

POSCO INTERNATIONAL 4Q 2020 Earnings Release



Jan 28, 2021

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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

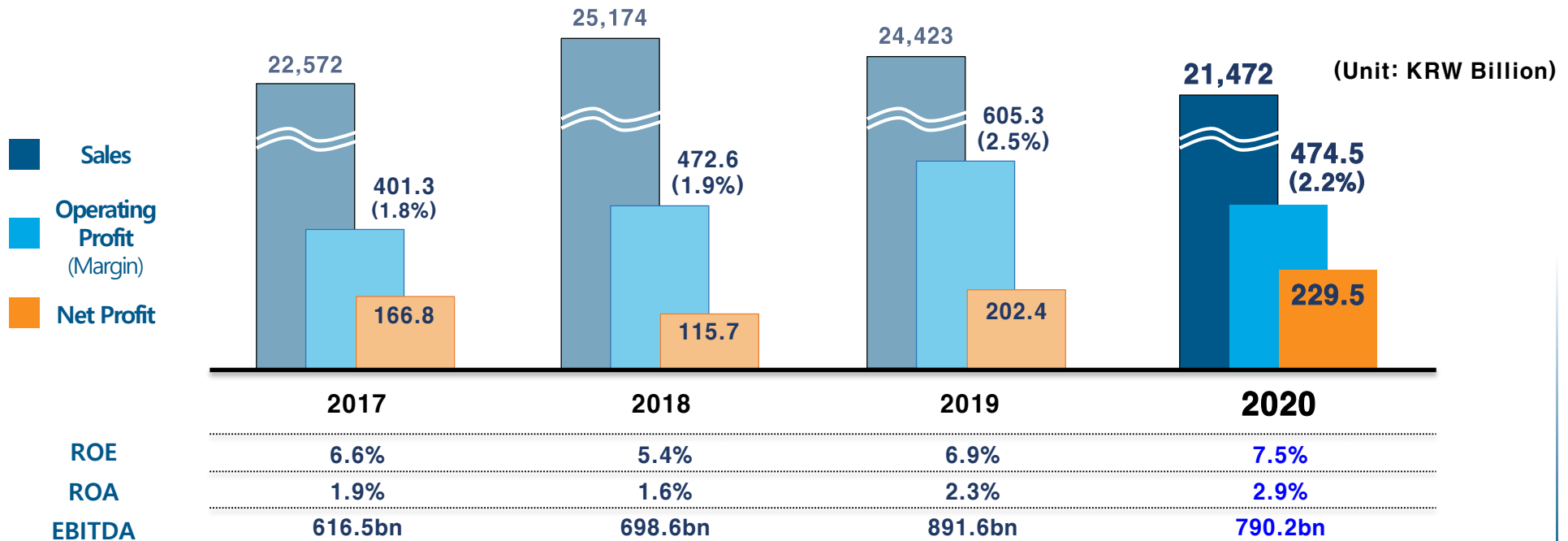
KRW 21.5 Trillion in Sales / KRW 474.5 Billion in Operating Profit

✓ Increased net profit through minimizing operating costs and impairment losses despite decrease in sales and operating profit

[Operating Profit] • **Trading** : Decrease in margin and slow earnings from foreign trading subsidiaries due to the COVID-19 pandemic

• **Gas Field** : Earnings down **-152.1bn YoY** due to the decrease in gas sales price and sales volume
(Sales price down -10.1% YoY, volume down -7.5% YoY)

[Net Profit] Increased **+13% YoY** through minimizing one-off and impairment losses during the COVID-19 emergency management



(KRW Billion)	2019		2020				
	4Q	Year	1Q	2Q	3Q	4Q	Year
Sales	5,938.3	24,422.6	5,511.0	5,252.0	5,068.2	5,641.3	21,472.4
Operating Profit	97.7	605.3	145.8	134.4	107.1	87.3	474.5
<i>(OP Margin)</i>	1.6%	2.5%	2.6%	2.6%	2.1%	1.5%	2.2%
<i>Trading & Etc.</i>	-2.0	163.6	48.2	45.7	54.3	20.9	168.9
<i>Myanmar Gas</i>	99.7	441.7	97.6	88.7	52.8	66.4	305.6
Non-Operating P/L	-76.3	-275.3	-55.0	-4.2	-24.6	-63.7	-147.4
<i>Finance P/L</i>	-35.1	-105.0	-60.9	10.8	-31.7	2.0	-79.9
<i>Equity Method P/L</i>	8.4	55.1	4.8	2.5	1.2	10.3	18.8
<i>Other P/L</i>	-49.6	-225.4	1.1	-17.5	5.9	-76.0	-86.3
Net Profit	1.2	202.4	64.3	90.5	55.0	19.8	229.5

2020 4Q Sales and Operating Profit Details

▷ Sales : +573.1bn QoQ

- 1) Sales up due to the rise in agro sales volume (corn, soybeans)
 - Agro Handling Volume : 3Q (1.61mn tons) → 4Q (2.34mn tons)

▷ Operating Profit : -19.8bn QoQ

- 1) Trading & Etc.
 - Earnings from trading business and foreign trading subsidiaries slow due to the global lockdowns resulting from the COVID-19 resurgence
- 2) Myanmar Gas
 - Earnings up +13.6bn QoQ due to the rebounding of gas sales volume (sales volume +8.8bn ft³ QoQ)

2020 4Q Non-Operating Profit & Loss Details

▷ Finance Profit & Loss : +2.0bn

- 1) Net Interest Expenses (-14.4bn) [2Q20(-22.1bn), 3Q20(-17.7bn)]
- 2) Foreign Exchange P/L, etc (+16.4bn)

- FX related gain in foreign subsidiaries:

- ① Indonesia Palm (+9.9bn), ② Ukrain Grain Terminal (+3.1bn)

▷ Equity Method P/L : +18.8bn

- Myanmar Gas Pipeline(+45.9bn), KOLNG (+7.7bn), Ambatovy Nickel(-31.8bn), etc.

▷ Others : -76.0bn

- Impairment loss, etc. ① Wetar (-35.7bn), ② Ambatovy (-24.1bn)

3. Condensed Financial Position

Continued improvement in financial stability through greatly reduced working capital (-456.0bn YoY)

Lowest liabilities ratio and net debt to assets ratio within the industry

(KRW Billion)

	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020
Total Assets	9,881.0	8,959.4	8,328.0
Current Assets	5,980.2	5,032.3	4,764.6
AR and Inventory	5,418.7	4,343.1	3,823.8
Cash and Cash Equivalents	216.3	258.8	698.0
Non-Current Assets	3,900.8	3,927.1	3,563.4
Total Liabilities	6,991.5	5,911.3	5,167.1
Current Liabilities	5,421.1	3,561.2	3,397.3
Non-Current Liabilities	1,570.4	2,350.1	1,769.8
Debt	4,389.4	3,133.0	2,699.8
Shareholder's Equity	2,889.5	3,048.1	3,160.9
Issued Capital and Capital Surplus	1,157.2	1,190.6	1,152.7
Retained Earnings	1,732.3	1,857.5	2,008.2

	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020
Liabilities Ratio	242.0%	193.9%	163.5%
Net Debt to Assets	42.2%	32.1%	24.0%
Debt to EBITDA	6.3	3.5	3.4

4. Results and Outlook by Business Group



STEEL BUSINESS

(KRW Billion)	2019		2020	
	4Q	Year	4Q	Year
Sales	2,736.6	11,789.4	2,657.3	10,361.5
OP	10.9	83.3	27.7	114.3
OP Margin	0.4%	0.7%	1.0%	1.1%
Volume (Mn Tons)	6.63	27.58	6.71	26.49
Overseas	5.59	23.46	5.61	22.43
Domestic	1.04	4.12	1.10	4.05

[Key Yearly Performance]

- Sales of automotive, billet, and slab products slow due to decreased global demand, but partially made up through **increased sales of steel raw materials** to China and **expansion of E-Sales platform**
- Increased earnings through sales of **premium POSCO products** such as **energy steel** and **high-durability special steel**

[Outlook & Strategy]

- Strong sales and earnings expected as the steel and raw material markets begin to recover
- Increased global market presence through utilizing the **integrated export sales channels of the POSCO group**
- Expand procurement and sales portfolio of steel raw materials



ENERGY & INFRASTRUCTURE

(KRW Billion)	2019		2020	
	4Q	Year	4Q	Year
Sales	486.9	1,846.9	321.8	1,341.5
OP	88.9	436.4	55.7	283.8
OP Margin	18.3%	23.6%	15.5%	22.4%
Gas Sales (Bn ft³)	56.9	216.2	53.4	199.9
LNG Sales (Mn Tons)	0.48	1.60	0.98	2.80

[Key Yearly Performance]

- **Myanmar gas field revenue decreased due to decrease in sales price (down 10.1%↓ YoY) and volume (down 7.5%↓ YoY)**
- **Expanded LNG trading volume (up 75%↑ YoY)**
- Sales slow due to delays in energy infrastructure projects

[Outlook & Strategy]

- Decrease in gas sales volume expected due to the delay in the initiation of the stage 2 development of the Myanmar gas field, but to be overcome through reducing OPEX and **timely completion of the stage 2 development**

4. Results and Outlook by Business Group



AGRO & INDUSTRIAL MATERIALS

(KRW Billion)	2019		2020	
	4Q	Year	4Q	Year
Sales	2,031.9	8,239.4	1,936.9	7,279.2
OP	-11.3	36.8	-5.7	23.0
OP Margin	-	0.4%	-	0.3%
Agro Sales (Mn Tons)	2.21	5.45	2.34	8.00

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

【Key Yearly Performance】

- Sales and margin decreased due to the **overall slowdown of the automotive industry and the chemicals/nonferrous metals markets** despite **increased sales and strong performance of agro(corn, soybeans) business.**

【Outlook & Strategy】

- Stable **growth of agro handling volume** and increased profitability through the **expansion of agro value chain**
- Establish production base for **electric vehicle motor cores**
- Increase trading of raw materials in conjunction with POSCO Group's **rechargeable battery business**



FOREIGN SUBSIDIARIES

(KRW Billion)	2019		2020	
	4Q	Year	4Q	Year
Trading Subsidiaries				
Sales	2,015.0	7,738.5	2,012.6	7,259.6
OP	-9.1	4.9	-8.2	-2.3
Investment Subsidiaries				
Sales	82.2	392.8	337.5	1,058.7
OP	12.6	30.0	15.0	44.4

【Key Yearly Performance】

- [Trading Subsidiaries (Total 16)]** : Earnings down due slow automotive, steel, and chemical businesses due to lockdowns in key countries resulting from the COVID-19 resurgence
- [Investment Subsidiaries (Total 15)]**
 - * Indonesia Palm - significant earnings improvement (200% ↑) due to increased production volume and sales price of CPO
 - * SPS - Increased earnings due to strong sales of traction motor cores and precision stainless steel

【Outlook & Strategy】

- Recovery of trading subsidiary performance** and **increased earnings from agro investment subsidiaries** such as the Ukraine grain terminal

1. Achievements and Strategies for 3 Core Biz

Securing Future Growth Through Fostering 3 Core Businesses (Steel, Agro, and Energy)

Steel

Expanding Global Export Volume as the Dedicated Export Channel of POSCO Products



Integration of POSCO's Export Sales Channels
(China & Americas completed in 2020)

Expanded Sales of POSCO Products(mn tons)



Launched Online E-Sales Platform (380k tons sold in 2020)

[Sales of Steel Products and Raw Materials]

26mn tons

12.3% AAGR

42mn tons

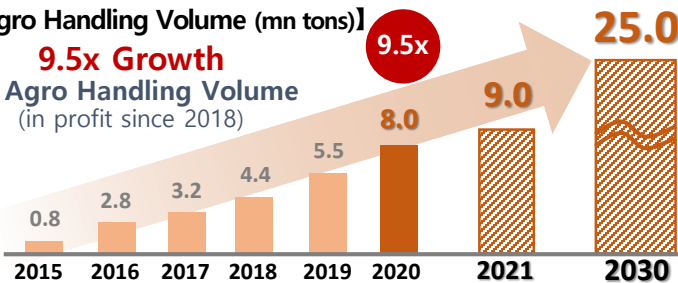
Sold in 2020

2025 Target

Agro

[Agro Handling Volume (mn tons)]

9.5x Growth in Agro Handling Volume
(in profit since 2018)

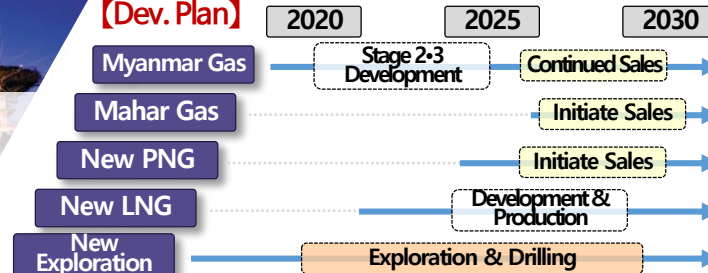


Expanding the Procurement Value Chain and Profit Generating Stability

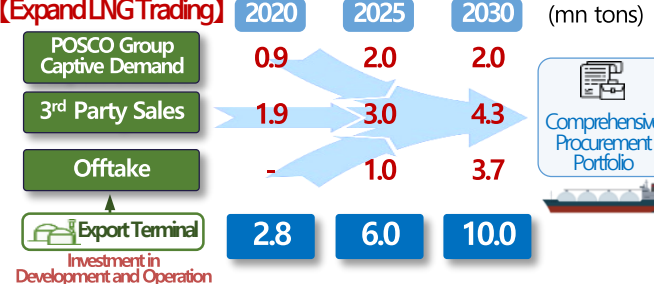
Energy

Securing Alternative Gas Reserves and Obtaining LNG Infrastructure Assets

[Dev. Plan]



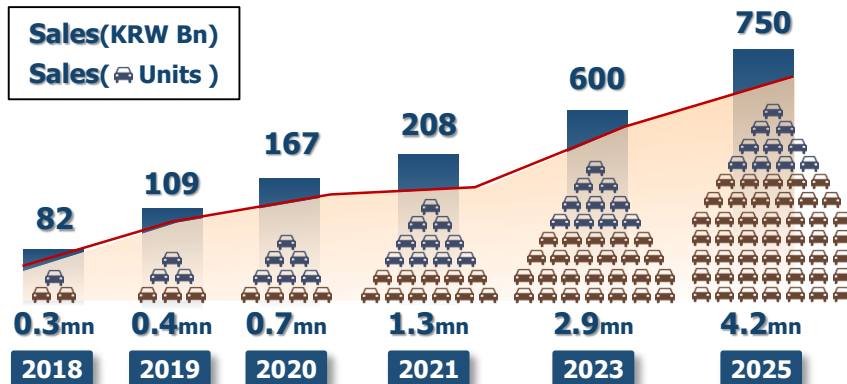
[Expand LNG Trading]



2. New Biz : Eco-friendly Traction Motor Core Business Strategy

Achieve 20% Global Market Share of EV Components Through Establishing a 4 Million Units Structure by 2025

Motor Core Sales and Forecast



Motor Core Orders Awarded

Total 13.8mn units ordered and/or in negotiation

Contracted Orders

10.2mn units

(for production and supply until 2025)

In Negotiation

3.6mn units

KRW 2.5tn in contracted orders until 2025

Avg. KRW 500bn in annual sales

Securing the Group's Future Growth Engine Through Expanding the Global Market for Traction Motor Cores

Achieve 20% Global Market Share

Long-term Target (2025)

Domestic (2 million units)

Overseas (2 million units)

China(900k) EU(700k)
N. America, India, etc.(400k)

Full-scale Expansion Of Overseas Production

Mid-term Target (~2024)

Expand Production Capacity Through

Establishment of JVs in EU and NA

CAPEX: KRW 300bn
Domestic & Overseas

Increase Domestic Production Capacity

Short-term Target (~2022)

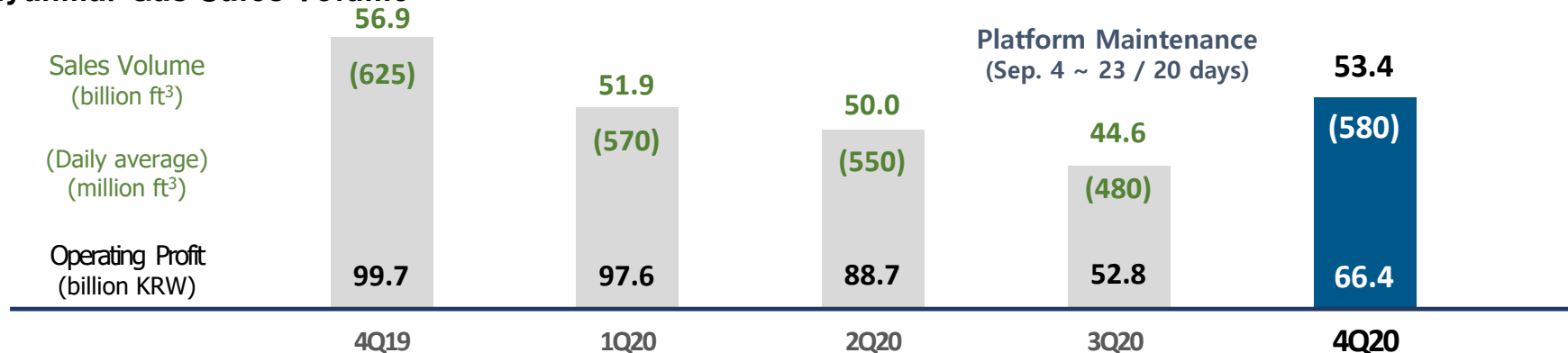
Expand Domestic Production Lines

690k units(2020) → 2mn units(2022)

Integration of POSCO Group Overseas Production Facilities
P-CORE(China), TMC(India)

Myanmar Gas Sales & Detailed Results

● Myanmar Gas Sales Volume



● Detailed Results

(KRW Billion)		4Q19	1Q20	2Q20	3Q20	4Q20
Operating Profit	Total Operating Profit	97.6	145.8	134.4	107.1	87.3
	Trading & Etc.	-4.3	36.5	37.4	39.1	14.0
	Foreign Subsidiaries	2.2	11.8	8.3	15.2	6.8
	Myanmar Gas Field	99.7	97.7	88.7	52.8	66.4
Non-Operating Profit/Loss	Total Non-Operating Profit/Loss	-76.2	-55.0	-4.2	-24.6	-63.7
	Net Interest Expense	-30.2	-20.2	-22.1	-17.7	-14.4
	F/X Profit/Loss	-8.7	-38.4	30.5	-14.0	16.4
	Equity Method Profit/Loss	8.4	4.8	2.5	1.2	10.3
	Myanmar Gas Pipeline (SEAGP, 25%)	11.7	13.8	10.9	10.1	10.1
	Others	-45.7	-1.2	-15.1	5.9	-76.0

※ Market Indices	KRW/USD (Quarter-End)	1,157.80	1,222.60	1,203.00	1,169.00	1,088.00
	WTI (USD/Bbl, Avg.)	56.9	45.8	28.0	40.9	42.7
	Libor 3M (USD, Avg.)	1.93177	1.52913	0.59578	0.25280	0.22472