

2Q 2022 Earnings Release

Conference Call Transcript

July 21, 2022

IR Department

(UNIT: KRW unless otherwise stated)

1. Consolidated Results Overview for 2Q recorded

11.07 trillion in sales, 320.6 billion in operating profit
and 235.9 bn in net profit.

Following the 1st quarter, we have achieved the largest earnings in quarterly.
ROE improved by 6%p to 23%, Asset Turnover and Leverage are increased
slightly due to rise in working capital.

EBITDA recorded 424.5 bn, an increase of 66% year on year.

2. Summary by Business Group

Sales revenue increased by 12% QoQ

Trading sales by 11%, Investment Sub. & Etc. by 28%

The operating profit of 320 bn won is comprised of

113 bn won from the trading biz, 104 bn won from the Energy biz and
103 bn won from Investment Sub. & Etc.

In terms of the non-operating P/L for the quarter, loss resulting from
financial activities was -24bn, which is slightly increased due to rise in LIBOR.
Equity Method P/L recorded stable earnings through the SEAGP,
The Ambatovy Nickel mine and KOLNG.

Summary by Biz. Group (Page 3~5)

(UNIT: KRW unless otherwise stated)

1. Trading Biz

Overall, the earnings of each business fields increased QoQ and YoY. The Steel business recorded 7.99tn won in sales, and 58bn in OP. Sales rose 16% due to increase of prices of both Steel products and steel raw materials. OP from Steel biz shows decreasing, however Hedge effectiveness covered +21.5bn won.

In Agro & Industrial materials biz,

Although we were not able to handle The Ukraine agro business, Sales of Soybean(meal) increased and profits from synthetic rubber were high

In terms of trading subsidiaries, both revenue and profit rose a bit due to stable sales in steel market.

Especially USA, JAPAN and ITALY outperformed quarterly.

And Look at the top of right page, our trading volume of Steel products Increased slightly and volume of Raw materials decreased a bit as well. Price level of Steel products and Raw materials kept very high comparing last year, so that the volumes were not that big as much as we did last year.

In the biz of agro, our volume of trading decreased 36% year on year. Ukraine-Russia conflict caused big shortage of our supply chain, and the high price of agricultural production made our buyers difficult to decide to take enough production.

However we've found some alternative suppliers to improve our sales.

In the third quarter, we will keep looking for some suppliers for agro biz and will focus on maintaining our stable captive business with Group company. We expect to make our firm and sound financial indicators, even if our sales and profits would be shorten a bit.

(UNIT: KRW unless otherwise stated)

2. Energy

Our energy biz had a slight decrease in sales compared to the first quarter, But Operating profit has greatly increased.

Revenue decreased 7% QoQ to ₩322.4bn and operating profit increased 144% to ₩104.7bn.

The sales of heavy oil and LNG trading decreased by 88 billion won, and the company made up to 64 billion won by increasing sales volume of Myanmar gas, increased price, exchange rate, and increased CAPEX Recovery.

In terms of operating profit, there was little impact on heavy oil and LNG Trading, however the same factors such as sales growth increased by 61.7 billion won from the previous quarter.

In particular, since April, when Myanmar's fiscal year begins, the amount of CAPEX recovery in the second phase of development has increased significantly, leading to an increase in operating profit. The price of gas rose 5.2% QoQ, and sales amounted to 45.5 billion ft³, which is 500 million ft³ a day.

In recent years, international oil prices have peaked in the second quarter and showed a slight decline and adjustment, but the company's gas price is expected to rise gradually until the second quarter of next year.

In the third quarter, gas sales are planned to produce 525 million ft³ a day after the completion of the second phase of development, and the sales price will rise 6.9% QoQ.

CAPEX recovery rate showed its maximum in 2Q, will be gradually decreased. In May, we signed a long-term purchase contract with the US LNG supplier, and plans to sign a sales contract between the group companies in September.

(UNIT: KRW unless otherwise stated)

3. Investment Subsidiaries

Next, we show our sales and profit from domestic and overseas investment subsidiaries.

Investment firms recorded sales of 700.7 billion won and operating profit of 104bn won, achieving earnings beyond the first quarter.

In particular, due to the increase of coal price and sales volume, the Narrabri Mine had earning surprise and led to growth.

POSCO Mobility Solution had an increase of sales volume for traction motor core and STS sales showed strong earnings.

The traction motor core recorded sales of 363,000 units in quarter, and contributed to the increase in operating profit by preserving the raw material price increase in the first quarter.

Price trend of Crude Palm oil has fallen during 2Q, and PT.BIA had a decrease in production, but sales volume increased compared to the first quarter and recorded operating profit of ₩40.6bn in the second quarter.

In the third quarter, earnings are expected to decrease somewhat with seasonal production.

Senex Energy showed solid sales and operating profit due to High oil prices and increased production/sales volume.

The company aims to triple the gas production of Senex Energy by 2025, which is to increase from 400 thousand tons to 1.2 million tons per year in LNG.

Growth Strategy (Page 6~7)

Next pages, we show our growth strategy and plan for our business.

First of all, we will broaden our investment for growth in Eco-Friendly Energy and materials, based on the stable EBITDA and Risk management.

In Energy biz field, we will expand our business area to LNG & Hydrogen, based on our E&P competence.

Our company completed the acquisition of the Senex Energy co. in 2Q, and has extended area for E&P area. Australia is a very promising area for Natural gas and resources and it will be our important base for the stable Revenue and LNG & Hydrogen business.

In the mid to long term strategy, we plan to secure various value chains such as CCS, regeneration IPP and transportation related to the Hydrogen and the MID stream investment for LNG procurement and delivery.

In terms of Agro. Business, we will speed up the investment for completion of value chain. Our company will make this business our main source of profit by investing and developing PT.BIA (Indonesian Palm Oil), Ukraine Grain Terminal and Uzbekistan Cotton Farming.

Lastly, in the eco-friendly materials sector, we will try to preoccupy value-chains via our global network, so that the POSCO group can lead the eco-friendly business.

We continue to expand our overseas factories for TMC and broaden our value chains for eco-friendly automotive compartments, raw materials for rechargeable battery and white bio materials.

Lastly, we will talk about our recent ESG accomplishments.

The company has eco-friendly management that meets global standards in all company activities.

And for the first time in Korea, we acquired Health and Safety Management System Certification.

We also continue to strengthen ESG management based on the recommendation of TCFD.

The sustainability Report, which includes our ESG achievements, will be published at the end of July. In particular, we distribute the Factbook together.

For details, please refer to the Sustainability Report, which is scheduled to be published in July.

Thank your very much.