

POSCO INTERNATIONAL 1Q 2020 Earnings Release



April 23, 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 5.5 Trillion in Sales / KRW 145.8 Billion in Operating Profit

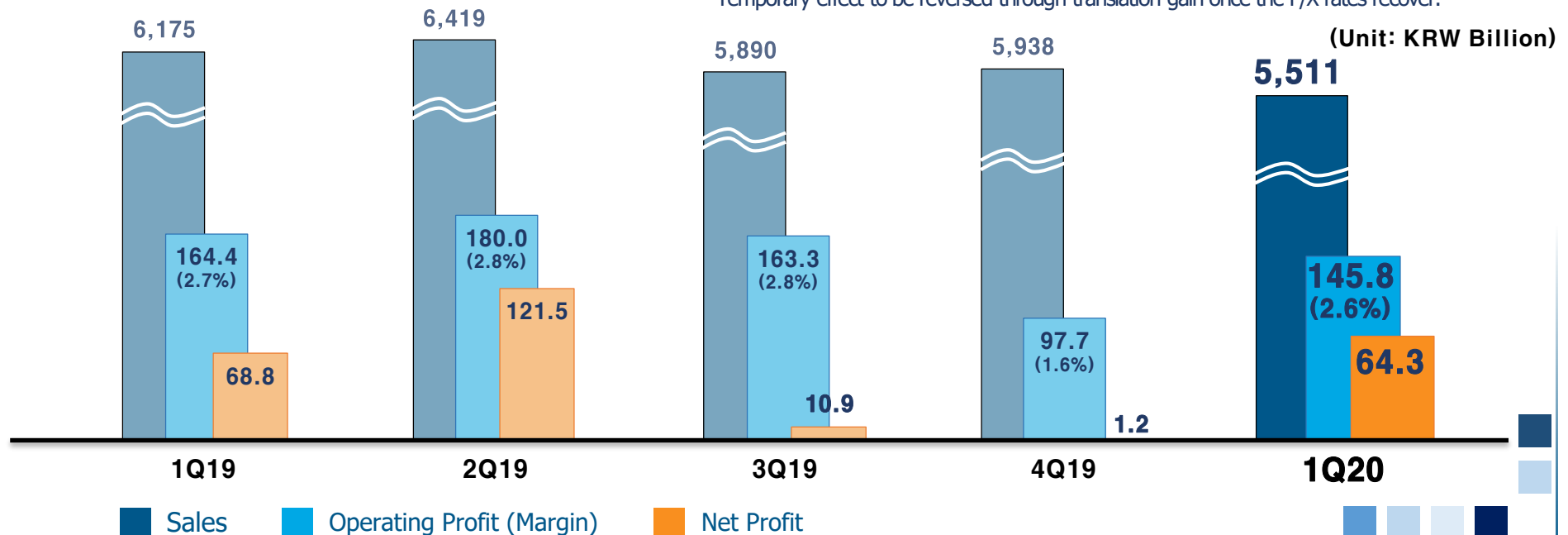
- ✓ Minimized the negative impact on operating profit through strict risk management and by maintaining stable gas supply volume despite a decrease in overall sales revenue due to the effects of the COVID-19 pandemic.

[Operating Profit] Trading : Maintained stable earnings by minimizing one-off losses (reduced low-margin, long-term credit based transactions and phased out transactions with customers with counter-party risks)

Myanmar Gas : Maintained stable sales volume (51.8bcf / 570mmcf) despite a drop in sales price (3.7%↓)

[Net Profit] Foreign currency translation loss incurred* (KRW -41.1 Bn) for USD denominated debt in foreign subsidiaries (Indonesia Palm, Ukraine Grain Terminal) caused by depreciation of local currencies

*Temporary effect to be reversed through translation gain once the F/X rates recover.



(KRW Billion)	2019			2020		
	Yearly	1Q	4Q	1Q	QoQ	YoY
Sales	24,422.6	6,175.1	5,938.3	5,511.0	-427.3	-664.1
Operating Profit	605.3	164.4	97.7	145.8	48.1	-18.6
(OP Margin)	2.5%	2.7%	1.6%	2.6%	1.0%p	-0.1%p
Trading & Etc.	163.6	61.6	-2.0	48.2	50.2	-13.4
Myanmar Gas	441.7	102.8	99.7	97.6	-2.1	-5.2
Non-Operating P/L	-275.3	-42.4	-76.4	-55.0	21.4	-12.6
Finance P/L	-125.2	-42.7	-43.1	-60.9	-17.8	-18.2
Equity Method P/L	55.1	0.8	8.3	4.8	-3.5	4.0
Other P/L	-205.2	-0.5	-41.6	1.1	42.6	1.6
Profit Before Tax	330.0	122.0	21.3	90.8	69.5	-31.2
Net Profit	202.4	68.8	1.2	64.3	63.1	-4.5

1Q Results Details

▷ Sales & Operating Profit

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

▷ Finance P/L : ₩-60.9 bn

1) Net Interest Expenses (₩-20.2bn)

- 1Q19(₩-41.3bn), 4Q19(₩-30.2bn)

2) Foreign Exchange P/L (₩-40.7bn)

- Foreign currency translation loss for USD denominated debt in foreign subsidiaries

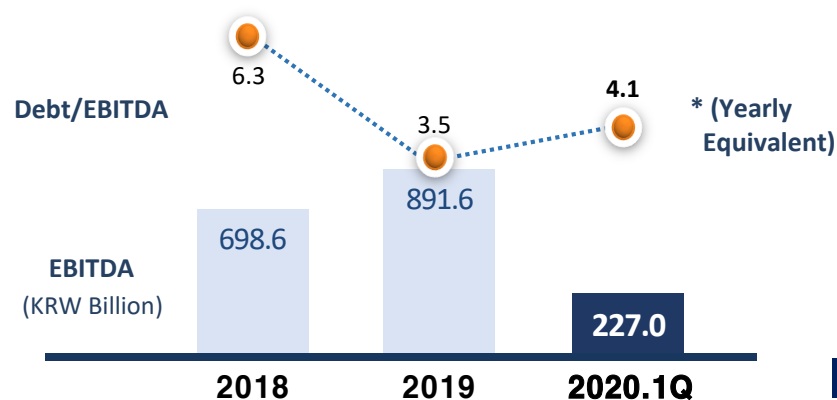
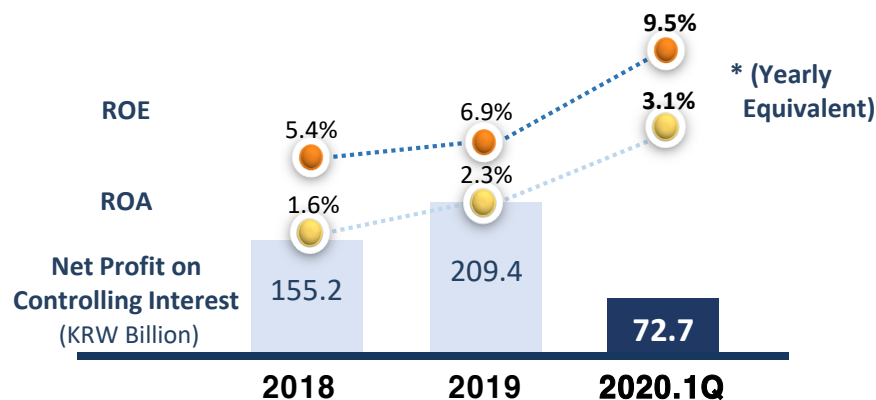
1. Indonesia Palm (₩-34.7bn)

2. Ukraine Grain Terminal (₩-6.4bn)

* IDR/USD, UAH/USD depreciated by approx. 17% since end of 2019.

▷ Equity Method P/L : ₩4.8bn

- Myanmar Gas Pipeline(₩13.8bn), KOLNG (₩2.4bn), Ambatovy Nickel(₩-6.9bn), Wetar Copper (₩-3.0bn), etc.





STEEL BUSINESS

(KRW Billion)	Yearly	2019		2020
		1Q	4Q	1Q
Sales	11,790	2,944	2,737	2,595
OP	83.3	31.2	10.9	27.5
OP Margin	0.7%	1.1%	0.4%	1.1%
Volume (Mn Tons)	27.58	6.94	6.63	6.00
Overseas	23.48	5.88	5.59	4.98
Domestic	4.10	1.06	1.04	1.02

[1Q Performance]

- **Overseas sales slowed** due to increasing number of global customers (automakers, etc.) entering **shutdown**
- **Domestic sales stable** through expansion of the e-Sales platform
- **Operating margin maintained stable** through preemptive risk control and increased number of high-margin transactions

[Outlook & Strategy]

- Global demand for steel expected to shrink further as the COVID-19 pandemic prolongs for an extended period
- Expand into and **strengthen our market position** in strategic developing markets (Africa, South America, Western Asia, etc.)
- **Minimize one-off losses** and focus on earnings-centered transactions



ENERGY & INFRASTRUCTURE

(KRW Billion)	Yearly	2019		2020
		1Q	4Q	1Q
Sales	1,865	451	487	375
OP	436.4	104.2	88.9	93.6
OP Margin	23.9%	23.1%	18.3%	25.0%
Gas Sales (Bn ft³)	216.2	51.4	56.9	51.9
LNG Sales (Mn Tons)	1.46	0.35	0.34	0.49

[1Q Performance]

- **Stable gas sales** from the Myanmar gas field
(Daily Avg. : mmscf) **571(1Q19) → 625(4Q19) → 570(1Q20)**
- Expanded long-term LNG supply contracts despite drop in price

[Outlook & Strategy]

- **Oil crash only a limited impact** on the Myanmar gas sales price*
*The avg. oil price of the 4 previous quarters is factored into the price.
- Minimize the drop in OP through **maximizing production** of the Myanmar gas field.



AGRO & INDUSTRIAL MATERIALS

(KRW Billion)	Yearly	2019		2020
		1Q	4Q	1Q
Sales	8,239	2,132	2,032	1,906
OP	36.8	20.3	-11.3	12.3
OP Margin	0.4%	1.0%	Loss	0.6%
Agro Sales (Mn Tons)	5.45	1.46	1.83	1.57

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

【 1Q Performance 】

- **Sales down** due to **price declines in petrochemical products** despite increased volume of agro(soybeans) and nonferrous metals
- Operating profit declined due to severe competition resulting from **oversupply and declining commodity prices**.

【 Outlook & Strategy 】

- **Market uncertainty expected to rise further** as oil prices remain low and countries continue to restrict exports of agro-commodities.
- **Expand agro handling volume** through diversifying suppliers and utilizing the Ukraine grain terminal.
- Minimize one-off losses through inventory risk management



FOREIGN SUBSIDIARIES

(KRW Billion)	Yearly	2019		2020	
		1Q	4Q	1Q	
Trading Subsidiaries					
	Sales	7,736	1,847	2,013	1,880
	OP	5.7	5.5	-8.4	-3.3
Investment Subsidiaries					
	Sales	420.0	96.4	109.4	115.8
	OP	28.1	9.7	10.6	15.0

【 1Q Performance 】

- Slow sales and operating profit in trading subsidiaries due to key customers (automakers, etc.) entering **production cuts**
- **Improved earnings** in key investment subsidiaries
 - * Indonesia Palm business, **strong operating profit** due to increased sales volume and CPO price rise(₩13.3bn)
 - * PNG Power Plant(₩2.4bn), Myanmar Hotel(₩1.0bn)

【 Outlook & Strategy 】

- **Strengthen risk management** for **payment collection and F/X exposure** in preparation for the prolongation of the COVID-19

4. Status of 4 Strategic Businesses

E&P / Steel / Agro / LNG

E&P

→ **51.9bcf (570mmcfd) sold in 1Q**

- Stage 2 development of the Myanmar Gas Field (To maintain the daily production rate of 500MMscfd)
 - Stage 2 : reached 51.5% EPCIC progress / target 70.7% by EOY (total CAPEX : USD 473mn)
- Exploration drilling at Block A-3 Offshore Myanmar
 - Completed deep sea exploration drilling of 3 wells at 3 prospective structures (Nov 2019 ~ Apr 2020)
 - Estimated contingent resources of approx. 660Bcf discovered in 1 well (Mahar structure)

Steel

Enhanced marketing role of POSCO products

- Overseas**
 - * Enhance export channel role (Combine overseas sales branches : SEA in 2019, China and North America in 2020)
 - Expected sales growth of POSCO products: SEA(300k tons), China(1,500k tons), NA(500k tons)
 - * Strengthen the role of POSCO Group's steel biz developer
- Domestic**
 - * Expand clientele through the E-Sales platform
 - 126k tons sold in 1Q (33% of the yearly target of 380k tons)
 - Currently expanding the platform to further opportunities
 - * Increase sales volume towards domestic SME customers

- Stabilization of POSCO SPS and expand steel processing biz
 - Utilize the processing facilities to increase sales of construction steel

Agro

→ **1.57mn tons handled in 1Q**

- Initiated full-fledged commercial operation of the Ukraine grain terminal / Ramp-up in progress
 - Processed and shipped initial test volume of 125k tons at the end of 2019. Currently stabilizing operations.
- Established yearly CPO production capacity of 100k tons and boosted production of CPO in the Indonesia palm oil business.
 - Profitability improved due to increased production and favorable market conditions (OP of \13.3bn in 1Q)
- 1st Korean company to adopt the NDPE* policy in the Indonesia palm oil business.

*No Deforestation, No Peat, No Exploitation Policy

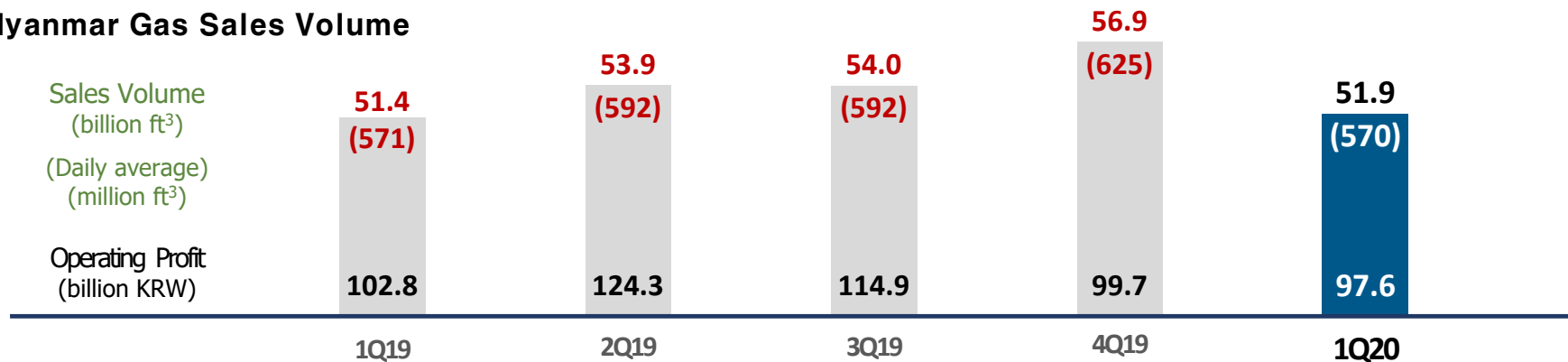
LNG

→ **490k tons of LNG traded in 1Q**

- Expanded trading volume by focusing on major customers and captive demand of the POSCO Group
 - Yearly target : 2.00mn tons (1.46mn tons handled in 2019)
- Weak LNG spot prices continue amid COVID-19 and oil shock issues
 - While long term demand and growth for LNG remain positive, slow market conditions and uncertainty is expected to prevail in the short term
 - Currently reassessing previous investment plans for acquisition of LNG-linked assets

1. Myanmar Gas Sales & Detailed Results

● Myanmar Gas Sales Volume



● Detailed Results

(KRW Billion)		1Q19	2Q19	3Q19	4Q19	1Q20
Operating Profit	Total Operating Profit	164.4	180.0	163.3	97.6	145.8
	Trading & Etc.	47.3	42.3	44.7	-4.5	36.5
	Foreign Subsidiaries	14.3	13.4	3.7	2.4	11.7
	Myanmar Gas Field	102.8	124.3	114.9	99.7	97.6
Non-Operating Profit/Loss	Total Non-Operating Profit/Loss	-42.4	-19.8	-136.8	-76.3	-55.0
	Net Interest Expense	-41.3	-31.7	-27.6	-30.2	-20.2
	F/X Profit/Loss	4.6	7.8	9.1	-8.9	-38.3
	Equity Method Profit/Loss	0.8	25.8	20.1	8.3	4.8
	Myanmar Gas Pipeline (SEAGP, 25%)	11.8	19.5	20.7	11.7	13.8
	Others	-6.5	-21.7	-138.4	-45.5	-1.3
Market Indices	KRW/USD (Quarter-End)	1,137.80	1,156.80	1,201.30	1,157.80	1,222.60
	WTI (USD/Bbl, Avg.)	54.9	59.9	56.4	56.9	45.8
	Libor 3M (USD, Avg.)	2.69218	2.50665	2.19759	1.93177	1.52913

2. Condensed Financial Position (Consolidated)

(KRW Billion)

	Dec 31, 2018	Dec 31, 2019	March 31, 2020
Total Assets	9,881.0	8,959.4	9,523.6
Current Assets	5,980.2	5,032.3	5,643.7
Cash and Cash Equivalents	216.3	258.8	784.7
Non-Current Assets	3,900.8	3,927.1	3,879.9
Total Liabilities	6,991.5	5,911.3	6,481.5
Current Liabilities	5,421.1	3,561.2	4,254.1
Non-Current Liabilities	1,570.4	2,350.1	2,227.4
Debt	4,389.4	3,133.0	3,725.0
Shareholder's Equity	2,889.5	3,048.1	3,042.1
Issued Capital and Capital Surplus	1,157.2	1,190.6	1,198.3
Retained Earnings	1,732.3	1,857.5	1,843.8
	Dec 31, 2018	Dec 31, 2019	March 31, 2020
Liabilities Ratio	242.0%	193.9%	213.1%
Net Debt to Assets	42.2%	32.1%	30.9%
Debt to EBITDA	6.3	3.5	4.1