



## POSCO's Rating Unaffected by Weaker Q3 Results

Moody's Investors Service says that POSCO's weaker year-on-year financial results for Q3 2015 will not affect the steelmaker's Baa2 senior unsecured rating, or the stable outlook on the rating.

"We expect POSCO's consolidated earnings to remain pressured over the next 12 months, because of the challenging fundamentals in the steel industry and the sluggish performance of its subsidiaries," says Chris Park, a Moody's Associate Managing Director.

"Nevertheless, POSCO's deleveraging activities and its lower level of investments will enable the company to continue improving its financial leverage," adds Park.

According to POSCO, its consolidated and unadjusted operating income fell by 26% year-on-year to KRW652 billion in Q3 2015 from KRW879 billion in Q3 2014. The decrease was mainly driven by weak earnings in its overseas steel operations and non-steel businesses, such as power generation and trading.

Its operating income on a standalone basis remained largely flat year-on-year, at KRW638 billion in Q3 2015, because of the positive effects of cost-cutting measures and increased sales of value-added products.

In terms of consolidated net income, the company reported a net loss of KRW658 billion in Q3 2015, owing to sizeable non-operating losses such as currency-related losses of KRW529 billion, KRW388 billion in impairments of mining assets, and the provision of KRW299 billion for the settlement of a lawsuit with Nippon Steel & Sumitomo Metal Corporation.

Moody's does not consider the non-operating loss a major concern, given that the majority of the losses were non-cash and non-recurring.

As for POSCO's reported net debt, this measure fell to KRW18.5 trillion at end-September 2015 from KRW22.3 trillion at end-2014, mainly because of its deleveraging activities and working capital surplus.

Moody's expects POSCO's consolidated operating income to show a slight year-on-year decline in 2016, because earnings pressure on its commodity steel operations and non-steel businesses will be partly mitigated by a continued increase in value-added products, and a deconsolidation of its loss-making subsidiary, POSCO Plantec Co



Ltd (unrated). Nonetheless, Moody's expects POSCO's adjusted debt/EBITDA and net debt/EBITDA to improve to about 4.2x and 3.1x in 2016 from 4.5x and 3.8x in 2014, because of its deleveraging activities and lower level of investments and working capital requirements will reduce its overall debt obligations. Such leverage is consistent with its Baa2 rating category.

The principal methodology used in this rating was Global Steel Industry published in October 2012. POSCO is one of the largest steel producers globally, with a dominant market position in Korea in terms of sales. It manufactures a broad range of steel products, including hot-rolled products, plates, wire rods, cold-rolled products, silicon steel sheets and stainless steel products.

### Steel CEOs Insights on Steel's Role in A Sustainable Future

The World Steel Association launched the Steel in a Sustainable World series of CEO Insights, aimed at highlighting the role of the global steel industry in creating a sustainable future for the planet.

CEOs from seven leading steel companies around the world have shared their Insights on the future of steel and its role in sustainable development. Focusing on the seven industry sustainability principles as laid out in the Sustainable Development Policy, the CEOs share their views on steel and its role in global sustainable development. The seven CEOs are: Kosei Shindo, Nippon Steel & Sumitomo Metal Corporation, Sajjan Jindal, JSW Steel, Paul O'Malley, BlueScope, Louis Schorsch, ArcelorMittal Americas, John Ferriola, Nucor Corporation, Paolo Rocca, Techint Group and Martin Lindqvist, SSAB AB.

The first Insight and CEO film is published to highlight the steel industry's environmental standards, demonstrating the ways in which technology drives the development of a sustainable society.

The CEO Insights and films will be published weekly as part of worldsteel's commitment to supporting sustainability

across the global industry.

Edwin Basson, Director General of worldsteel, said "These CEO Insights are a tremendous way of demonstrating our members' commitment to the future of steel, and its role in protecting the future of our planet. We are very proud of the efforts being made across the industry to foster a sustainable future for generations to come. As an industry, our belief is that sustainable development must meet the needs of the present without compromising the ability of future generations to meet their own needs. We are committed to a vision in which steel is recognized as a key element in a sustainable world. The properties of steel alone demonstrate its significance in this area steel is 100% recyclable and is in fact the most recycled material in the world.

These Insights and films capture exactly the areas we need to focus on to become ever stronger, ever more transparent, and ever more able to deliver sustainable development for our future. I am immensely grateful to the CEOs for lending their time and demonstrating their commitment to embedding sustainability into all future planning across the industry."