

# POSCO INTERNATIONAL

## 3Q 2020 Earnings Release



**Oct 22, 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 5.1 Trillion in Sales / KRW 107.1 Billion in Operating Profit**

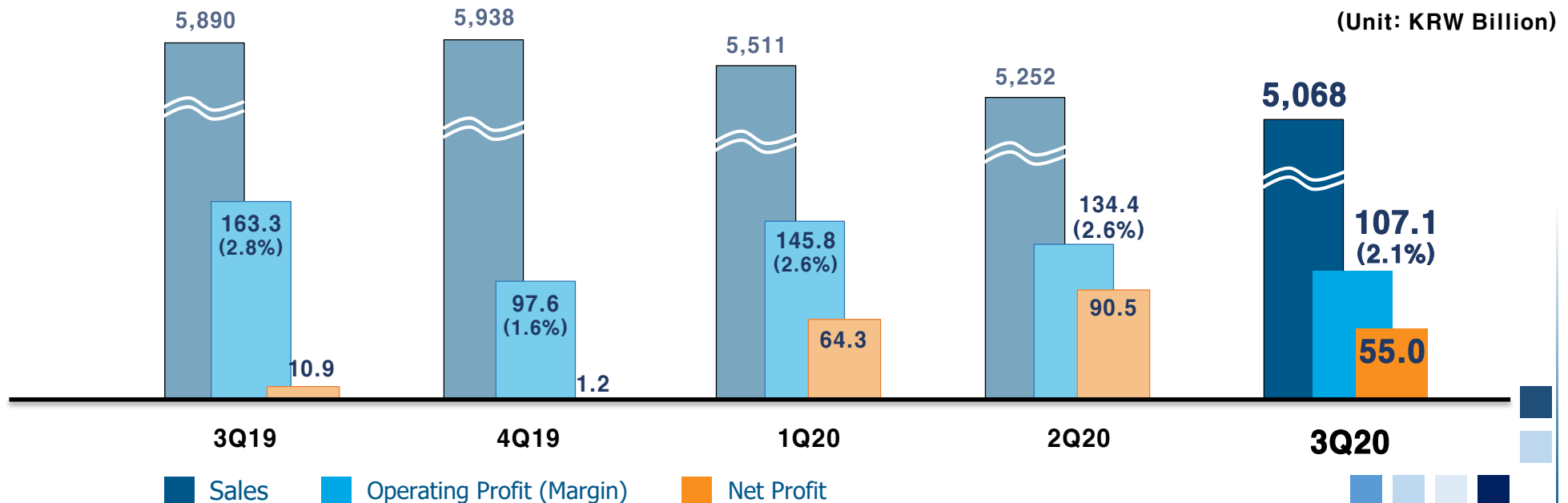
✓ OP decreased due to the regular maintenance period of the Myanmar gas field despite steady recovery of the trading business

**[Operating] • Trading : +8.6bn QoQ** through minimizing one-off losses and improved earnings from the steel business along with the recovery of the Chinese market

**OP : 48.3bn (3Q19) → -2.1bn (4Q19) → 48.1bn (1Q20) → 45.7bn (2Q20) → 54.3bn (3Q20)**

**• Gas Field : -35.9bn QoQ** due to the drop in gas sales price (6%↓ QoQ) and decrease in sales volume (5.4bcf↓ QoQ) resulting from the regular maintenance period (September 4 ~ 23)

**[Net Profit]** F/X related loss (-12.1bn) in foreign investment subsidiaries caused by depreciation of local currencies (Indonesia Palm and Ukrain Grain Terminal Subsidiaries)



(KRW Billion)	2019		2020			
	3Q	3Q Accum.	3Q	3Q Accum.	QoQ	YoY
<b>Sales</b>	5,890.4	18,484.2	5,068.2	15,831.1	-183.8	-822.2
<b>Operating Profit</b>	163.3	507.7	107.1	387.2	-27.3	-56.2
(OP Margin)	2.8%	2.8%	2.1%	2.4%	-0.5%p	-0.7%p
Trading & Etc.	48.4	165.7	54.3	148.0	+8.6	+5.9
Myanmar Gas	114.9	342.0	52.8	239.2	-35.9	-62.1
<b>Non-Operating P/L</b>	-136.8	-199.1	-24.6	-83.7	-20.4	+112.2
Finance P/L	-15.4	-48.3	-31.7	-81.9	-42.5	-16.3
Equity Method P/L	20.2	46.8	1.2	8.5	-1.3	-19.0
Other P/L	-141.6	-197.6	5.9	-10.3	+23.4	+147.5
<b>Profit Before Tax</b>	26.5	308.6	82.5	303.5	-47.7	+56.0
<b>Net Profit</b>	10.9	201.2	55.0	209.7	-35.5	+44.1

### 3Q Results Details

#### ▷ Sales & Operating Profit

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

#### ▷ Finance P/L : -₩31.7bn

##### 1) Net Interest Expenses (-₩17.7bn)

- 1Q20(-₩20.2bn), 2Q20(-₩22.1bn)

##### 2) Foreign Exchange P/L, etc (-₩14.0bn)

- F/X related loss in foreign subsidiaries

1. Indonesia Palm (₩-7.5bn)

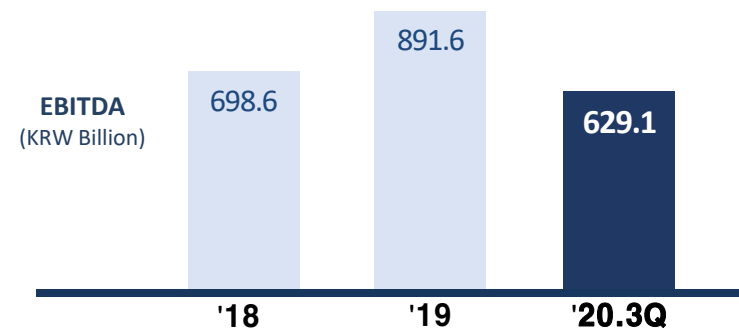
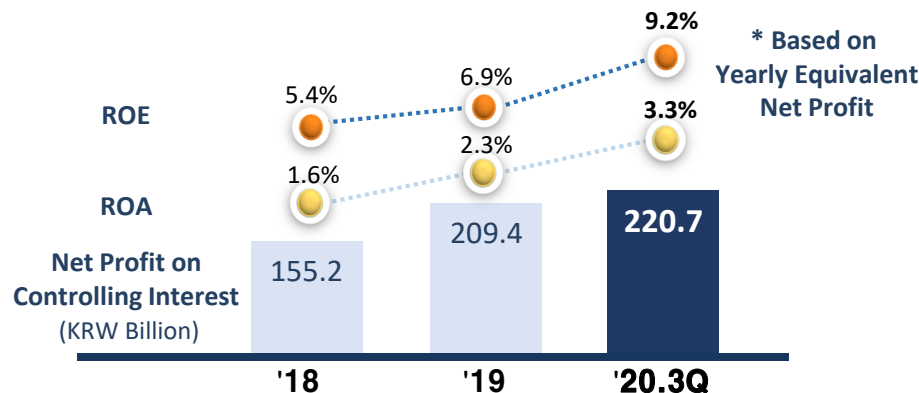
2. Ukraine Grain Terminal (₩-4.6bn)

#### ▷ Equity Method P/L : +₩1.2bn

- Myanmar Gas Pipeline(₩10.1bn),  
KOLNG (₩1.2bn), Ambatovy Nickel(-₩9.3bn),  
Wetar Copper (-₩1.8bn), etc

#### ▷ Others : +₩6.0 bn

- Reversal of allowance for bad debts, etc.



## 3. Condensed Financial Position

Improved financial stability through enhanced working capital management and cash-focused operations

Liabilities Ratio and Net Debt to Assets Ratio maintained at lowest levels

(KRW Billion)

	Dec 31, 2018	Dec 31, 2019	Sep 29, 2020
<b>Total Assets</b>	<b>9,881.0</b>	<b>8,959.4</b>	<b>8,837.4</b>
Current Assets	5,980.2	5,032.3	5,046.2
AR and Inventory	5,418.7	4,343.1	3,719.8
Cash and Cash Equivalents	216.3	258.8	818.6
Non-Current Assets	3,900.8	3,927.1	3,791.2
<b>Total Liabilities</b>	<b>6,991.5</b>	<b>5,911.3</b>	<b>5,640.6</b>
Current Liabilities	5,421.1	3,561.2	3,561.8
Non-Current Liabilities	1,570.4	2,350.1	2,078.8
Debt	4,389.4	3,133.0	3,165.5
<b>Shareholder's Equity</b>	<b>2,889.5</b>	<b>3,048.1</b>	<b>3,196.8</b>
Issued Capital and Capital Surplus	1,157.2	1,190.6	1,204.8
Retained Earnings	1,732.3	1,857.5	1,992.0

	Dec 31, 2018	Dec 31, 2019	Sep 29, 2020
<b>Liabilities Ratio</b>	242.0%	193.9%	176.4%
<b>Net Debt to Assets</b>	42.2%	32.1%	26.6%
<b>Debt to EBITDA</b>	6.3	3.5	3.8



### STEEL BUSINESS

(KRW Billion)	2019		2020	
	3Q	3Q(Accum)	3Q	3Q(Accum)
<b>Sales</b>	2,940.8	9,052.9	2,649.7	7,704.2
<b>OP</b>	11.6	72.4	34.7	86.6
OP Margin	0.4%	0.8%	1.0%	1.1%
<b>Volume (Mn Tons)</b>	66.5	209.4	71.6	197.7
<b>Overseas</b>	5.69	17.86	6.05	16.82
<b>Domestic</b>	0.96	3.08	1.11	2.95

#### [ 3Q Key Performance ]

- Expanded sales to markets with recovering demand(China) despite slow sales of energy & shipbuilding steel and automotive steel
- Increased sales of steel raw materials(iron ore)** to the recovering Chinese market and **expanded domestic trading through the E-Sales platform**

#### [ Outlook & Strategy ]

- Streamline overseas marketing and sales through integration and unification of the trading role** of the POSCO Group
  - Products : 2019 (SE/SW Asia 0.34mn tons),  
2020 (Americas 0.74mn tons, China 2.30mn tons)
  - Raw Materials : 2020 (Russia 0.58mn tons, Indonesia 6.70mn tons)



### ENERGY & INFRASTRUCTURE

(KRW Billion)	2019		2020	
	3Q	3Q(Accum)	3Q	3Q(Accum)
<b>Sales</b>	449.9	1,360.0	305.9	1,019.7
<b>OP</b>	114.3	347.6	47.4	228.1
OP Margin	25.6%	25.6%	15.5%	22.4%
<b>Gas Sales (Bn ft³)</b>	54.0	159.3	44.6	146.5
<b>LNG Sales (Mn Tons)</b>	0.41	1.12	0.78	1.81

#### [ 3Q Key Performance ]

- Myanmar gas field revenue decreased** due to the drop in gas sales price and sales volume due to regular maintenance period
  - \* Regular maintenance performed for 20 days to **maintain stable gas supply and prevent overload** from continued operation of the gas field since the pipeline accident in China in 2018.
- Continued expansion of LNG trading volume** (49%↑ QoQ)

#### [ Outlook & Strategy ]

- Earnings recovery through reducing OPEX and maximizing gas sales volume** in Q4 during the winter season from the increased demand for heating and power generation



### AGRO & INDUSTRIAL MATERIALS

(KRW Billion)	2019		2020	
	3Q	3Q(Accum)	3Q	3Q(Accum)
<b>Sales</b>	1,851.7	6,207.5	1,551.8	5,342.3
<b>OP</b>	11.9	48.1	4.0	28.7
OP Margin	0.6%	0.8%	0.3%	0.5%
<b>Agro Sales (Mn Tons)</b>	1.02	3.61	1.61	5.66

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

#### [ 3Q Key Performance ]

- **Increased sales of corn and soybeans** to the US, China, and Vietnam
- Sales of raw materials and industrial materials\* continued to be slow due to the **delayed market recovery**.  
\* chemicals, nonferrous metals, automotive parts

#### [ Outlook & Strategy ]

- Expand agro handling volume through the **Ukraine Grain Terminal** (2020 Target : 6.0mn tons → 2020 Forecast : 7.5mn tons)
- Secure profitability through initiating **new businesses such as rechargeable battery materials, EV automotive parts**, etc.



### FOREIGN SUBSIDIARIES

(KRW Billion)	2019		2020	
	3Q	3Q(Accum)	3Q	3Q(Accum)
<b>Trading Subsidiaries</b>				
<b>Sales</b>	1,833.7	5,723.5	1,488.7	5,247.0
<b>OP</b>	1.9	14.0	7.3	5.9
<b>Investment Subsidiaries</b>				
<b>Sales</b>	106.4	310.6	302.8	721.2
<b>OP</b>	1.8	17.4	7.9	29.4

#### [ 3Q Key Performance ]

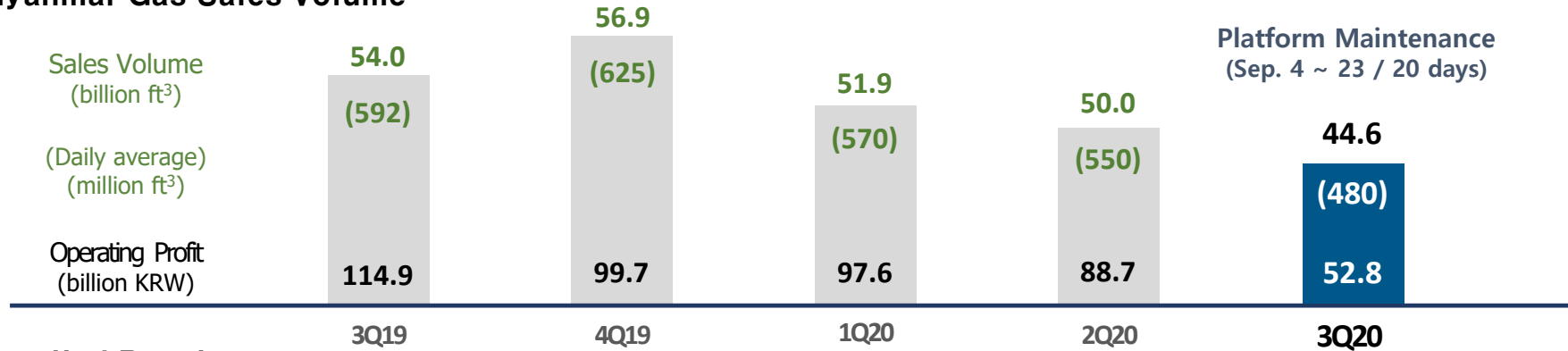
- **[Trading Subsidiaries (Total 17)]**  
\* Including one-off earnings from lawsuit settlements, etc.
- **[Investment Subsidiaries (Total 15)]**  
\* **Indonesia Palm** maintaining operating profit despite low season  
\* Expanded handling volume of the **Ukraine Grain Terminal** and achieved earnings turnaround

#### [ Outlook & Strategy ]

- **Ukraine Grain Terminal** : maximize operations and improve earnings stability through securing in advance the volume to be handled during the 2020~2021 season

## 5. Myanmar Gas Sales & Detailed Results

### ● Myanmar Gas Sales Volume



### ● Detailed Results

(KRW Billion)		3Q19	4Q19	1Q20	2Q20	3Q20
Operating Profit	<b>Total Operating Profit</b>	<b>163.3</b>	<b>97.6</b>	<b>145.8</b>	<b>134.4</b>	<b>107.1</b>
	Trading & Etc.	44.7	-4.3	36.5	37.4	<b>39.1</b>
	Foreign Subsidiaries	3.7	2.2	11.8	8.3	<b>15.2</b>
	Myanmar Gas Field	114.9	99.7	97.7	88.7	<b>52.8</b>
Non-Operating Profit/Loss	<b>Total Non-Operating Profit/Loss</b>	<b>-136.9</b>	<b>-76.2</b>	<b>-55.0</b>	<b>-4.2</b>	<b>-24.6</b>
	Net Interest Expense	-27.6	-30.2	-20.2	-22.1	<b>-17.7</b>
	F/X Profit/Loss	9.1	-8.7	-38.4	30.5	<b>-14.0</b>
	Equity Method Profit/Loss	20.1	8.4	4.8	2.5	<b>1.2</b>
	Myanmar Gas Pipeline (SEAGP, 25%)	20.7	11.7	13.8	10.9	<b>10.1</b>
	Others	-138.5	-45.7	-1.2	-15.1	<b>5.9</b>
Market Indices	KRW/USD (Quarter-End)	1,201.30	1,157.80	1,222.60	1,203.00	1,169.00
	WTI (USD/Bbl, Avg.)	56.4	56.9	45.8	28.0	40.9
	Libor 3M (USD, Avg.)	2.19759	1.93177	1.52913	0.59578	0.25280