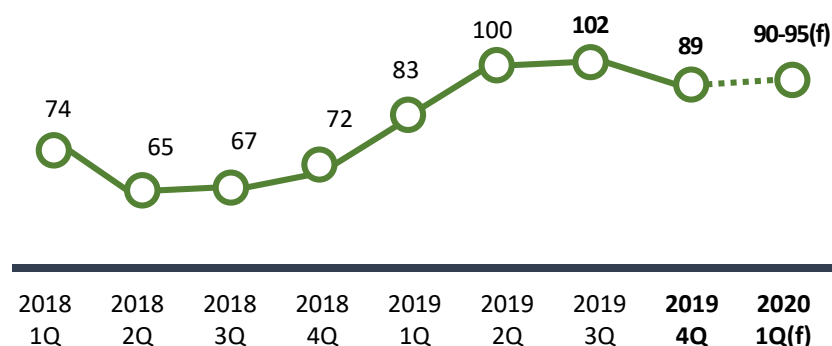
While steel demand is slack, iron ore supply increased by major miners, which lowered the price down under U\$80 early November. Since mid-Nov, demand strengthened as Chinese steel market improved and winter environment control was loosened, which pushed up the price to record U\$89/ton average in 4Q

1Q20

“1Q fine ore price expected at U\$90~95/ton”

Steel production in China is sustained and restocking demand is expected ahead of rainy season in Australia/Brazil from Dec to Mar. Iron ore price is expected to trend between U\$90~95/ton depending on steel demand and Chinese port inventory

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



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

Coking Coal

4Q19

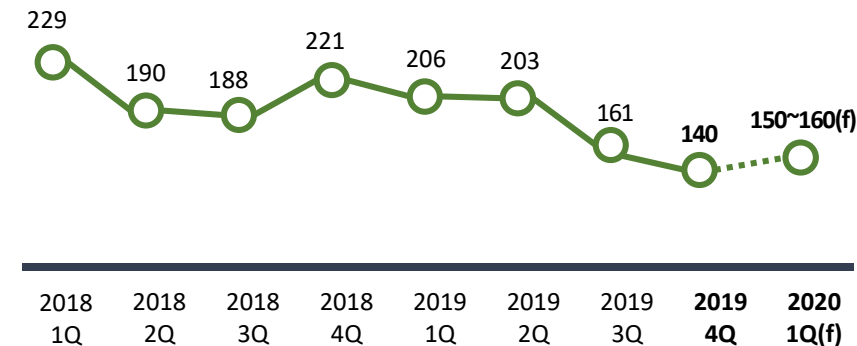
Demand was significantly weakened due to Chinese government's strict regulation on coal import, credit crunch in India and continued depression of steel demand in Europe and Japan followed by production cut. 4Q average coal price recorded U\$140/ton, which marked the lowest in 3 years

1Q20

“1Q HCC price expected at U\$150~160/ton”

In China, coal import is likely to increase as domestic coal price is continuously higher than import coal and demand for import will grow due to renewal of annual import quota. Coal demand will also rebound in India as domestic steel sector is on a recovery. 1Q coal price will be higher than 4Q20

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



*Premium Coking Coal FOB Australia (Quarterly Price)

Summarized F/S_Parent Income Statement

	2017	2018	2019	YoY
Crude Steel Production (thousand tons)	37,206	37,738	38,007	+269
Product Sales (thousand tons)	34,709	35,588	35,990	+402
STS	1,997	2,001	1,968	-33
Carbon Steel Sales Price (thousand KRW)	691	733	722	-11
(billion KRW)				
Revenue	28,554	30,659	30,374	-285
Cost of Goods Sold	23,833	25,728	26,701	973
Gross Profit	4,721	4,931	3,673	-1,258
SG&A	1,818	1,122	1,087	-35
Operating Profit	2,903	3,809	2,586	-1,223
(Operating Margin)	(10.2%)	(12.4%)	(8.5%)	(-3.9%p)
Non-Operating Profit	452	-1,575	-755	820
Net Profit	2,546	1,073	1,176	103
(Net Margin)	(8.9%)	(3.5%)	(3.9%)	(+0.4%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)				
	2017	2018	2019	YoY
Current Assets	14,840	16,796	18,216	+1,420
Cash Balance*	6,157	7,285	8,822	+1,537
Accounts Receivable	3,868	3,968	3,987	+19
Inventories	4,544	5,288	4,989	-299
Current Ratio	415.7%	431.1%	546.8%	+115.7%p
Non-Current Assets	38,852	37,330	37,495	+165
Other Long-term financial assets	1,393	1,177	1,258	+81
PP&E	21,561	20,154	20,132	-22
Total Assets	53,692	54,126	55,711	+1,585
Liabilities	7,751	8,854	10,097	+1,243
Current Liabilities	3,570	3,896	3,331	-565
Non-Current Liabilities	4,181	4,958	6,765	+1,807
Interest-bearing Debt	3,901	4,271	6,338	+2,067
Liabilities Ratio	16.9%	19.6%	22.1%	+2.5%p
Equity	45,941	45,272	45,614	+342

* 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)				
	2017	2018	2019	YoY
Revenue	60,655	64,978	64,367	-611
Gross Profit	8,356	7,972	6,250	-1,722
(Gross Margin)	(13.8%)	(12.3%)	(9.7%)	(-2.6%p)
SG&A	3,734	2,430	2,382	-48
Operating Profit	4,622	5,543	3,869	-1,674
(Operating Margin)	(7.6%)	(8.5%)	(6.0%)	(-2.5%p)
Non-Operating Profit	-341	-1,554	-719	+835
Share of Profit(Loss) of Equity-accounted Investees	11	113	274	+161
Finance Income and Costs	-112	-538	-370	+168
Foreign Currency Transaction & Translation Gain(Loss)	170	-204	-36	+168
Net Profit	2,974	1,892	1,983	+91
(Net Margin)	(4.9%)	(2.9%)	(3.1%)	(+0.2%p)
Profit Attributable to Owners of the Controlling Company	2,790	1,691	1,835	+144

* 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)				
	2017	2018	2019	YoY
Current Assets	31,127	33,651	34,842	+1,191
Cash Balance*	9,595	10,678	12,463	+1,785
Accounts Receivable	8,951	9,283	9,078	-205
Inventories	9,951	11,500	10,920	-580
Current Ratio	164.3%	177.7%	213.5%	+35.8%p
Non-Current Assets	47,898	44,597	44,216	-381
Other Long-term financial assets	1,912	1,648	1,669	+21
PP&E	31,884	30,018	29,926	-92
Total Assets	79,025	78,248	79,059	+811
Liabilities	31,561	31,489	31,264	-225
Current Liabilities	18,946	18,938	16,324	-2,614
Non-Current Liabilities	12,615	12,551	14,940	+2,389
Interest-bearing Debt	21,064	20,209	20,442	+233
Liabilities Ratio	66.5%	67.3%	65.4%	-1.9%p
Equity	47,464	46,760	47,795	+1,035
Owners of the Controlling Company	43,733	43,371	44,472	+1,101

* 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)

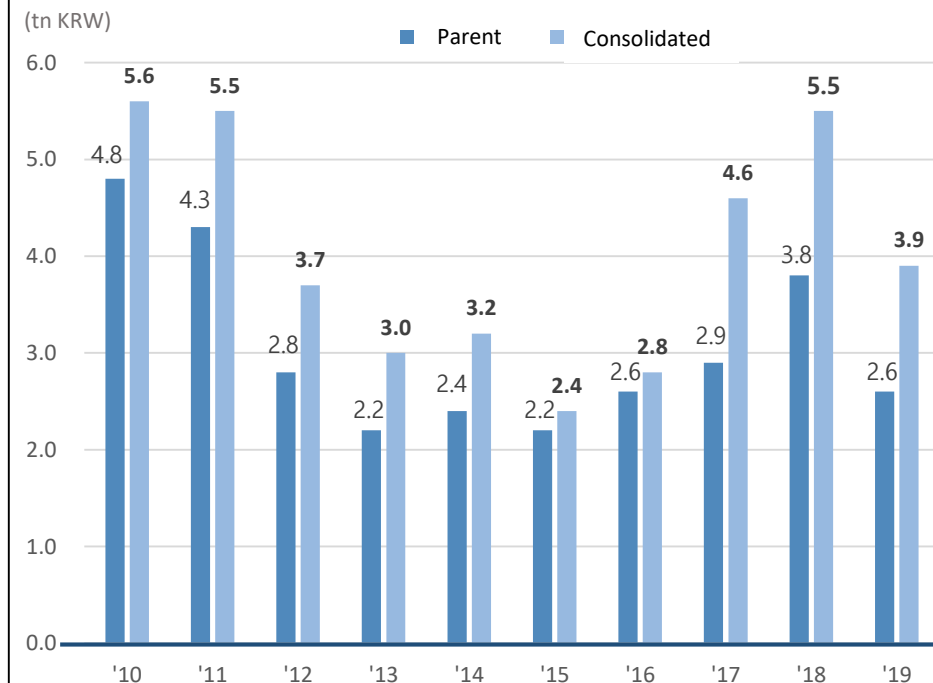
Segment	Revenue			Operating Profit			Net Profit		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Steel	47,611	50,421	49,808	3,605	4,516	2,687	2,791	1,272	586
Global&Infra	45,892	50,409	49,808	995	1,033	1,180	304	-14	657
Trading	34,878	38,319	37,625	423	491	654	113	50	160
E & C	7,286	7,321	7,713	289	326	266	25	0.2	30
Energy	1,697	1,983	1,944	185	72	166	100	-38	390
I C T	956	934	977	57	41	48	42	-34	40
New Growth*	1,231	1,428	1,513	96	104	83	65	78	85
Total	94,734	102,258	101,129	4,696	5,653	3,950	3,160	1,336	1,328

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

Earnings Trend and Financial Soundness

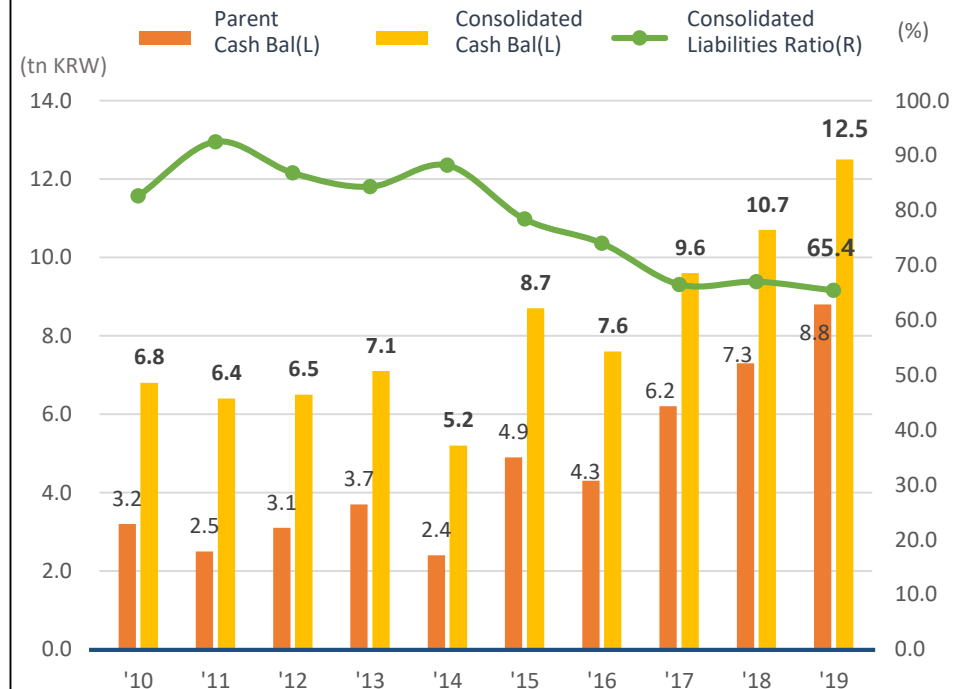
Maintain profitability and improve financial structure continuously against market volatility

Operating Profit



OP margin(%)	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19
Consolidated	11.3	7.8	5.7	4.8	4.9	4.1	5.4	7.6	8.5	6.0
Parent	14.7	11.1	7.8	7.3	8.0	8.7	10.8	10.2	12.4	8.5

Financial Structure



Consolidated D/E(x)*	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19
	2.5	3.5	4.0	4.6	4.5	4.7	4.1	2.9	2.5	3.0

* Debt/EBITDA : Moody's formula applied (Off-balance sheet liabilities included in debt, finance costs included in EBITDA)