



posco

2020 Earnings Release

Jan 28, 2021

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2020 Business Performance

- Parent Performance
- Consolidated Performance
- Financial Structure
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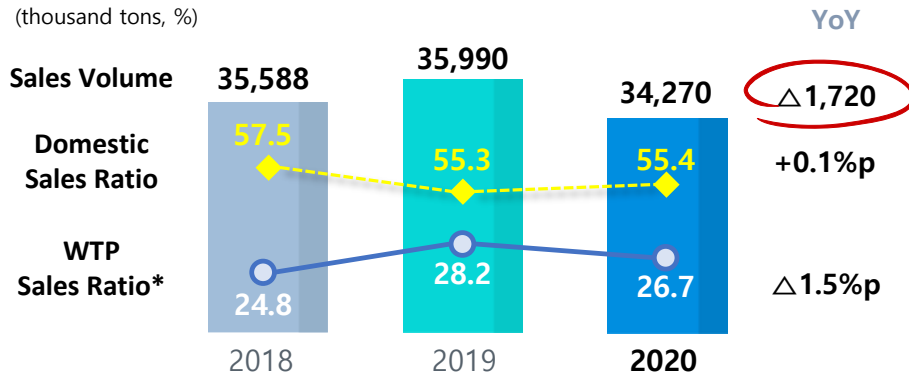
Mid-term Business Strategies

Appendix

Parent Performance_Sales/Production

Sales

(thousand tons, %)

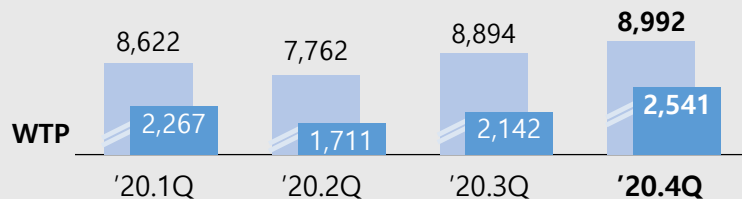


* Categorized based on 2020. Excluded ex-order, semi-product from total sales volume

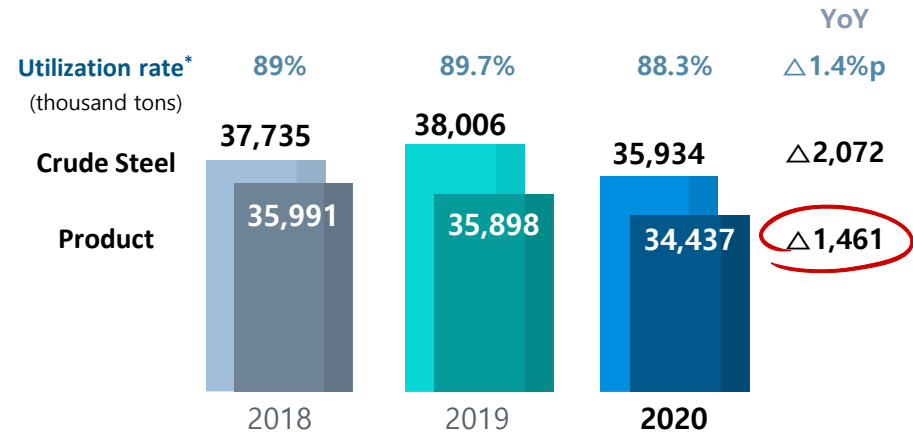
- Sales volume bounced as of 2H 2020 by increasing high value-added product sales while yearly sales volume dropped due to sluggish demand under COVID-19

• Year-on-Year sales volume (k tons) : HR +233, CR/Plated steel $\Delta 1,359$

[Quarterly Sales Volume (thousand tons)]



Production



* Utilization rate : Crude steel production/total steel capacity

- Production volume decreased due to flexible operation towards slow orders and revamp of Gwangyang #3 BF

• Year-on-Year production volume (k tons) : HR +389, CR/Plated steel $\Delta 777$

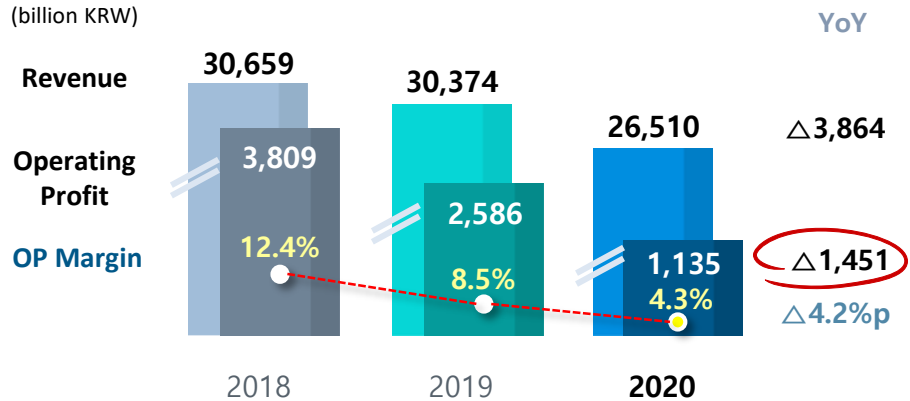
[Quarterly Production]

(thousand tons)	'20.1Q	'20.2Q	'20.3Q	'20.4Q
Carbon	8,241	7,460	8,477	8,460
STS	481	391	425	502

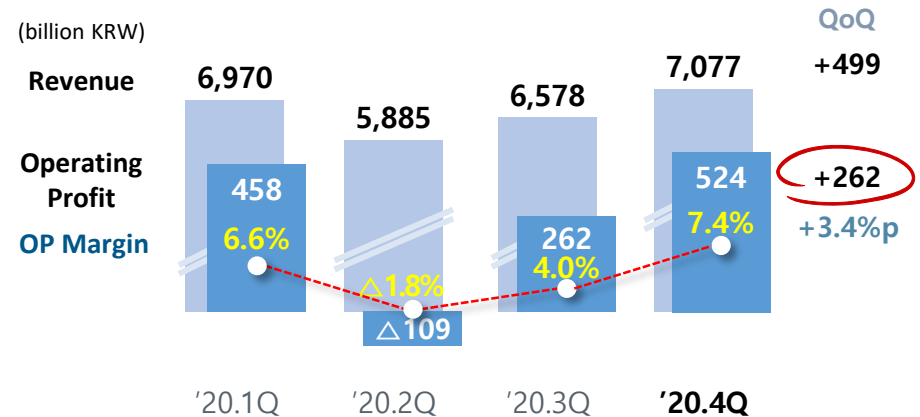
[Inventory(k tons)] '18.E) 1,500 → '19.E) 1,087 → '20.E) 943

Parent Performance_P/L

2020

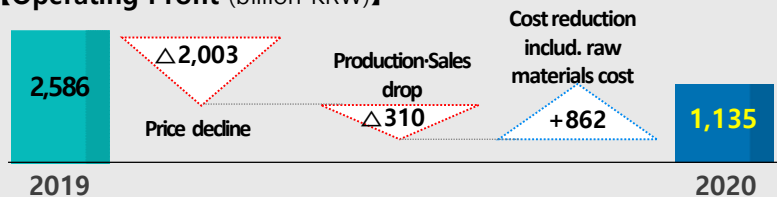


2020 4Q



- Operating profit declined as product price fell and both production/sales volume decreased

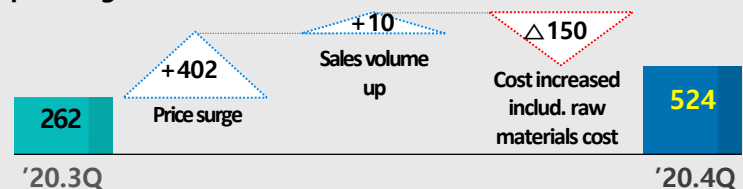
【Operating Profit (billion KRW)】



- Price (Carbon steel, thousand KRW/tons) : '19) 722 → '20) 662 ($\Delta 60$)
- Hard coking coal Index (FOB Aus., yearly avg., US\$/t) : '19) 177 → '20) 124 ($\Delta 53$)

- 4Q operating profit edged up QoQ as WTP product sales expanded and product price increased as major demand industries started to pick up

【Operating Profit (billion KRW)】

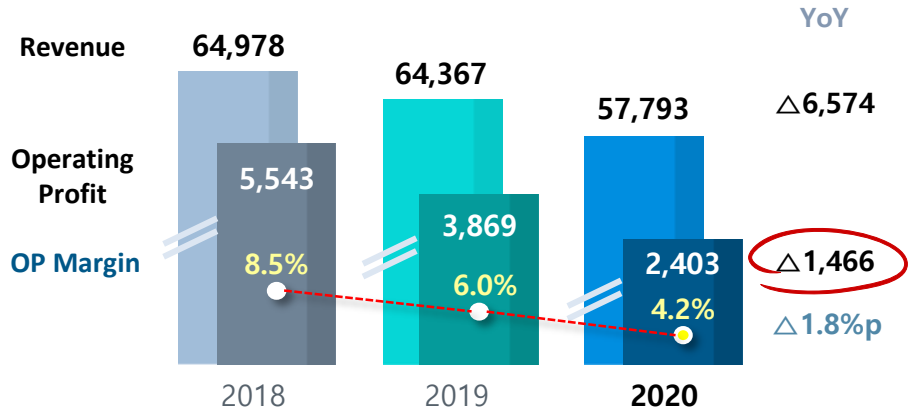


- Price (Carbon steel thousand KRW/ton) : '20.3Q) 634 → '20.4Q) 679 (+45)
- WTP ratio(%) : '20.3Q) 25.2% → '20.4Q) 29.7% (+4.5%p)

Consolidated Performance_P/L

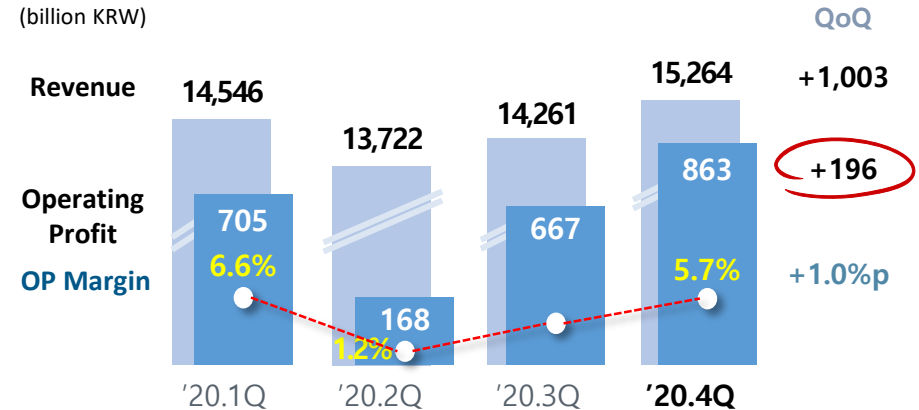
2020

(billion KRW)



2020 4Q

(billion KRW)



- Maintained stable performance from Global Infrastructure sector, while steel sector profit fell YoY due to slow market, affected by COVID-19

[Aggregated Operating Profit]

(billion KRW)	2018	2019	2020	YoY
Steel	4,519	2,688	1,205	Δ1,483
Overseas Steel (mil US\$)	45	Δ2	3	+5
Global&Infra.	1,030	1,179	1,188	+9
New Growth	104	82	54	Δ28

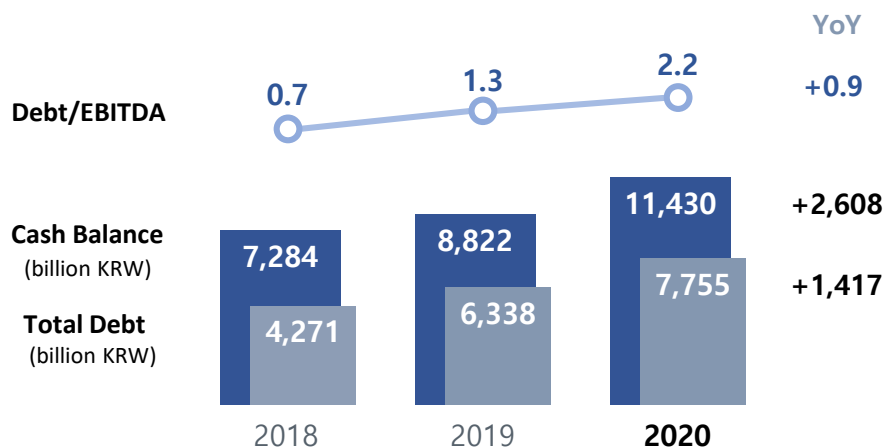
- 4Q operating profit rose QoQ as steel sector profitability improved, supported by extended overseas steel profit and higher WTP product sales towards auto industries

[Aggregated Operating Profit]

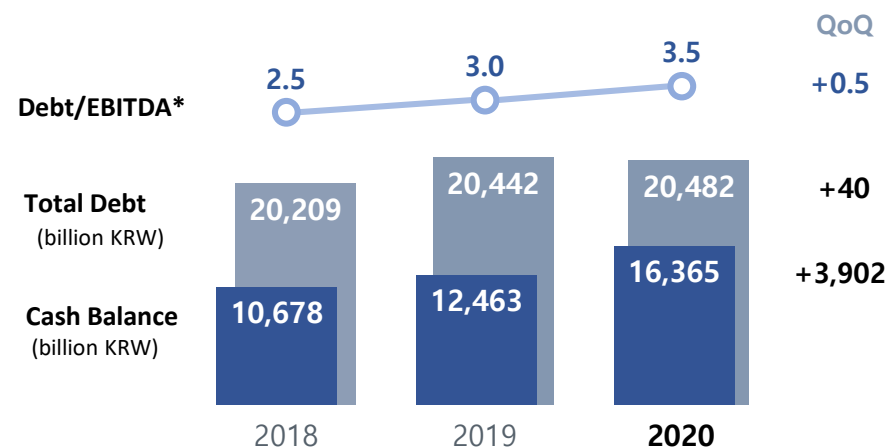
(billion KRW)	'20.1Q	'20.2Q	'20.3Q	'20.4Q	QoQ
Steel	383	Δ197	341	679	+338
Overseas Steel (mil US\$)	Δ7	Δ8	6	12	+6
Global&Infra.	376	282	308	223	Δ85
New Growth	14	1	18	21	+3

Financial Structure

Separate



Consolidated



* Based on Moody's standard (Consider unrecorded liabilities in debt and net finance cost in EBITDA)

○ Cash increased due to preemptive financing for debt repayment and operation under cash-based management

- Refinancing: US\$940 million, €500 million * Repayment schedule : ('21.) 1.4 trillion KRW
- Inventory : '19.E) 5.0 → '20.E) 4.1 trillion (△0.9 trillion)

【Liabilities ratio, EBITDA】

(billion KRW)	2018	2019	2020	YoY
Liabilities ratio	19.6%	22.1%	25.9%	+3.8%p
EBITDA	5,990	4,824	3,516	△1,308
※ Operating cash flow	4,776	3,601	5,153	+1,552

○ Cash grew in an effort to reduce net working capital, while total debt and liabilities ratio levelled off yearly despite OP drop

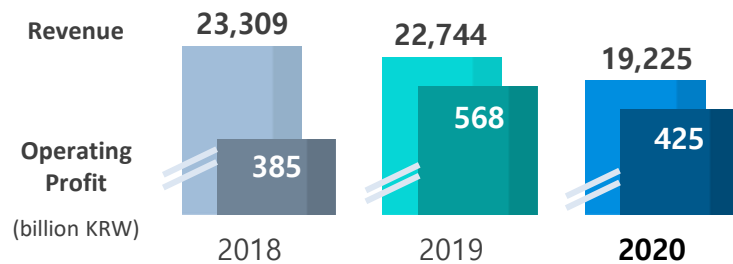
	2018	2019	2020	YoY
Net Working Capital (trillion KRW)	16.8	16.6	13.4	△3.2
Receivables	9.3	9.1	8.1	△1.0
Inventories	11.5	10.9	9.0	△1.9
Payables	4.0	3.4	3.7	+0.3
Liabilities ratio	67.3%	65.4%	65.9%	+0.5%p
EBITDA	8,810	7,330	6,025	△1,305

Subsidiary Performance_Domestic

POSCO International

- Profit fell as sales volume declined due to maintenance of Myanmar gas field(Sep 4~23) and price drop from lower oil price

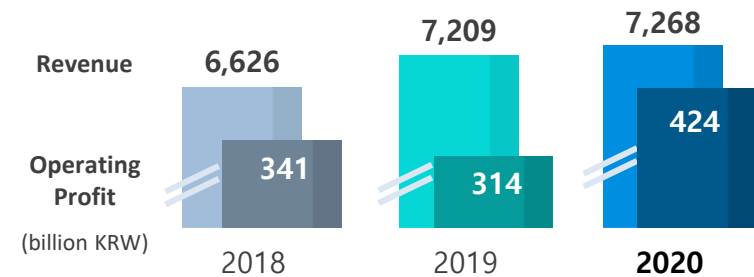
- Sales volume Δ 16.3 billion ft³, (YoY, Avg. basis) WTI Δ 32.4% (YoY)



POSCO E&C

- Profit surged YoY as construction and plant sector performance improved

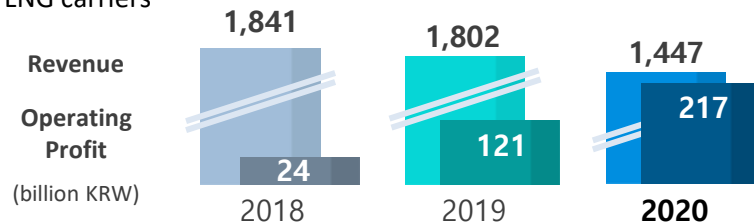
- OP by major sector (YoY) : Construction +33.6 billion KRW, Plant +80.8 billion KRW



POSCO Energy

- Profit went up due to direct purchase of LNG and expansion of terminal-related businesses

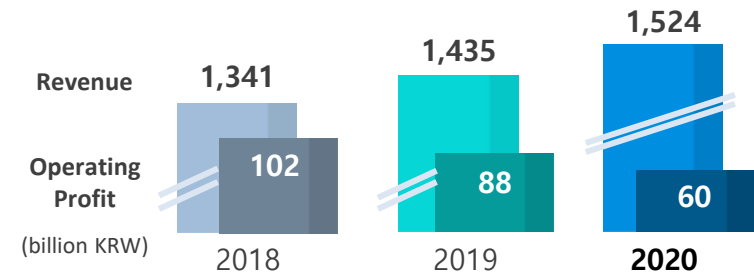
- Power generation profitability improved as Incheon #3 and #4 power plants applied low-cost LNG through direct purchase
 - Expanded terminal related businesses, including test operation of LNG carriers



POSCO Chemical

- Profit from refractory and general chemicals slid due to slower steel production and lower oil price

- Revenue edged up YoY as cathode and anode material sales increased

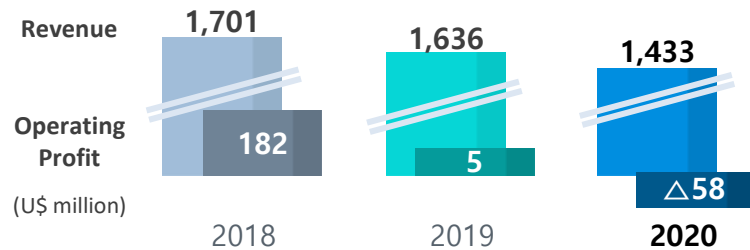


Subsidiary Performance_Overseas

PT. Krakatau POSCO

- Recorded OP loss as price dropped under the effect of COVID-19, though started its recovery from 2H20

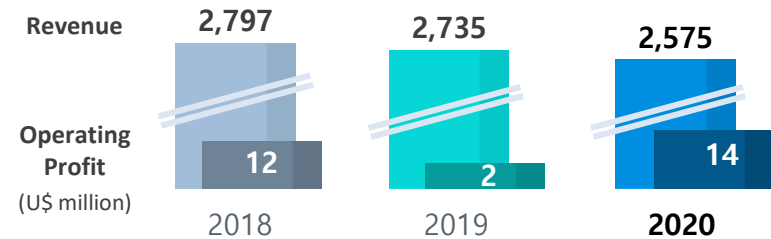
- Sales price(YoY) : SLAB Δ 9.8%, Plate Δ 19.5%
- Operating Profit (U\$ million) : '20.1H) Δ 66 \rightarrow '20.2H) +8 (+74)



Zhangjiagang STS (PZSS)

- Profit improved YoY through WTP product sales expansion and cost reduction efforts as managing raw material spot purchase, adaptable to market fluctuation

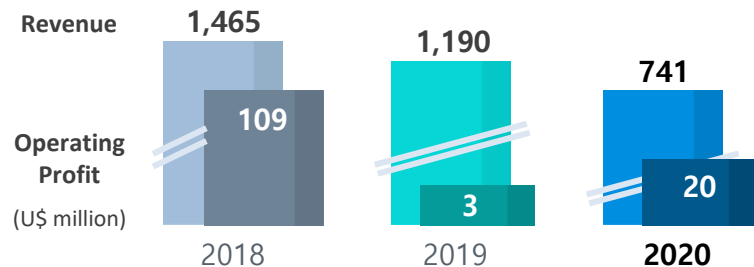
- Sales volume (k tons) : '19) 1,247 \rightarrow '20) 1,259 (+12)
- WTP sales volume(%) : '19) 37 \rightarrow '20) 46 (+9%p)



POSCO Maharashtra

- Profit went up as price hiked due to 2H demand recovery, albeit sales volume dropped from lockdown during 1H

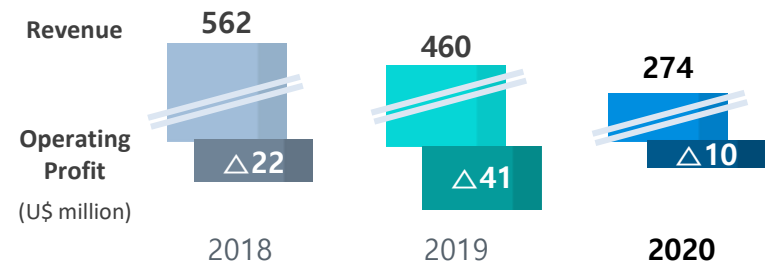
- Sales volume (k tons) : '19) 1,567 \rightarrow '20) 1,051 (Δ 566)



PY VINA

- Turned profit from August as business restructuring started to take effect, which pushed up 2H OP level

- Operating profit (U\$ million) : '20.1H) Δ 12.2 \rightarrow '20.2H) 2.3 (+14.5)



Mid-term Business Strategy

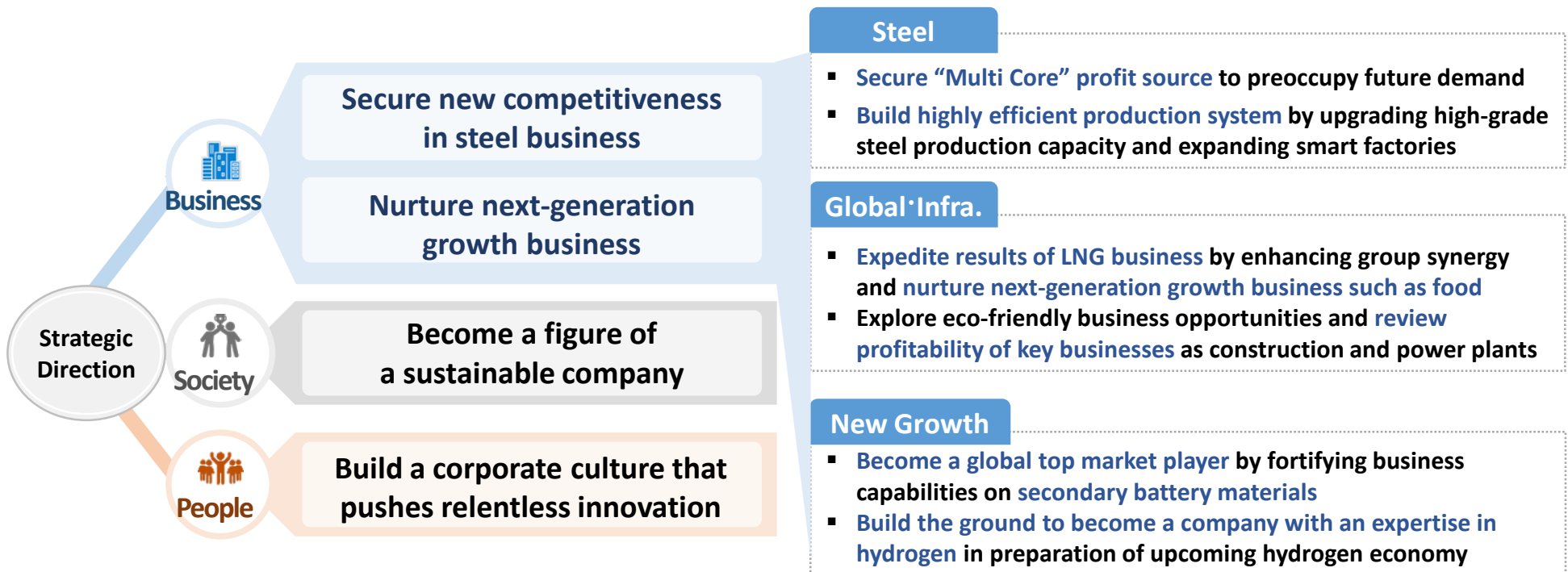
- **Strategic Direction**
- **Business Strategies by Sectors**
- **Major Business Target**

Strategic Direction

Push for growth and innovation under the corporate citizenship management philosophy

Building a Better Future Together

With POSCO, We're the POSCO



Business Strategies by Sectors

Steel

Secure stable profitability source (“Multi-core”) by preoccupying future new demand

Mega-trend from Steel Industry

Mobility



Build biz-platform of eco-friendly vehicles based on steel

Construction



Expand sales of INNOVILT* products

Environment&Energy



Preoccupy new market by fortifying eco-friendly products and solutions (off-shore wind power, hydrogen-related steel etc.)

* Innovation, Value, and Built

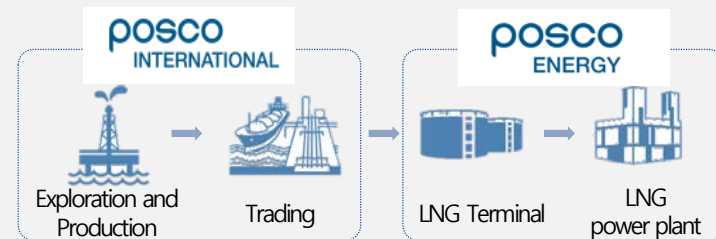
Strengthen manufacturing competitiveness by building low-cost, high-quality, high-efficiency production system

- Increase optimized level of production lines with **larger application of smart factories**
- **Strengthen quality competitiveness** and increase high-end steel production capabilities through facility enhancement
- **Innovate cost structure by further reducing fixed cost**

Global&Infra.

Expand LNG business synergy within subsidiaries and nurture food business

- Focus strengths of subsidiaries to expedite results of LNG business



- Build 10 million tons of food production system through expansion throughout the value chain

Review profitability of core biz and explore new business opportunities related to the environment

[Construction] Expand orders from Green/Digital sector linked to Korean New Deal policy
- Renewable energy plants as offshore solar/wind-power, and hydrogen cities, etc.

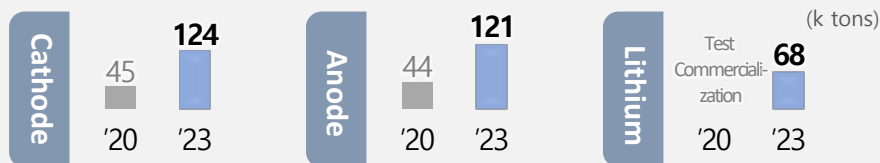
[Power Plant] Enhance strength in LNG power plant and venture new growth potential related to the environment

Business Strategies by Sectors

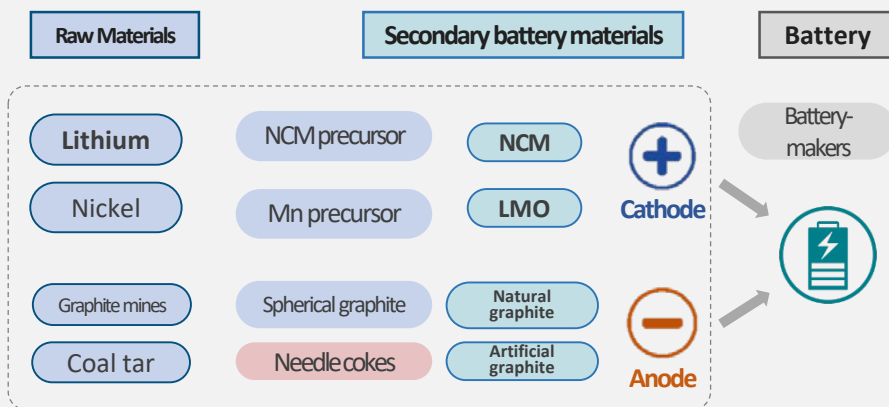
Secondary battery materials

Become a global top market player in secondary battery materials

- Secure market up-hand by moving forward on capacity expansion



- Upgrade competitiveness by expanding value chain in raw materials (as lithium, Nickel, graphite)



Hydrogen

Build the groundwork to become a hydrogen-based company as hydrogen economy is at the merge

- Enter hydrogen business using group capacity and gradually develop production and sales

- Explore sales opportunities while running test businesses and secure key-technologies
- Utilize group resources and explore demand with leading companies both home and abroad

Step 1 ('21~'22)

Add additional 2,000t of off-gas hydrogen by ramping-up existing facilities

Step 2 ('23~'25)

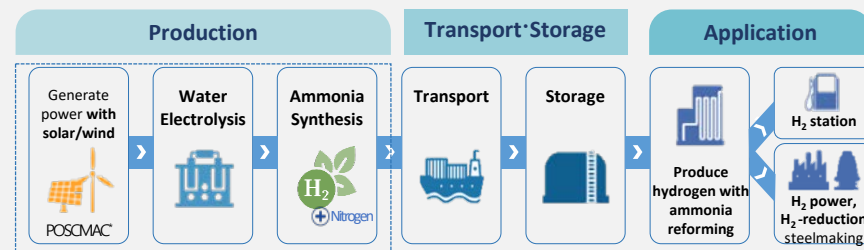
Build 70,000 t/yr* of production by investing in hydrogen extraction facilities

Step 3 ('26~)

Produce blue hydrogen & embark green hydrogen (2mil t/yr by 2040)

* Amount rechargeable for 0.46 mil tons of passenger vehicles : Require 0.15t/yr per unit, based on yearly average mileage from Korea Transportation Safety Authority and authorized mileage of hydrogen vehicle

- (Target) Become a market leader by developing green hydrogen

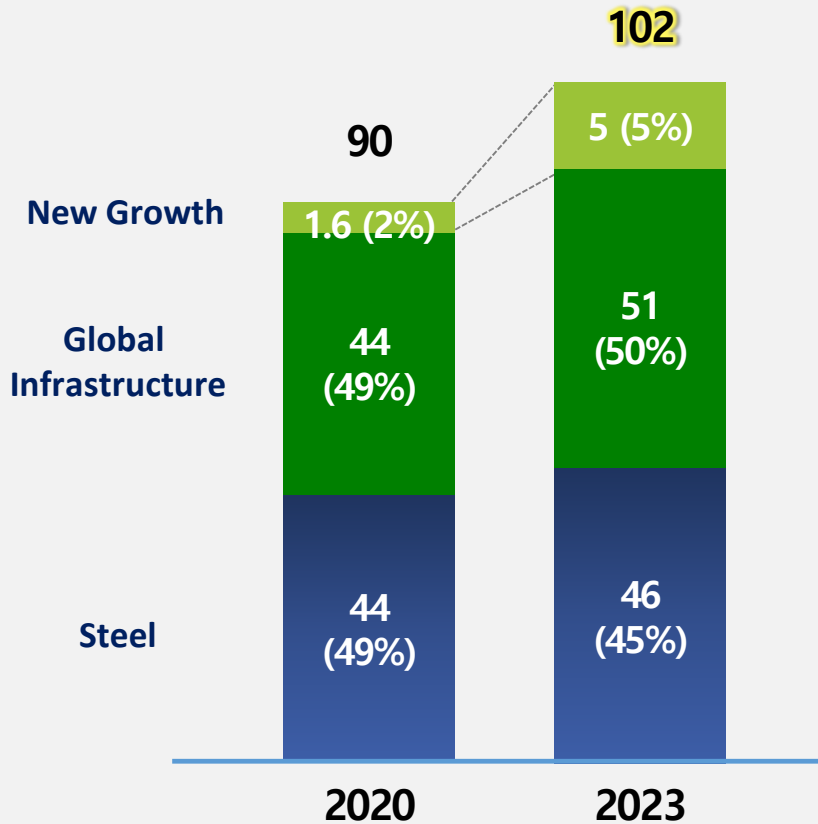


*PosMAC: High-corrosion resistant alloy coated steel produced by POSCO's proprietary technologies, used for structural steel for solar power plant

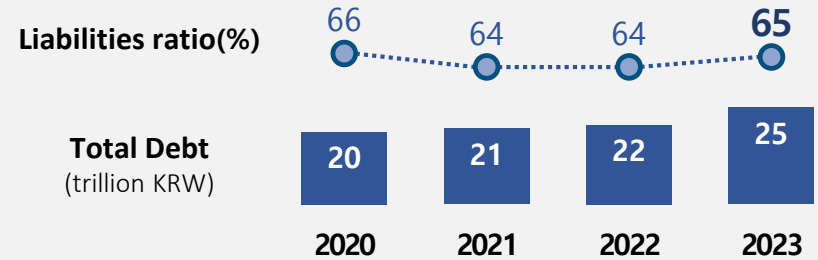
Major Business Target

Revenue Target

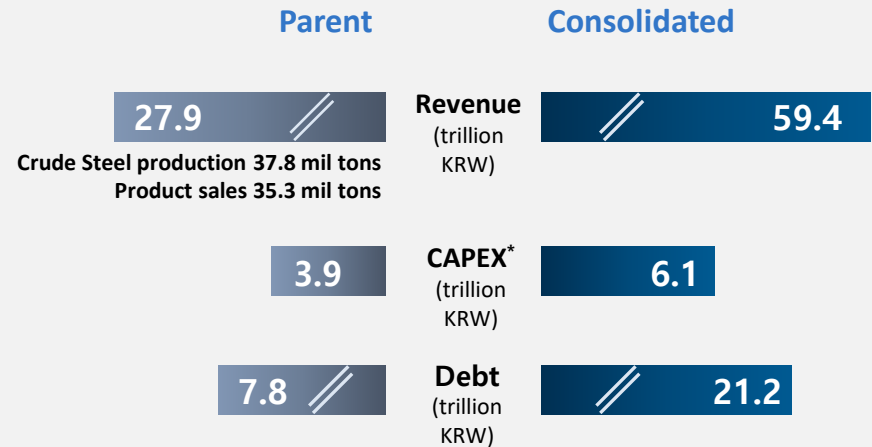
(Based on aggregated revenue, trillion KRW)



Consolidated financial structure



2021 Business Target



* 2020 execution rate : Parent 66%, Consolidated 57%



Summarized Financial Statements

- Summarized F/S_Parent (IS, BS)
- Summarized F/S_Consolidated (IS, BS)



Earnings Trend and Financial Soundness

Summarized F/S_Parent Income Statement

	2018	2019	2020	YoY
Crude Steel Production (thousand tons)	37,735	38,006	35,934	△2,072
Product Sales (thousand tons)	35,588	35,990	34,270	△1,720
STS	2,001	1,968	1,819	△149
Carbon Steel Sales Price (thousand KRW)	733	722	662	△60
				(billion KRW)
Revenue	30,659	30,374	26,510	△3,864
Cost of Goods Sold	25,728	26,701	24,323	△2,378
Gross Profit	4,931	3,673	2,187	△1,486
SG&A	1,122	1,086	1,051	△35
Operating Profit	3,809	2,586	1,135	△1,451
(Operating Margin)	(12.4%)	(8.5%)	(4.3%)	△4.2%p
Non-Operating Profit	△1,575	△755	△117	+638
Net Profit	1,073	1,176	966	△210
(Net Margin)	(3.5%)	(3.9%)	(3.6%)	△0.3%p

Summarized F/S_Parent Balance Sheet

(billion KRW)

	2018	2019	2020	YoY
Current Assets	16,796	18,216	19,580	+1,364
Cash Balance*	7,284	8,822	11,430	+2,608
Accounts Receivable	3,968	3,987	3,694	△293
Inventories	5,288	4,989	4,094	△895
Current Ratio	431.1%	546.8%	384.7%	△162.1%p
Non-Current Assets	37,330	37,495	37,215	△280
Other Long-term financial assets	1,177	1,258	1,073	△185
PP&E	20,154	20,132	20,217	+85
Total Assets	54,126	55,711	56,795	+1,084
Liabilities	8,854	10,097	11,680	+1,583
Current Liabilities	3,896	3,332	5,089	+1,757
Non-Current Liabilities	4,958	6,765	6,591	△174
Interest-bearing Debt	4,271	6,338	7,755	+1,417
Liabilities Ratio	19.6%	22.1%	25.9%	+3.8%
Equity	45,272	45,614	45,115	△499

* 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)

	2018	2019	2020	YoY
Revenue	64,978	64,367	57,793	△6,574
Gross Profit	7,972	6,250	4,720	△1,530
(Gross Margin)	(12.3%)	(9.7%)	(8.2%)	△1.5%p
SG&A	2,430	2,382	2,317	△65
Operating Profit	5,543	3,869	2,403	△1,466
(Operating Margin)	(8.5%)	(6.0%)	(4.2%)	△1.8%p
Non-Operating Profit	△1,554	△719	△296	+423
Share of Profit(Loss) of Equity-accounted Investees	113	274	133	△141
Finance Income and Costs	△538	△370	△215	+155
Foreign Currency Transaction & Translation Gain(Loss)	△204	△36	229	+265
Net Profit	1,892	1,983	1,788	△195
(Net Margin)	(2.9%)	(3.1%)	(3.1%)	-
Profit Attributable to Owners of the Controlling Company	1,691	1,835	1,602	△233

* 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)

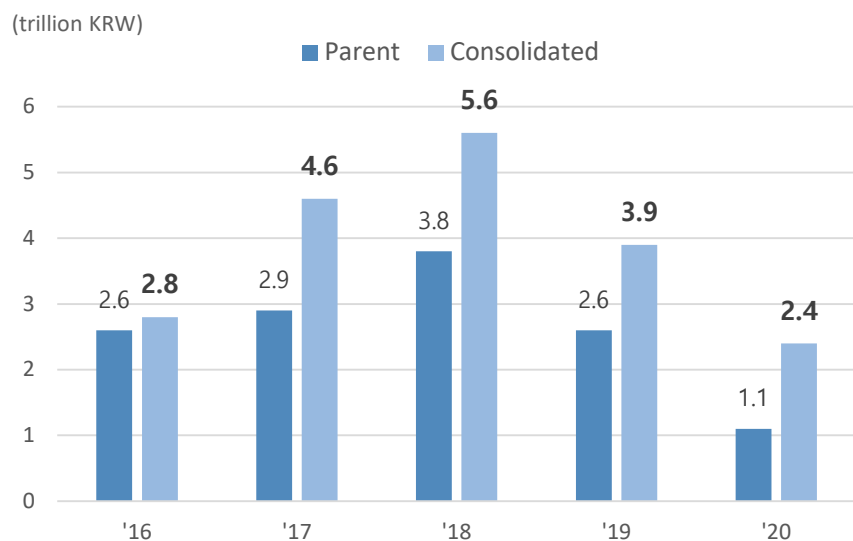
	2018	2019	2020	YoY
Current Assets	33,651	34,842	35,831	+989
Cash Balance*	10,678	12,463	16,365	+3,902
Accounts Receivable	9,283	9,078	8,105	△973
Inventories	11,500	10,920	9,052	△1,868
Current Ratio	177.7%	213.4%	213.9%	+0.5%p
Non-Current Assets	44,597	44,216	43,256	△960
Other Long-term financial assets	1,648	1,669	1,562	△107
PP&E	30,018	29,926	29,400	△526
Total Assets	78,248	79,059	79,087	+28
Liabilities	31,489	31,264	31,412	+148
Current Liabilities	18,938	16,324	16,855	+531
Non-Current Liabilities	12,551	14,940	14,557	△383
Interest-bearing Debt	20,209	20,442	20,482	+40
Liabilities Ratio	67.3%	65.4%	65.9%	+0.5%p
Equity	46,760	47,795	47,675	△120
Owners of the Controlling Company	43,371	44,472	44,331	△141

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

Earnings Trend

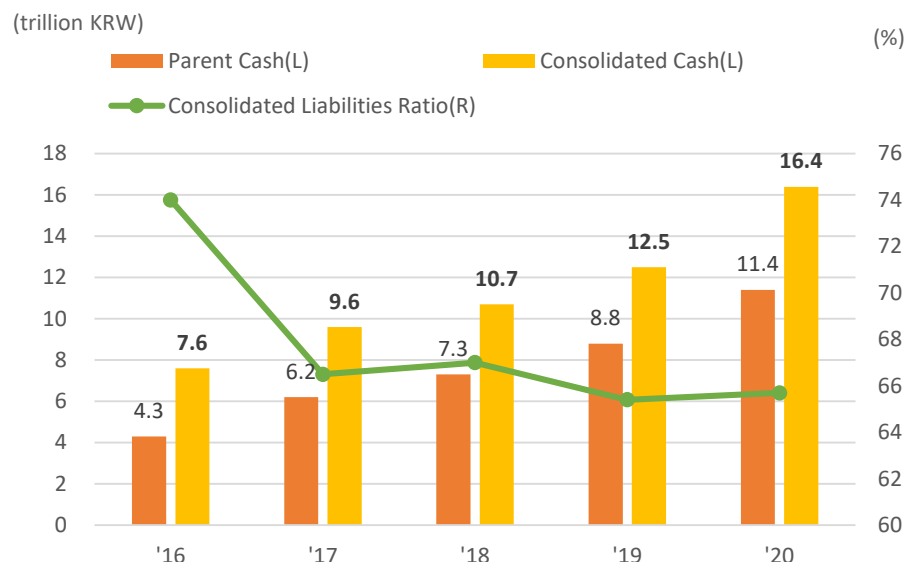
Endeavour to keep sound profitability and continue improving financial structure

Operating Profit



OP margin (%)	'16	'17	'18	'19	'20
Consolidated	5.4	7.6	8.5	6.0	4.2
Parent	10.8	10.2	12.4	8.5	4.3

Financial Structure



Consolidated D/E*	'16	'17	'18	'19	'20
Consolidated D/E*	4.1	2.9	2.5	3.0	3.5

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