

POSCO INTERNATIONAL 2Q 2020 Earnings Release



July 21, 2020

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The financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided solely for the convenience of investors, and has been prepared before the external audit on our financial results has been completed. Therefore, some parts of this document may change depending on the audit outcome.

This document contains "forward-looking statements" - that is, statements related to future, not past, events. "Forward-looking statements" by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual results to be different from those expressed in this document.

1. Consolidated Results Overview

KRW 5.3 Trillion in Sales / KRW 134.4 Billion in Operating Profit

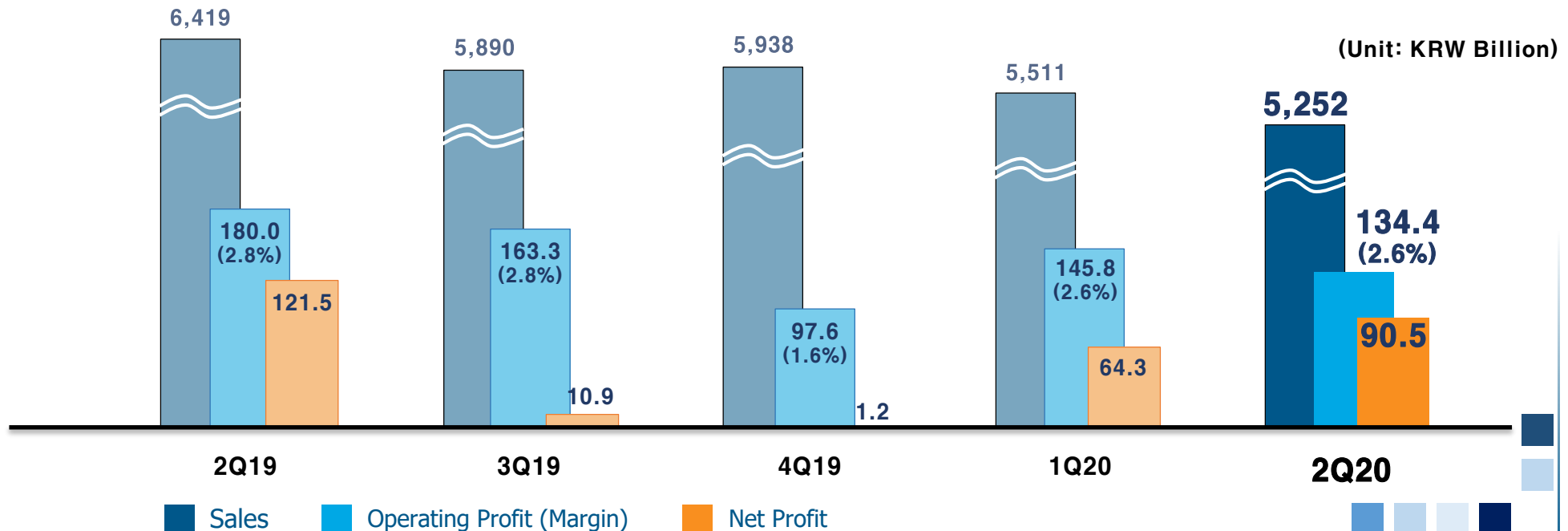
✓ Minimized drop in operating profit through stable gas sales and expanding agro business despite a global industrial slowdown

【Trading and etc.】 Slight decrease in profit due to slow steel, chemicals, and automotive parts businesses despite expanding agro business and efforts to reduce general costs

Operating Profit : 48.3bn (3Q19) → -2.1bn (4Q19) → 48.1bn (1Q20) → **45.7bn (2Q20)**

【Myanmar Gas Field】 ① **Stable gas sales volume** (Total 50.0 bcf, daily average of 550 mcf sold in 2Q)

② **Limited impact from the plunge in crude oil prices** (Gas sales price down 3% QoQ)



(KRW Billion)	2019		2020			
	2Q	1H	2Q	1H	QoQ	YoY
Sales	6,418.8	12,593.9	5,252.0	10,762.9	-259.0	-1,166.8
Operating Profit	180.0	344.3	134.4	280.2	-11.4	-45.6
(OP Margin)	2.8%	2.7%	2.6%	2.6%	-	-0.2%p
Trading & Etc.	55.8	117.2	45.7	93.8	-2.4	-10.1
Myanmar Gas	124.2	227.1	88.7	186.4	-9.0	-35.5
Non-Operating P/L	-19.9	-62.2	-4.2	-59.2	+50.8	+15.7
Finance P/L	-22.2	-64.9	10.8	-50.1	+71.7	+33.0
Equity Method P/L	25.8	26.6	2.5	7.3	-2.3	-23.3
Other P/L	-23.5	-23.9	-17.5	-16.4	-18.6	+6.0
Profit Before Tax	160.1	282.1	130.2	221.0	+39.4	-29.9
Net Profit	121.5	190.3	90.5	154.7	+26.2	-31.0

2Q Results Details

▷ Sales & Operating Profit

(Refer to page 3~4, Results and Outlook by Business Group)

▷ Finance P/L : +₩10.8bn

1) Net Interest Expenses (-₩22.1bn)

- 4Q19(-₩30.2bn), 1Q20(-₩20.2bn)

2) Foreign Exchange P/L, etc (+₩32.9bn)

- Foreign currency translation gain on USD denominated debt in Indonesia Palm Oil Business* (+₩30.3bn)

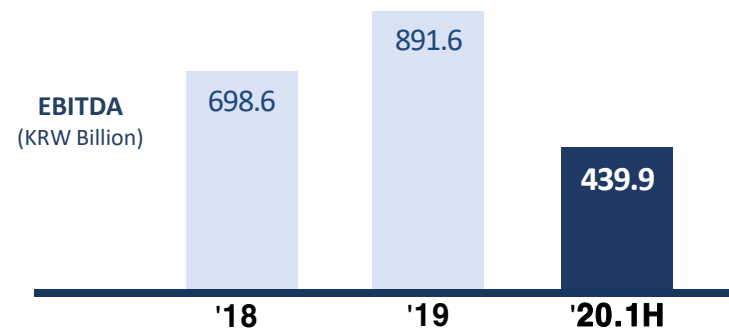
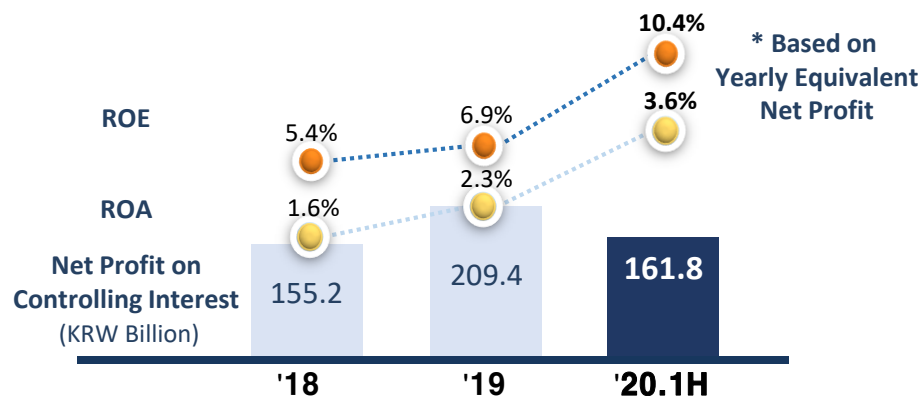
*(Note) Loss in 1Q : -₩36.1bn

▷ Equity Method P/L : +₩2.5bn

- Myanmar Gas Pipeline(₩10.9bn), KOLNG (₩2.9bn), Ambatovy Nickel(-₩7.4bn), Wetar Copper (-₩1.7bn), etc

▷ Others : -₩17.4 bn

- Kwanika Copper PJT (-₩6.4 bn), etc.



Financial stability▲ and liabilities ratio▼ through enhanced working capital management

Strengthened cash-focused management as a preemptive response to the market uncertainties

(KRW Billion)

	Dec 31, 2018	Dec 31, 2019	June 30, 2020
Total Assets	9,881.0	8,959.4	9,155.9
Current Assets	5,980.2	5,032.3	5,297.5
Cash and Cash Equivalents	216.3	258.8	884.4
Non-Current Assets	3,900.8	3,927.1	3,858.4
Total Liabilities	6,991.5	5,911.3	6,001.3
Current Liabilities	5,421.1	3,561.2	3,820.1
Non-Current Liabilities	1,570.4	2,350.1	2,181.2
Debt	4,389.4	3,133.0	3,588.7
Shareholder's Equity	2,889.5	3,048.1	3,154.6
Issued Capital and Capital Surplus	1,157.2	1,190.6	1,221.5
Retained Earnings	1,732.3	1,857.5	1,933.1

	Dec 31, 2018	Dec 31, 2019	June 30, 2020
Liabilities Ratio	242.0%	193.9%	190.2%
Net Debt to Assets	42.2%	32.1%	29.5%
Debt to EBITDA	6.3	3.5	4.1



STEEL BUSINESS

(KRW Billion)	2019		2020	
	2Q	1H	2Q	1H
Sales	3,168.5	6,112.1	2,459.7	5,054.6
OP	29.6	60.8	24.3	51.9
OP Margin	0.9%	1.0%	1.0%	1.0%
Volume (Mn Tons)	7.36	14.30	6.61	12.61
Overseas	6.31	12.18	5.79	10.77
Domestic	1.05	2.12	0.82	1.84

[2Q Key Performance]

- Slow sales due to **factory shutdowns and production cuts** of key customers (auto manufacturers, steel producers, etc)
- Expanded into **new markets** (US, Southwest Asia) for POSCO's hot-rolled steel products
- **Increased sales of energy steel** (API, steel plates for wind farm PJT)

[Outlook & Strategy]

- **Strengthen the overseas sales role of POSCO products**
(Integration of sales channels in the US and Chinese markets)
→ Structural growth in sales expected (US 0.8mn tons, China 2.6mn tons)
- Expand sales of industrial/construction **steel packages**
(Processed products of POSCO and POSCO SPS, etc)



ENERGY & INFRASTRUCTURE

(KRW Billion)	2019		2020	
	2Q	1H	2Q	1H
Sales	459.4	910.1	339.1	713.8
OP	129.1	233.3	87.0	180.6
OP Margin	28.1%	25.6%	25.0%	25.3%
Gas Sales (Bn ft³)	53.9	105.3	50.0	101.9
LNG Sales (Mn Tons)	0.36	0.71	0.54	1.03

[2Q Key Performance]

- **Stable revenue from the Myanmar gas field** despite drop in gas sales volume and sales price
* 50.0bcf sold in 2Q(4% ▼ QoQ), sales price 3% ▼ QoQ
* Limited impact on sales price from the recent plunge in oil prices
- **LNG trading volume exceeded 1mn tons in 1H**

[Outlook & Strategy]

- Myanmar gas sales prices expected to decrease due to the prolongation of low oil prices
* To be overcome through **reducing operating expenditure and increasing sales volume during the winter season**



AGRO & INDUSTRIAL MATERIALS

(KRW Billion)	2019		2020	
	2Q	1H	2Q	1H
Sales	2,223.8	4,355.8	1,884.5	3,790.5
OP	15.9	36.2	12.4	24.6
OP Margin	0.7%	0.8%	0.6%	0.7%
Agro Sales (Mn Tons)	1.13	2.59	2.48	4.05

* Main Items : Agro, Nonferrous Metals, Automotive Parts, Chemicals

[2Q Key Performance]

- **Increased sales of corn and soybeans** to China & Vietnam
- **Sales of raw materials and industrial materials** (chemicals, nonferrous metals, automotive parts) down due to **slow global demand caused by COVID-19 and low oil prices**

[Outlook & Strategy]

- Recovery of demand for raw materials and industrial materials expected to be slow due to the resurgence of COVID-19
- Profitability to be maintained through **risk management centered strategy, full-fledged operation of the Ukraine Grain Terminal and increasing trade volume** linked with the terminal



FOREIGN SUBSIDIARIES

(KRW Billion)	2019		2020	
	2Q	1H	2Q	1H
Trading Subsidiaries				
Sales	2,043.4	3,889.9	1,865.3	3,745.6
OP	6.7	12.2	1.9	-1.3
Investment Subsidiaries				
Sales	107.8	204.2	315.3	431.1
OP	6.7	15.7	6.4	21.4

[2Q Key Performance]

- **[Trading Subsidiaries (Total 15)]**
 - * Earnings recovered QoQ through increased agro trade volume
- **[Investment Subsidiaries (Total 15)]**
 - * **Indonesia Palm** : 77k tons produced, 18.3bn in operating profit in 1H
 - * Manufacturing subsidiaries and Myanmar hotel : weak performance due to the effects of COVID-19

[Outlook & Strategy]

- **Ukraine Grain Terminal** : secured 1.5mn tons in volume to be handled during the 2020~2021 season
- **Indonesia Palm** : slight drop in production expected due to the cyclical low-season (dry season)

1. Market Conditions and Achievements of the 3 Growth Businesses

Fostering 3 growth businesses based on growth potential and competency

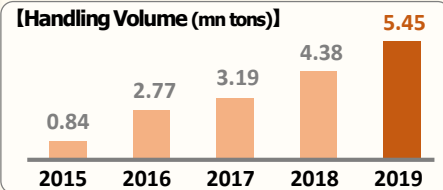
Agro

Active entry by followers with differentiated strategies despite being an Oligopolistic market dominated by a few major companies

- Continued growth of global consumption and trade + **Food scarcity** (population & economic growth)
 - * AAGR of 2.5% for agro consumption and 6.1% for global agro trade
 - * Global population expected to reach 9.7 billion by 2050 (Source: UN)
 - ⇒ **Continued growth of international trade volume → Market growth ↑**
- Market with an imbalance between production and consumption (Export/import volume concentrated in a few countries)
- Government led procurement system non-existent in Korea** (price driven market)
 - * ABCD traders and Japanese trading companies hold approx. 90% of domestic market share
 - * Excluding rice, Korea's food self-sufficiency rate is lowest among the OECD (Soybeans 6%, Wheat 1%, Corn 1%)
 - ⇒ **A need for a procurement system in response to food security**

Business Status and Achievements

■ **6.5x increase in agro handling volume** (In operating profit since 2018)



(thousand tons)	2015	2019	Growth Rate
Corn	164	2,614	1,494%
Wheat	240	1,070	346%
Soybeans	124	1,026	727%
Rice	164	317	93%
Crude Palm Oil	85	250	194%
Others	68	169	149%

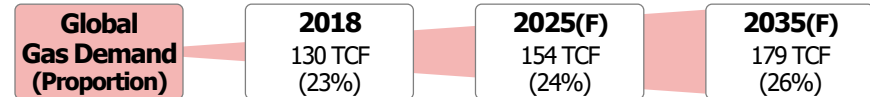
■ **3 Investment assets acquired in the strategic markets** (Black Sea region, SE Asia)



E & P

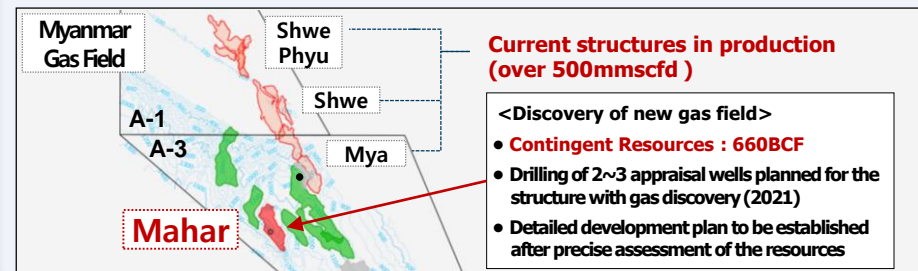
Global demand for natural gas expected to rise with the expansion of low-emission policies worldwide

- Demand for natural gas to rise in the long term as a source of clean energy**
 - * Demand for clean energy rising in response to growing environmental concerns
- Percentage of natural gas as an energy source expected to rise continually and expected to reach a similar level as crude oil by 2040**
 - * The proportion of gas power generation is increasing globally including in China (Source: BP)



Business Status and Achievements

- Stable earnings through steady gas sales from Myanmar gas field**
 - Gas sales : **216.2BCF** in 2019, **101.9BCF** in 1H of 2020
- Stage 2 and 3 development in progress in order to maintain production levels**
 - Stage 2(2018.07~) : drilling of 8 production wells / Stage 3 : Installation of compressor
- New gas structure discovered in Myanmar (Mahar structure) - Feb 2020**



1. Market Conditions and Achievements of the 3 Growth Businesses

Fostering 3 growth businesses based on growth potential and competency

LNG

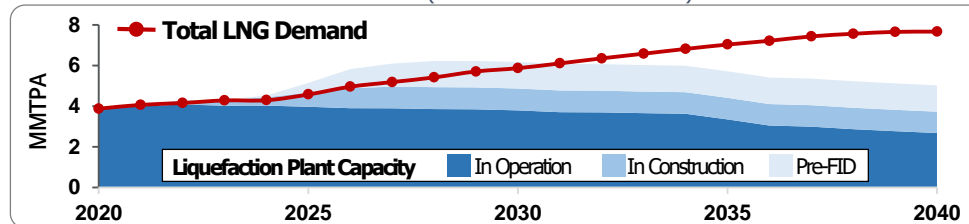
Market expected to expand along with growth in both supply and demand

- ① LNG demand to grow with increasing gas power generation and transition to green energy
- ② Infrastructure developments (liquefaction plants, etc) to increase to meet the growing demand

* Long-term developments planned despite delays in some liquefaction projects due to COVID-19

→ (Liquefaction projects) 115mn tons in construction in 2020 and over 97mn tons planned until 2030

※ Global LNG demand outlook (Source : Wood Mackenzie)

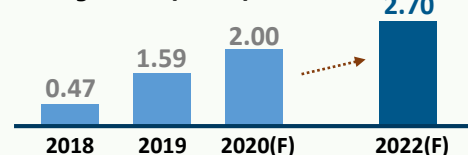


Business Status and Achievements

- Expanded trading volume through focusing on major customers and the captive demand of POSCO group companies

· Diversification of trade and strengthening of procurement competitiveness through the unification of the purchasing channel within the POSCO Group

(Handling Volume (mn tons))



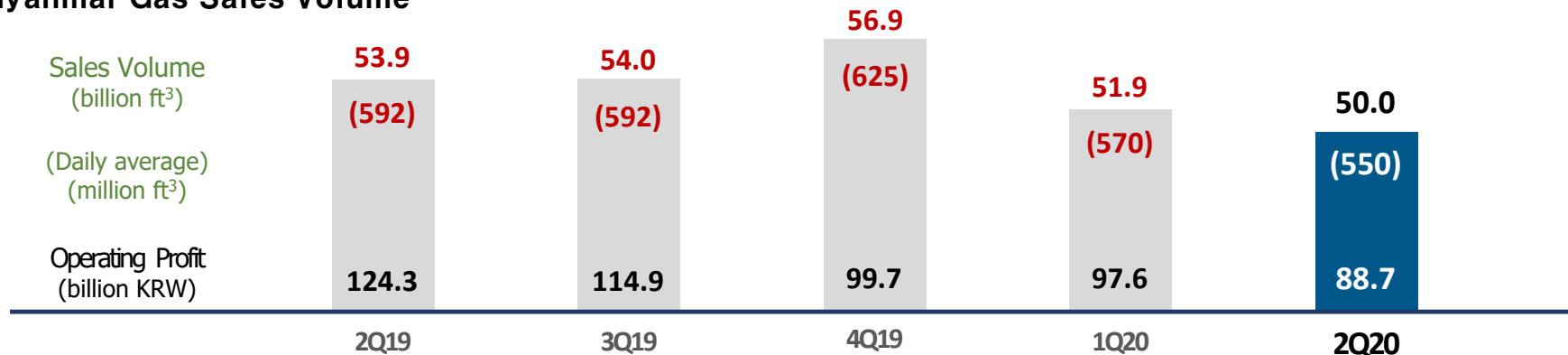
(thousand tons)	2018	2019	2020(F)
Supplied to POSCO	131	270	250
Supplied to POSCO Energy	3	190	220
Total	134	460	470

- Seeking to expand the LNG value chain through cooperation with POSCO group companies

· Overseas IPP projects, expanding LNG supply to domestic customers with direct demand, etc

1. Myanmar Gas Sales & Detailed Results

● Myanmar Gas Sales Volume



● Detailed Results

(KRW Billion)		2Q19	3Q19	4Q19	1Q20	2Q20
Operating Profit	Total Operating Profit	180.0	163.3	97.6	145.8	134.4
	Trading & Etc.	42.3	44.7	-4.3	36.5	37.4
	Foreign Subsidiaries	13.4	3.7	2.2	11.8	8.3
	Myanmar Gas Field	124.3	114.9	99.7	97.7	88.7
Non-Operating Profit/Loss	Total Non-Operating Profit/Loss	-19.8	-136.9	-76.2	-55.0	-4.2
	Net Interest Expense	-31.7	-27.6	-30.2	-20.2	-22.1
	F/X Profit/Loss	-9.0	9.1	-8.7	-38.4	30.5
	Equity Method Profit/Loss	25.8	20.1	8.4	4.8	2.5
	Myanmar Gas Pipeline (SEAGP, 25%)	19.5	20.7	11.7	13.8	10.9
	Others	-4.9	-138.5	-45.7	-1.2	-15.1
Market Indices	KRW/USD (Quarter-End)	1,156.80	1,201.30	1,157.80	1,222.60	1,203.00
	WTI (USD/Bbl, Avg.)	59.9	56.4	56.9	45.8	28.0
	Libor 3M (USD, Avg.)	2.50665	2.19759	1.93177	1.52913	0.59578