

POSCO INTERNATIONAL 2Q 2022 Earnings Release



2022. 7. 21

Disclaimer

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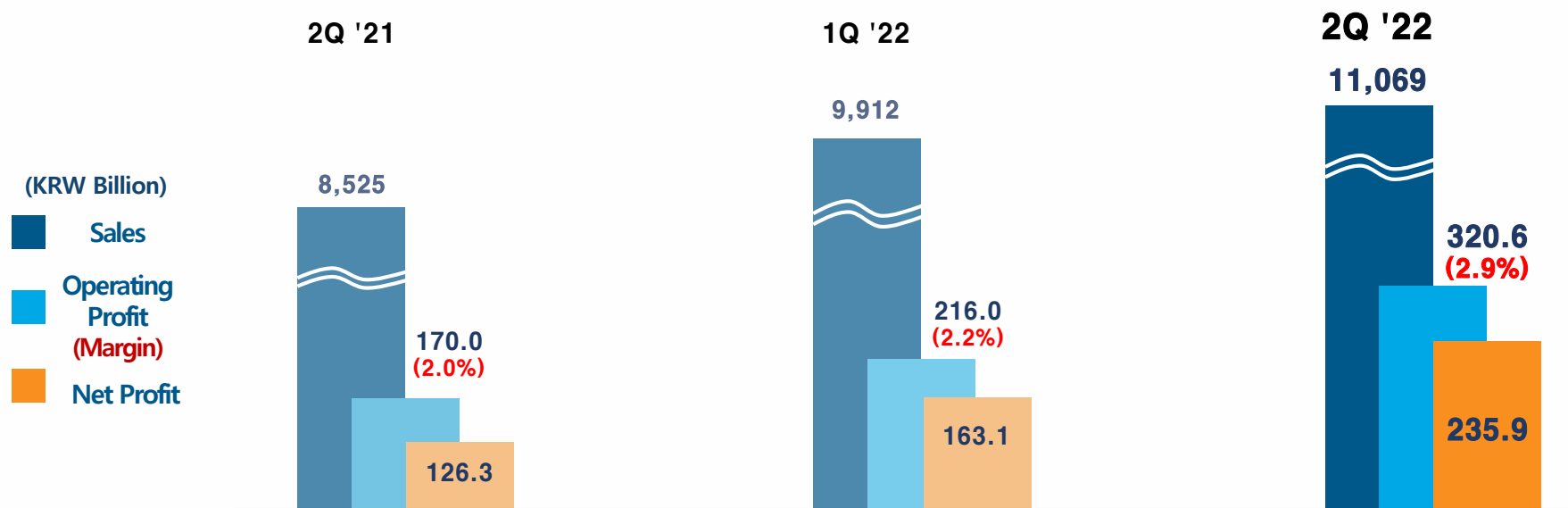
The financial information in this document are consolidated earnings results based on K-IFRS.

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

'22. 2Q KRW 11 Trillion in Sales / KRW 320 Billion in Operating Profit



	2Q '21	1Q '22	2Q '22
ROE (Return On Equity)	15%	17%	23%
Profitability (Net profit/Sales)	1.5%	1.6%	2.1%
Asset Turnover (Sales/Asset)	3.43	3.29	3.11
Leverage (Asset/Equity)	2.98	3.22	3.48
EBITDA	255.8 bn	305.7 bn	424.5 bn

2. Summary by Business Group

QoQ Sales 12% ↑ / OP 48% ↑ (Trading +0.4% Energy +142% Investment Sub. & Etc. +72%)

(KRW Billion)	2021		2022		QoQ	YoY
	1H	2Q	1H	2Q		
Sales	15,612	8,525	20,983	11,699	+1,158	+2,545
Trading	14,239	7,788	19,066	10,047	+1,028	+2,259
Energy	623	346	669	322	△24	△24
Investment Subsidiaries & Etc.	750	391	1,248	700	+154	+310
Operating Profit	297	170	537	320	+105	+151
<i>(OP Margin)</i>	1.90%	1.99%	2.55%	2.90%	0.7% p	0.9% p
Trading	158	93	226	113	-	+20
Energy	57	32	147	104	+61	+71
Investment Subsidiaries & Etc.	82	45	164	103	+43	+59
Non-Operating P/L	6	5	6	-	△6	△5
<i>Finance P/L</i>	△27	△15	△36	△24	△13	△9
<i>Equity Method P/L</i>	25	15	45	29	+14	+14
<i>Other P/L</i>	8	5	△3	△5	△7	△10
Net Profit	219	126	163	236	+73	+110

- Equity Method P/L (QoQ) : SEAGP 17 bn (+9bn), Ambatovy Nickel 3 bn (+1 bn), KOLNG 6 bn (+2bn)
GENERAL MEDICINES CO., LTD.(Sudan) 1 bn (+1 bn), others 3bn

1. Trading Biz

Earnings Results

(KRW Billion)	2021		2022			
	1H	2Q	1H	2Q	QoQ	YoY
Sales	18,673	10,309	25,725	13,637	+13%	+32%
STEEL BUSINESS	9,293	5,172	14,894	7,993	+16%	+55%
AGRO & INDUSTRIAL MATERIALS	4,180	2,237	2,926	1,609	+22%	△28%
Trading Subsidiaries	5,200	2,900	7,905	4,035	+4%	+39%
Operating Profit	163	94	226	113.6	△1.4%	+17%
OP Rate	0.09%	0.09%	0.09%	0.81%	+0.8%p	△0.1%p
STEEL BUSINESS	125	72	133	58	△21%	△19%
AGRO & INDUSTRIAL MATERIALS	12	5	10	10	+647%	+104%
Trading Subsidiaries	26	17	83	42	+4%	+142%

* Not included consolidation adjustments

(Steel Biz) QoQ Increased Sales +16%, Due to Sales price up(Steel Products & Steel Raw material) The euro's weakness damaged operation profit

* Hedge effectiveness other Income +21.5bn

(AGRO & INDUSTRIAL MATERIALS) Despite stopping sales Ukraine agro business, Turn around Biz due to Increased sales Soybean(meal) & synthetic rubber

(Trading Subsidiaries) Both revenue and profit improved as steel market upturned a performance of Trading sub(USA, JAPAN, ITALY)

Key Performance

Volume (Mn Tons)	2Q '21	1Q '22	2Q '22	QoQ	YoY
Steel products	3.63	3.51	3.55	+1.3%	△2.2%
POSCO Products	2.23	2.43	2.38	△2.2%	+6.5%
Steel raw material	6.41	6.46	6.24	△3.5%	△2.6%

- QoQ Steel products Increased trading vol +1.3%, Steel raw material decreased trading vol △3.5%
 - Effect the integration of marketing channel in Japan '21. 4Q (1.7mn tons) → '22. 1Q(4.3mn tons) → '22. 2Q(5.0m tons)
 - Coal & Ferrous Scrap Increased trading vol +6.0 mn tons Iron ore decreased trading vol △1.0 mn tons

Volume (Mn Tons)	2Q '21	1Q '22	2Q '22	QoQ	YoY
AGRICULTURAL Production	1.89	9.7	1.22	+25.5%	△35.5%
Soybean(meal)	0.71	0.38	0.67	+76.1%	△5.9%
Corn	0.70	0.49	0.40	△16.9%	△42.6%

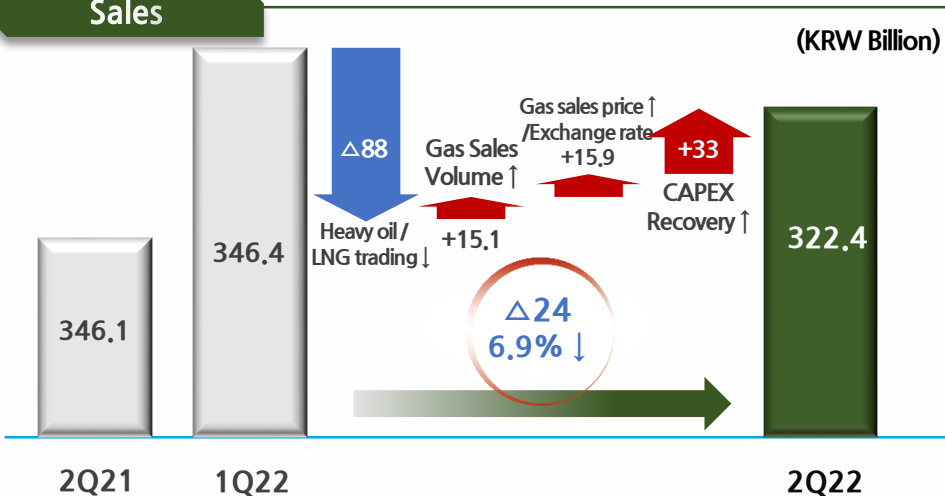
- Ukraine-Russia conflict Supply Chain Shortage, YoY decreased trading vol △35.5%
- Replace supply chain & Get New Customers, QoQ +25.5%

Out-look

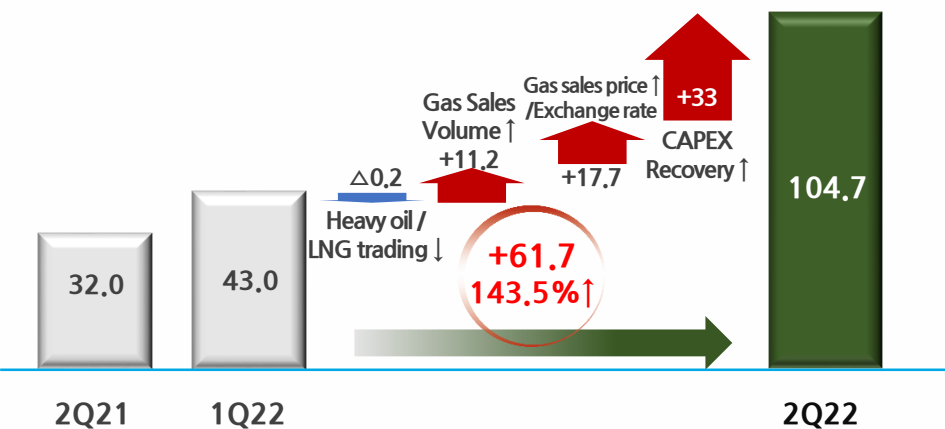
- Recession in the coming Create a Business contingency plan(Sales Off-take Agreement / family business/ Captive)
 - Focus on Sales Automotive steel, family business, Domestic/Overseas Mill, Steel Raw Material
 - Environmentally friendly steel production (Wind farms, electrical steel for motors, Green Steel Products for Construction, etc.)
- Expansion AGICULTUAL Production replace Supply Chain (USA/Aus/ South American) & Advanced Capabilities in Procurement
 - Increasing the sales in major demand markets (KOR/South east Asia/MENA)
- Expansion of Materials((Half shaft, magnets & etc) for Electric Vehicles Volume

2. Energy

Sales



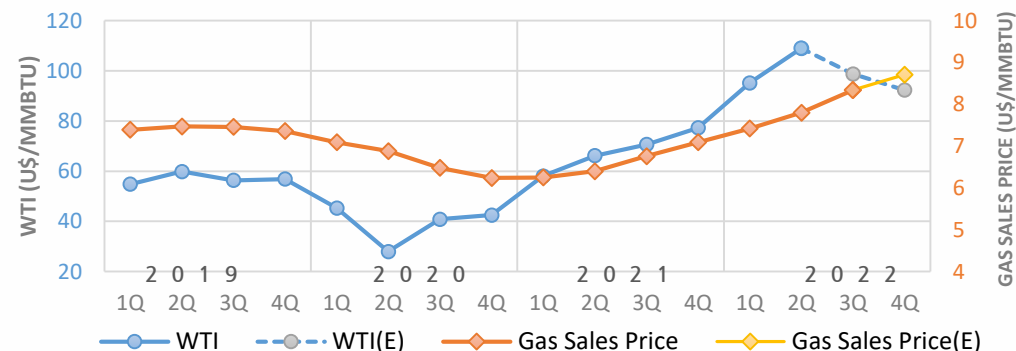
Operating Profit



Myanmar gas field

	2021			2022	
	2Q	3Q	4Q	1Q	2Q
Sales Vol. (bn ft ³)	47.6	48.8	47.4	41.7	45.5
Operating Profit (bn KRW)	37.7	43.6	69.1	52.8	110.9

Myanmar gas sales price



* Myanmar gas sales prices expected to increase upto 2Q. 23 despite WTI drop

Outlook

Myanmar gas field in 3Q

- Completion of the stage 2 development timely (Daily Avg. 525mn ft³)
- Sales price 6.9% up QoQ, uptrend lasts till 2Q of 2023
- Cost recovery in 2H gradually decreasing

Other biz Strategy

- Group Captive LNG off-take LT agreement (Yearly target 0.4mn tons, '26~'41)
 - Long-term supply agreement in May (USA supplier)
 - Long-term sales agreement in September (POSCO Group)

3. Investment Subsidiaries

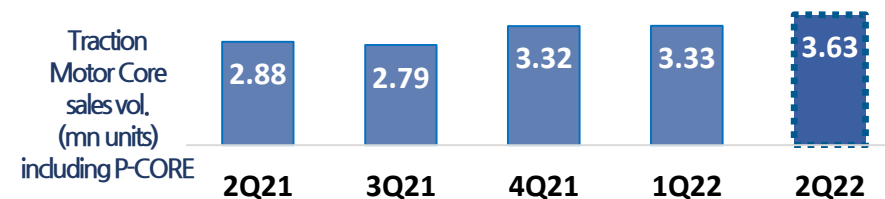
Earnings Results

(KRW Billion)	2021		2022			
	1H	2Q	H	2Q	QoQ	YoY
Sales	754	398	1,245	701	28.6%	76%
P-MS	504	267	740	388	10.4%	+45%
PT,BIA	87	48	130	74	31.5%	+54%
Senex	-	-	58	58	-	-
Narrabri*	6	3	43	34	295.4%	+1,276%
Others	157	80	274	146	14.2%	+82%
Operating Profit	83	46	163	104	128%	96%
OP Rate	11.03%	11.47%	13.12%	14.84%	3.9% p	2.09% p
P-MS	17	10	31	18	+44.0%	+73%
PT,BIA	43	24	75	41	+17.7%	+69%
Senex	-	-	11	11	-	-
Narrabri*	△3	△2	31	26	+473.9%	+1,489%
Others	26	15	16	8	+1.0%	△40%

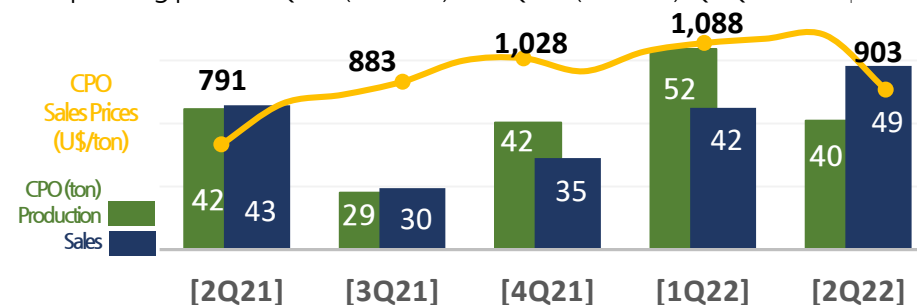
* Narrabri Mine : Coal Sales Vol. 69% ↑ QoQ (0.97 → 1.65mn tons) / Avg. Sales prices 94% ↑ QoQ

2Q Key Performance

- P-MS : Traction Motor Core sales vol. QoQ 9% up and Strong sales of STS

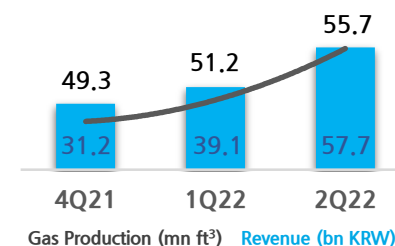


- PT,BIA(Palm oil) : CPO (Crude palm oil) sales Vol. QoQ 15% ↑
- Operating profit : 1Q 22 (34.5 bn) → 2Q 22 (40.6 bn) QoQ 17.7% ↑






- SENEX : Earning increased due to rise in sales price and volume

* Planned expansion of Gas production
- Yearly 0.4mn → 1.2 mn tons converted into LNG volume



Based on the stable EBITDA and Risk Management,

Broaden Investment for Growth in Eco-Friendly Energy and Material

Investment Strategy	 Energy Based on E&P competence, Expand area in LNG & hydrogen	 Agro. Through proactive action, Speed up completion of value-chain	 Eco-friendly Leading POSCO's eco-friendly biz., Preoccupy value-chain via trading network
Completed & In-progress Investments	• Senex Energy <ul style="list-style-type: none"> - Extended area for E&P (Myanmar+Australia) - 100bn. KRW OP in terms of production capacity in 2024 - (Eco-friendly) Green hydrogen tests in progress 	• Indonesia Palm Oil <ul style="list-style-type: none"> - Secure base of farming & production • Ukraine Grain Terminal <ul style="list-style-type: none"> - Procure sources of grains from Black sea • Uzbekistan Cotton Farming <ul style="list-style-type: none"> - Joined clusters for cotton farming 	• Overseas Factory for TMC <ul style="list-style-type: none"> - North America & China in progress, EU in review - Secured preorder of US\$450mn. in 2Q - Production capacity of 7mn. Per annum by 2030 (*) TMC : Traction Motor Core
Long-term Investment Plan	<div>E&P</div> <ul style="list-style-type: none"> • Broaden E&P for securing reserves • Malaysia PM524 • Investigation right in Indonesia <div>LNG</div> <ul style="list-style-type: none"> • Invest in mid-stream (LNG plant, LNG carrier, etc) & build sourcing structures for Posco's captive demand <div>hydrogen</div> <ul style="list-style-type: none"> • Secure hydrogen produced from LNG, CCS, IPP & transport in relation to hydrogen reduction iron • Invest domestically & globally in CCS & transport for carbon landfilling 	<div>Grain</div> <ul style="list-style-type: none"> • Securing assets for sourcing in north America & Australia • Domestic & overseas demand mkt <div>Palm Oil</div> <ul style="list-style-type: none"> • Acquire additional farm • Refining & bio-diesel <div>Textile</div> <ul style="list-style-type: none"> • Broaden VC in textile • Modernize factory equipment 	<div>Eco-friendly Automotive Compartment</div> <ul style="list-style-type: none"> • Broaden value chain of TMC • Permanent magnet, assembly biz etc <div>Materials for Secondary batteries</div> <ul style="list-style-type: none"> • Materials (graphite, etc) for anode materials • Pretreatment for battery recycling <div>White Bio</div> <ul style="list-style-type: none"> • Eco-friendly chemical materials via global trading networks

ESG Accomplishments

Environmental

• Acquired Eco-Friendly Certificate in Indonesia Palm Oil Plantation

- Acquired ISPO¹⁾ from Indonesia Government ('19)
- First company in Korea to announce NDPE²⁾ Declaration ('20)
- Acquired RSPO³⁾ Eco-Friendly Certificate ('21)

- 1) ISPO : Indonesian Sustainable Palm Oil
- 2) NDPE : No Deforestation, Peat & Exploitation
- 3) RSPO : Roundtable on Sustainable Palm Oil

• Expanded Green Mobility Business such as Traction Motor Core

- Built additional traction motor core factory in Pohang (Feb), securing 2 million units in annual production capacity
- Building additional factories overseas (Mexico/China)



• Created Mangrove Forest to Reduce GHG Emissions ('11~)

- Planted mangrove in Myanmar/Indonesia to prevent climate-induced disasters and reduce GHG emissions (total of 920ha)



Social

• First trading company in Korea to acquire Health and Safety Management System Certification

- ('22) Achieved ISO45001 through publication of safety and health management policies and establishing safety and health procedures



• Declared Modern Slavery Act ('21~)

- Committed to preventing modern slavery and human trafficking in accordance to the Modern Slavery Prevention Act in England/Australia (June)
- ▶ <https://www.poscointl.com/kor/modernSlaveryStatement.do>

• Main Social Contribution Activities in '22

- Implemented employee-led activities such as 'Change My Town'
- Participated in 'Global Citizen Week' (10 in Korea, 20 overseas)



**Photo: CSR Activities at Tongmahamek School for the Deaf in Saton, Thailand

Governance

• Managed ESG Council in Conformation to the TCFD⁴⁾ Recommendations ('21~)

- Held quarterly ESG Council meetings in order to strengthen governance and role of the BOD to manage ESG issues, based on TCFD recommendation (governance 1-1)
- 4) TCFD : TF on Climate-Related Financial Disclosures



• Strengthened ESG Communication by Reflecting Stakeholder Needs

- Plan to publish Sustainability Report and ESG Fact book in the perspective of SRI (Socially Responsible Investment) (late July)
 - Strengthen Governance and Environmental Strategies based on TCFD
 - Disclosure of information based on 3 SASB industrial standards
 - Advance Global ESG Issue Paper
 - Publish ESG Fact book

[Timeline of Sustainability Report Publication]

[4~5]

Materiality Analysis/
Collect Data

[6]

Third-party Verification

[7]

Publish/Publicly Announce Korean ver. of Sustainability Report

[8]

Publish/Publicly Announce English ver. of Sustainability Report

Consolidated Balance Sheet

(KRW Billion)	Dec 31, 2020	Dec 31, 2021	Jun 30, 2022
Total Assets	8,328	10,771	15,154
Current Assets	4,765	7,155	10,073
AR and Inventory	3,824	5,951	8,127
Cash and Cash Equivalents	698	521	1,116
Non-Current Assets	3,563	3,616	5,080
Total Liabilities	5,167	7,259	10,924
Current Liabilities	3,397	5,669	8,722
Non-Current Liabilities	1,770	1,589	2,202
Debt	2,700	3,693	6,236
Shareholder's Equity	3,161	3,512	4,230
Issued Capital and Capital Surplus	1,153	1,220	1,647
Retained Earnings	2,008	2,293	2,583

	Dec 31, 2020	Dec 31, 2021	Jun 30, 2022
Liabilities Ratio	163.5%	206.7%	258.2 %
Net Debt to Assets	24.0%	29.4%	33.8%
Debt to EBITDA	3.4	4.0	4.3

Quarterly Earnings Trend and OP Weighting

● Quarterly Earnings Trend

(KRW Billion)		2019				2020				2021				2022	
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Sales	Trading	5,657	5,890	5,371	5,371	5,059	4,641	4,504	5,005	6,451	7,788	8,390	8,152	9,019	10,047
	Energy	451	459	450	487	375	339	306	322	277	346	348	538	346	322.4
	Investment Subsidiaries & Etc.	67	70	70	81	78	272	259	315	359	391	413	496	547	700.7
	Total	6,175	6,419	5,890	5,938	5,511	5,252	5,068	5,641	7,087	8,525	9,152	9,186	9,912	11,067
OP	Trading	50	44	45	△4	36	41	51	16	66	93	78	36	113	113.2
	Energy	104	129	114	89	94	87	48	56	24	33	30	61	43	104.0
	Investment Subsidiaries & Etc.	10	7	4	13	16	6	9	16	37	45	40	44	60	103.4
	Total	164	180	163	98	146	134	107	87	127	170	149	140	216	320.6

● Operating Profit Weighting by Business Area

