

3Q 2020 Earnings Release

October 23, 2020

posco

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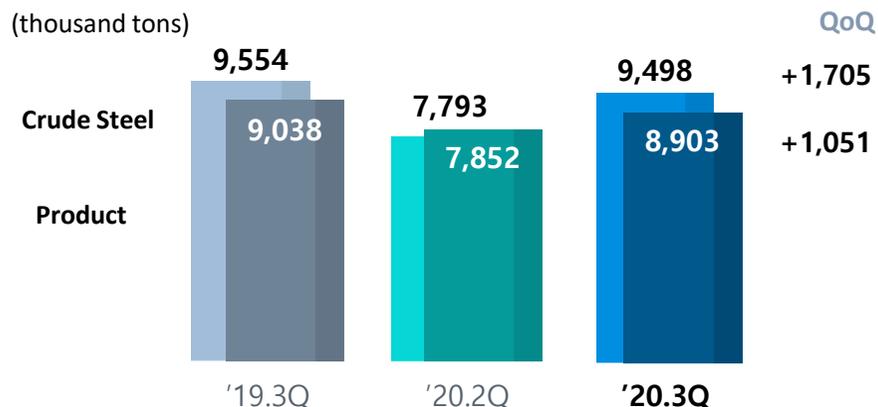
- **3Q 2020 Business Performance**
 - Parent Performance
 - Consolidated Performance
 - Subsidiary Performance

- **Key Business Activity**

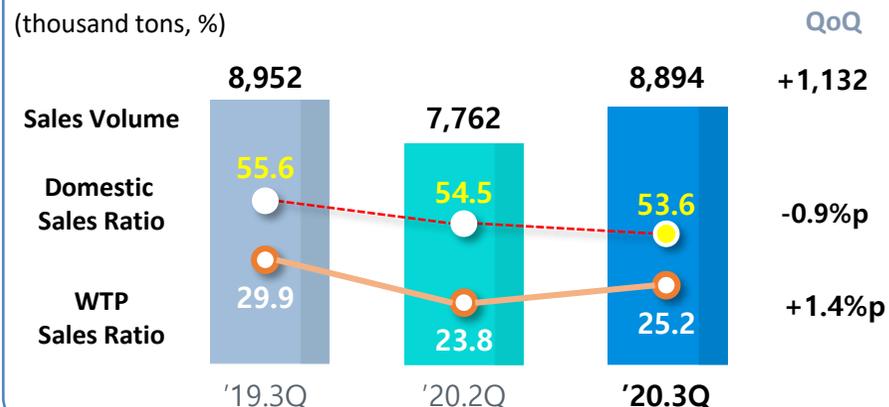
- **2020 Business Outlook**

Parent Performance_Production / Sales

Production



Sales



○ Production of crude steel and products recovered on Gwangyang #3 Blast Furnace's operation start and rebound of order volume similar to 3Q19

- **(Iron & Steel-making Processes)** Operation of G #3 Blast Furnace started on July 10 after revamping
- **(Rolling Mills)** Production increased with CR/CG order picked up
 - HR +247, CR/CG +867, Plate +73 thousand tons, etc.

[Product Production]

(thousand tons)	'19.3Q	'20.2Q	'20.3Q	QoQ
Carbon	8,536	7,460	8,478	+1,018
STS	502	392	425	+33

○ Shipments recorded 3Q19 level with strong sales of high margin products incl. CR/CG backed by demand recovery in auto sector

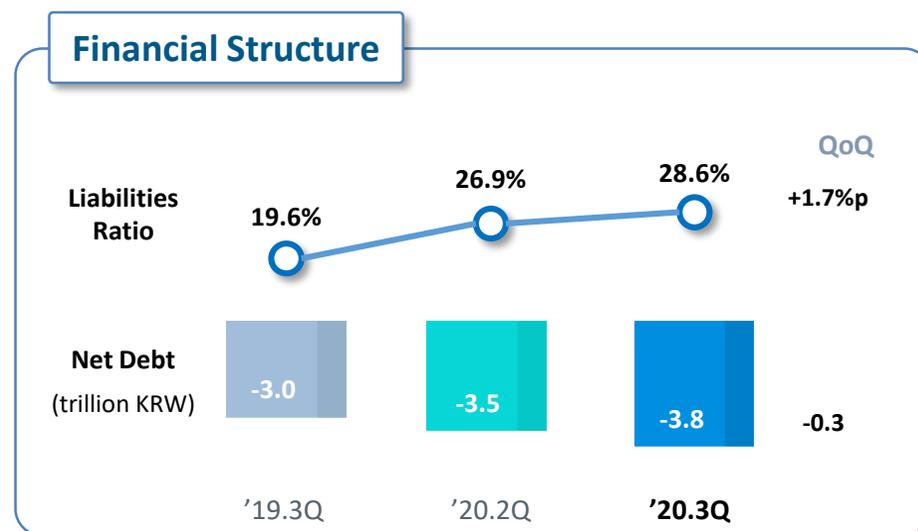
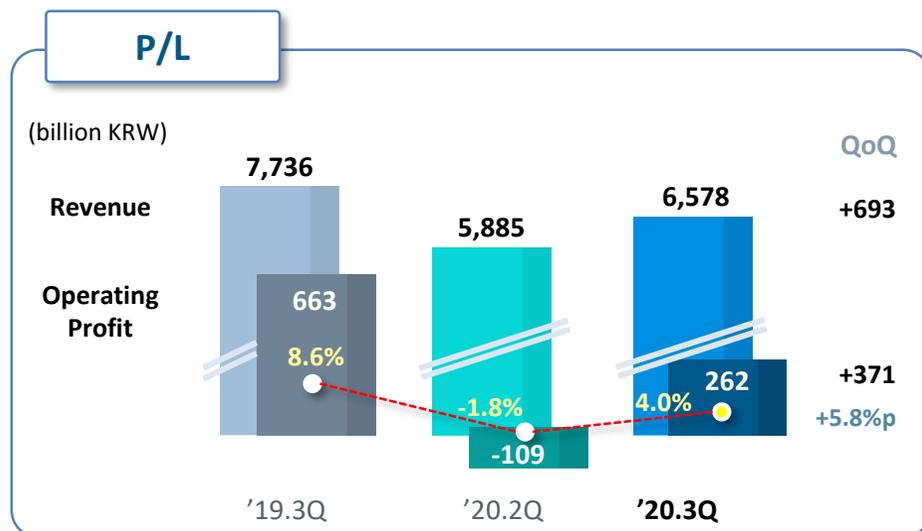
- Product sales increase (thousand tons) : CR/CG +735, HR +347, etc.
- WTP sales (thousand tons) : '20.2Q) 1,711 → 3Q) 2,142 (+431)
 - * Sales volume to auto industry (thousand tons) : 464 → 750 (+286)

[Product Sales]

(thousand tons)	'19.3Q	'20.2Q	'20.3Q	QoQ
Domestic	4,973	4,234	4,770	+536
Export	3,979	3,528	4,124	+596
Inventory	1,220	1,121	1,038	-83

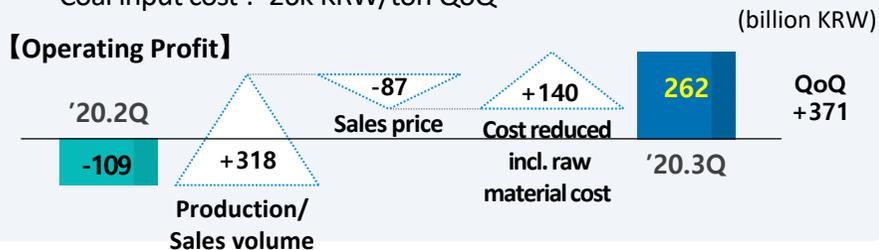
*WTP(World Top Premium) includes World First/World Best products

Parent Performance



- Turned operating profit from 2Q loss on 1) recovery of production and sales volume to the level before COVID-19 which led to reduced per ton fixed cost and 2) decreased manufacturing cost esp. per ton raw material cost

- Sales price continued to rise from the June lowest
- Raw material cost down from weaker coking coal price and using more low-priced raw material
- * Coal input cost : -26k KRW/ton QoQ



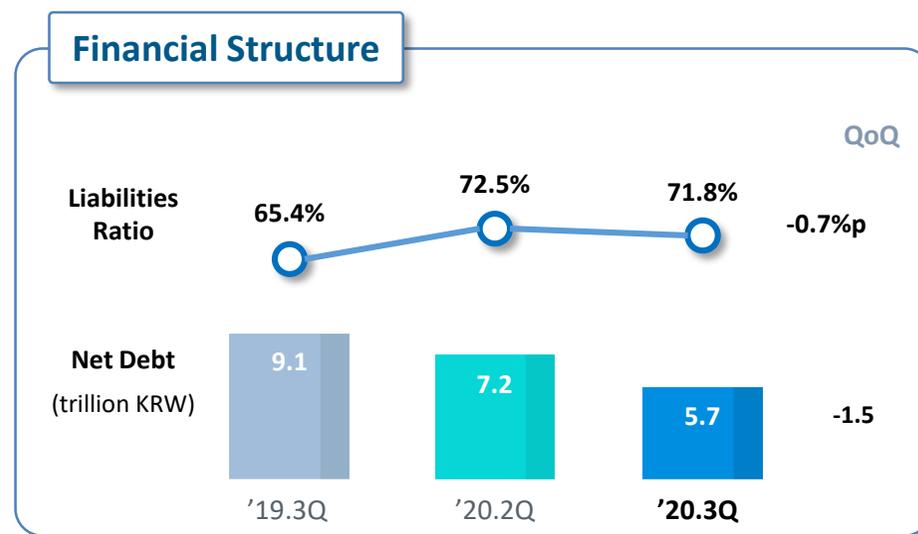
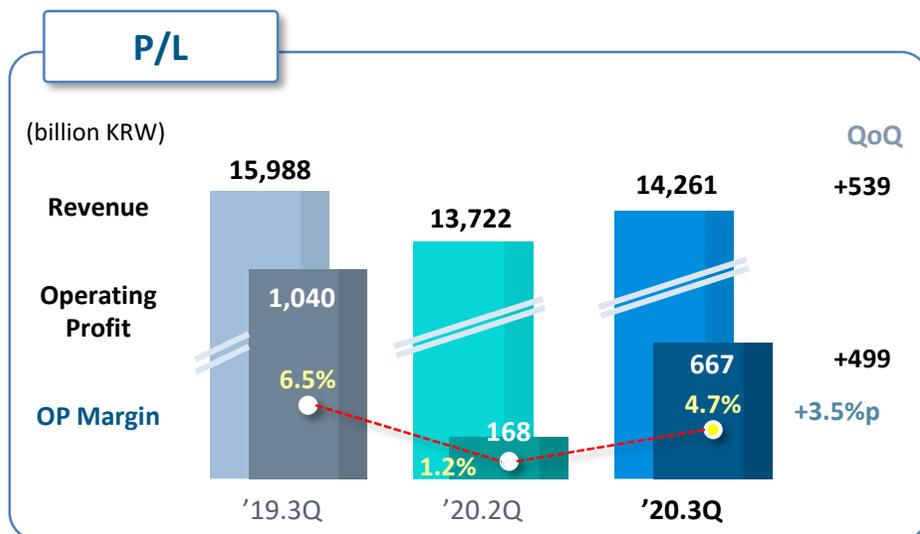
- During pandemic, focused on stringent cash-flow management to secure financial soundness by maintaining inventory lower, strengthening net cash position

- Product and raw material inventories decreased due to expanded production/sales volume
- Inventory (trillion KRW) : '20.2Q) 4.2 → 3Q) 3.9

【Cash Balance & Debt】

(billion KRW)	'19.3Q	'20.2Q	'20.3Q	QoQ
Cash Balance	7,850	12,065	12,905	+840
Debt	4,842	8,562	9,072	+510

Consolidated Performance



- Consolidated OP marked large improvement on steel segment result esp. stronger performance of overseas operations, along with sound earnings of Global&Infra and New Growth segments

【Aggregated Operating Profit】

(billion KRW)	'19.3Q	'20.2Q	'20.3Q	QoQ
Steel	710	-197	345	+542
Overseas steel	8	-93	70	+163
Global&Infra	322	282	304	+22
New Growth	26	1	18	+17

* 3Q OP of overseas steel companies (million USD) : Zhangjiagang STS 18, P-Vietnam 5.3, P-Mexico 4.6, Guangdong CGL 4.5, P-Malaysia 2.4, QPSS(Qingdao) 1.9

- Group-wide priority on strengthening cash-flow management improved liabilities ratio by increasing cash balance and reducing debt

· Debt(bn KRW): POSCO International -330 (Won-denominated bonds 130, trade financing, etc.)

【Cash Balance & Debt】

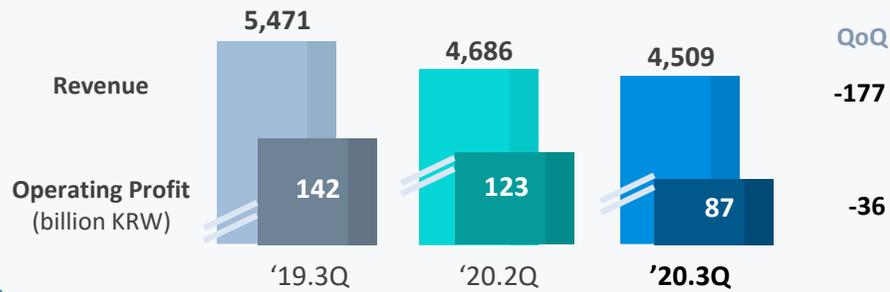
(billion KRW)	'19.3Q	'20.2Q	'20.3Q	QoQ
Cash Balance	10,709	16,892	17,887	+994
Debt	19,855	24,089	23,582	-507

Subsidiary Performance_Domestic

POSCO International

- Trading segment recovered, but earnings shrank as gas production and sales volume decreased due to regular maintenance of gas platform (Sep 4~23)

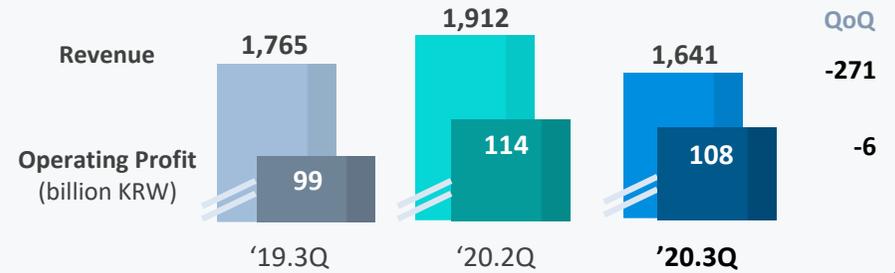
- Gas sales(billion ft³) : '20.2Q) 50.0 → 3Q) 44.6



POSCO E&C

- While revenue declined with major projects completed, solid profit sustained on sound performance of housing building segment

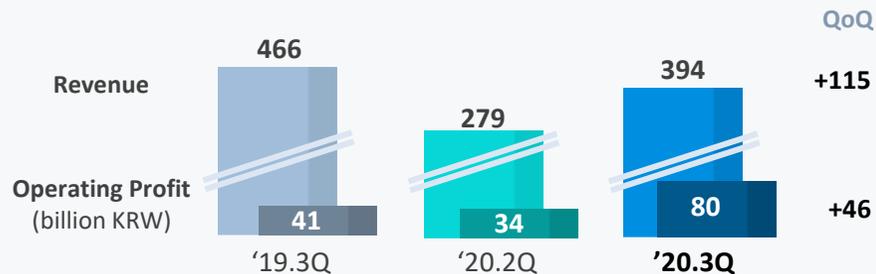
- Major projects ended include Yeouido Parc 1 (Jul 20), Songdo Landmark City (Jul 16)



POSCO Energy

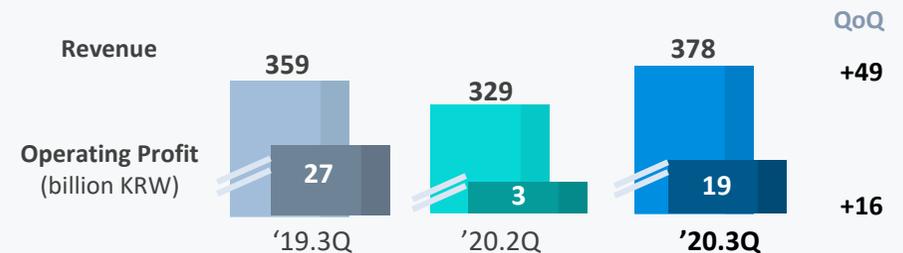
- Profit more than doubled backed by expanded direct purchase of LNG to Incheon LNG Power Plant Unit 4 (Jul 1~) and increased capacity payment during peak season

- CP(KRW/kWh) : '20.2Q) 4.6 → 3Q) 12.1



POSCO Chemical

- Revenue and operating profit gained as lime and chemical business improved on larger steel production volume and cathode/anode sales(+61% QoQ) increased

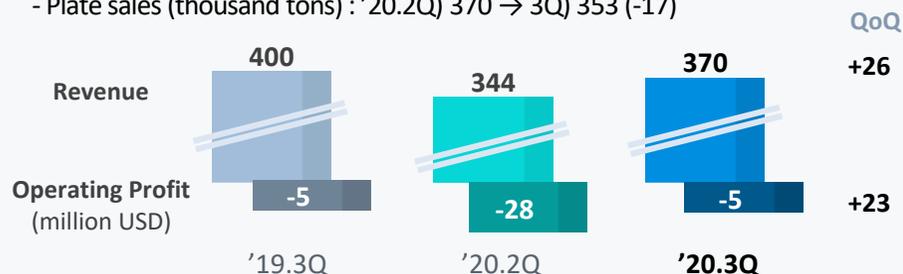


Subsidiary Performance_Overseas

PT. Krakatau POSCO

- Posted higher operating profit with stronger sales price while raw material price hiked and sales volume decreased due to maintenance of plate mill in Aug

- Plate sales (thousand tons) : '20.2Q) 370 → 3Q) 353 (-17)

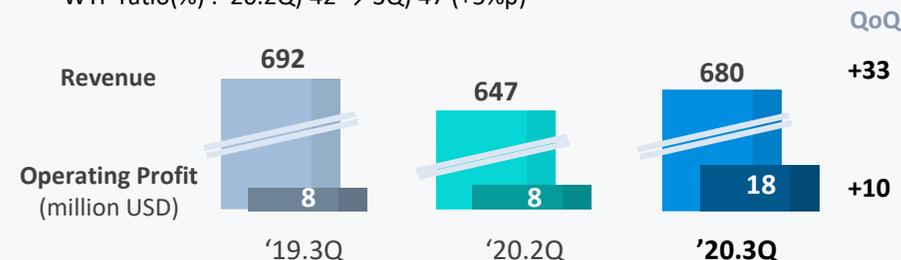


Zhangjiagang STS (PZSS)

- Operating profit went up by WTP sales growth, cost-effective raw material purchase and low cost production

- Sales volume (thousand tons) : '20.2Q) 337 → 3Q) 324 (-13)

* WTP ratio(%) : '20.2Q) 42 → 3Q) 47 (+5%p)

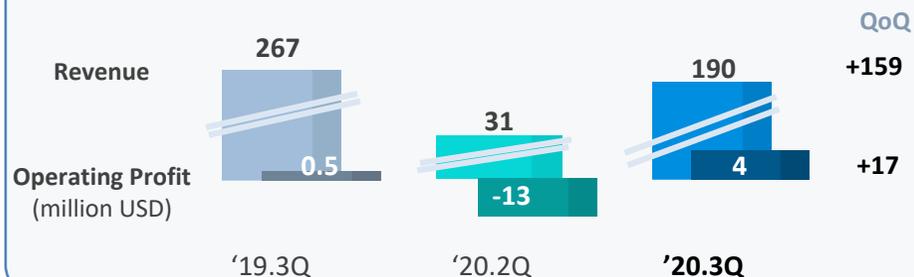


POSCO Maharashtra

- Operating profit gained on expanded sales volume under loosened lockdown in India

- Sale volume (thousand tons) : '20.2Q) 44 → 3Q) 269 (+225)

* State of Maharashtra is still under lockdown, but economy reopened partially since May

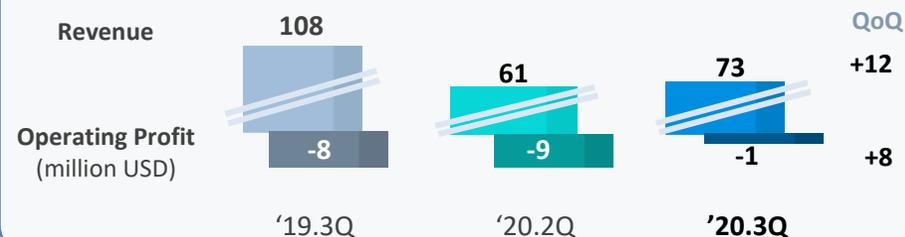


PY VINA

- Well on track to seeing positive impact of business restructuring, it has turned around since August narrowing the size of operating loss QoQ

- Sales volume (thousand tons) : '20.2Q) 120 → 3Q) 140 (+20)

- Monthly operating profit (million USD) : Jul) -1.8 → Aug) 0.1 → Sep) 0.8



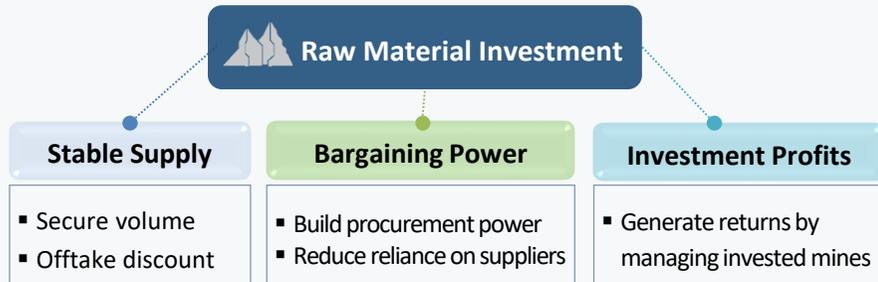
Key Business Activity_Raw Material Cost Competitiveness

Gain profits by investing in raw material assets

Major invested mines (16 projects in 8 countries)

- [By country] Australia 4, Canada 3, Brazil 3, South Africa 2, etc.
- [By material type] Coal 5, Iron ore 5, Steel-making/STS materials 6
 - . Coal : Australia - Mt. Thorley, Foxleigh, Canada – Greenhills
 - . Iron ore : Australia - Roy Hill, Canada - AMMC, Brazil – KOBRASCO
 - . Steelmaking/STS : Brazil CBMM(Niobium), South Africa POSCHROME(Cr)

Contribute to enhancing profitability through stable sourcing of raw materials and investment competitiveness



- Offtake volume is secured to be less affected by supply disruption
- Lower reliance on suppliers and raise bargaining power by lifting self-sufficiency ratio
- During upcycle, investment returns diminish procurement cost burden

Stable financial profits garnered from stake investment in mines

- Annually about 400 billion KRW including dividends

Reduce input cost by enhancing competitiveness in procuring and using raw materials

Enhance competitiveness in purchasing raw material



Explore replaceable material

- Explore new source supplied at lower price from adjacent regions such as Russia/Indonesia
- Enhance negotiating power and secure stability of supply by diversifying sources for high grade material



Integrated procurement

- Raise bargaining power and save cost through carrying out integrated volume negotiations in cooperation with domestic/overseas subsidiaries

Strengthen competitiveness in raw material use by expanding technology for using low-cost materials and operating AI-based smart factories

- Develop and operate optimal raw material mix estimation and control technology

- Build database on characteristics of raw material by type and conduct Big Data analysis on operation conditions and raw material market trend
- Apply most optimized blending ratio by simulating slab cost and use maximum volume of low-priced raw materials

ex) Reduced use of high price pellet by 65% in 2Q 20 from 1Q when iron ore price soared

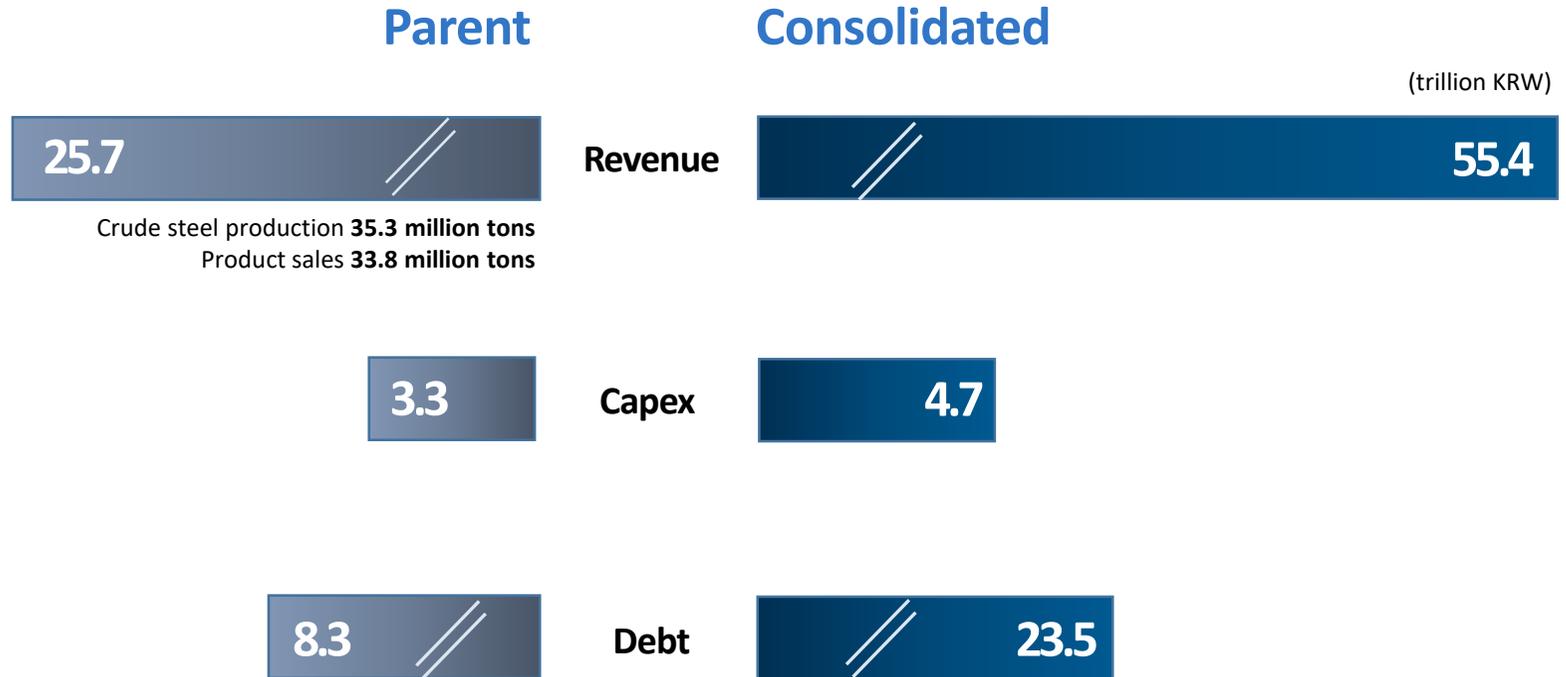
- Cost reduction is achieved by using AI-based process control technology

- Design processes to maintain product quality even using cheaper materials

- Smart inventory management by automation of raw material yard
- Optimized blending ratio
- Maximize use of low price materials
- Precision control of temperature/ingredients in Steelmaking~Continuous casting process
- Automation of rolling process, apply AI
- Product surface inspection using deep learning-based image recognition, superior quality management by establishing tracking system for product locations



2020 Business Outlook



✂ Appendix

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

Summarized F/S_Parent Income Statement

	'19.3Q	'20.2Q	'20.3Q	QoQ
Crude Steel Production (thousand tons)	9,554	7,793	9,498	+1,705
Product Sales (thousand tons)	8,952	7,762	8,894	+1,132
STS	533	415	451	+36
Carbon Steel Sales Price (thousand KRW)	734	643	634	-9
				(billion KRW)
Revenue	7,736	5,885	6,578	+693
Cost of Goods Sold	6,813	5,743	6,064	+321
Gross Profit	923	142	514	+372
SG&A	261	251	252	+1
Operating Profit	663	-109	262	+371
(Operating Margin)	(8.6%)	(-1.8%)	(4.0%)	+5.8%p
Non-Operating Profit	31	58	18	-40
Net Profit	499	7	181	+174
(Net Margin)	(6.5%)	(0.1%)	(2.7%)	+2.6%p

Summarized F/S_Parent Balance Sheet

(billion KRW)

	'19.3Q	'20.2Q	'20.3Q	QoQ
Current Assets	17,717	20,017	20,873	+856
Cash Balance*	7,850	12,065	12,905	+840
Accounts Receivable	4,046	3,143	3,687	+544
Inventories	5,286	4,216	3,853	-363
Current Ratio	627.1%	422.5%	369.7%	-52.8%p
Non-Current Assets	37,712	37,603	37,452	-151
Other Long-term financial assets	1,263	1,177	1,125	-52
PP&E	19,944	20,187	20,086	-101
Total Assets	55,428	57,620	58,326	+706
Liabilities	9,092	12,217	12,956	+739
Current Liabilities	2,825	4,738	5,646	+908
Non-Current Liabilities	6,267	7,480	7,310	-170
Interest-bearing Debt	4,842	8,562	9,072	+510
Liabilities Ratio	19.6%	26.9%	28.6%	+1.7%p
Equity	46,336	45,403	45,370	-33

* 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)

	'19.3Q	'20.2Q	'20.3Q	QoQ
Revenue	15,988	13,722	14,261	+539
Gross Profit	1,613	734	1,207	+473
(Gross Margin)	(10.1%)	(5.3%)	(8.5%)	+3.2%p
SG&A	573	566	540	-26
Operating Profit	1,040	168	667	+499
(Operating Margin)	(6.5%)	(1.2%)	(4.7%)	+3.5%p
Non-Operating Profit	-186	-0.7	0.3	+1
Share of Profit(Loss) of Equity-accounted Investees	89	-12	89	+101
Finance Income and Costs	-89	-21	-44	-22
Foreign Currency Transaction & Translation Gain(Loss)	-43	49	83	+34
Net Profit	497	105	514	+409
(Net Margin)	(3.1%)	(0.8%)	(3.6%)	+2.8%p
Profit Attributable to Owners of the Controlling Company	431	40	466	+426

Summarized F/S_Consolidated Balance Sheet

(billion KRW)

	'19.3Q	'20.2Q	'20.3Q	QoQ
Current Assets	34,710	37,746	38,249	+503
Cash Balance*	10,709	16,892	17,887	+995
Accounts Receivable	9,714	8,562	8,894	+332
Inventories	11,770	9,744	9,021	-723
Current Ratio	207.1%	206.7%	207.7%	+1.0%p
Non-Current Assets	44,909	44,366	43,842	-524
Other Long-term financial assets	1,686	1,596	1,564	-32
PP&E	30,335	30,162	29,851	-311
Total Assets	79,619	82,112	82,091	-21
Liabilities	31,491	34,519	34,301	-218
Current Liabilities	16,762	18,266	18,412	+146
Non-Current Liabilities	14,729	16,253	15,889	-364
Interest-bearing Debt	19,855	24,089	23,582	-507
Liabilities Ratio	65.4%	72.5%	71.8%	-0.7%p
Equity	48,128	47,593	47,790	+197
Owners of the Controlling Company	44,756	44,331	44,437	+106

* 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		
	'19.3Q	'20.2Q	'20.3Q	'19.3Q	'20.2Q	'20.3Q	'19.3Q	'20.2Q	'20.3Q
Steel	12,725	9,788	11,348	710	-197	345	395	-148	203
Global&Infra	12,067	10,906	10,189	322	282	304	288	284	205
Trading	9,072	8,030	7,477	161	115	107	0.1	72	58
E & C	1,877	1,986	1,705	92	97	84	58	137	34
Energy	500	316	431	52	45	91	210	50	69
I C T	240	224	235	10	13	11	9	10	9
New Growth*	372	340	409	26	1	18	23	-3	11
Total	25,164	21,034	21,946	1,058	86	667	706	133	419