

# POSCO INTERNATIONAL

## 3Q 2022 Earnings Release



2022. 10. 24

# Disclaimer

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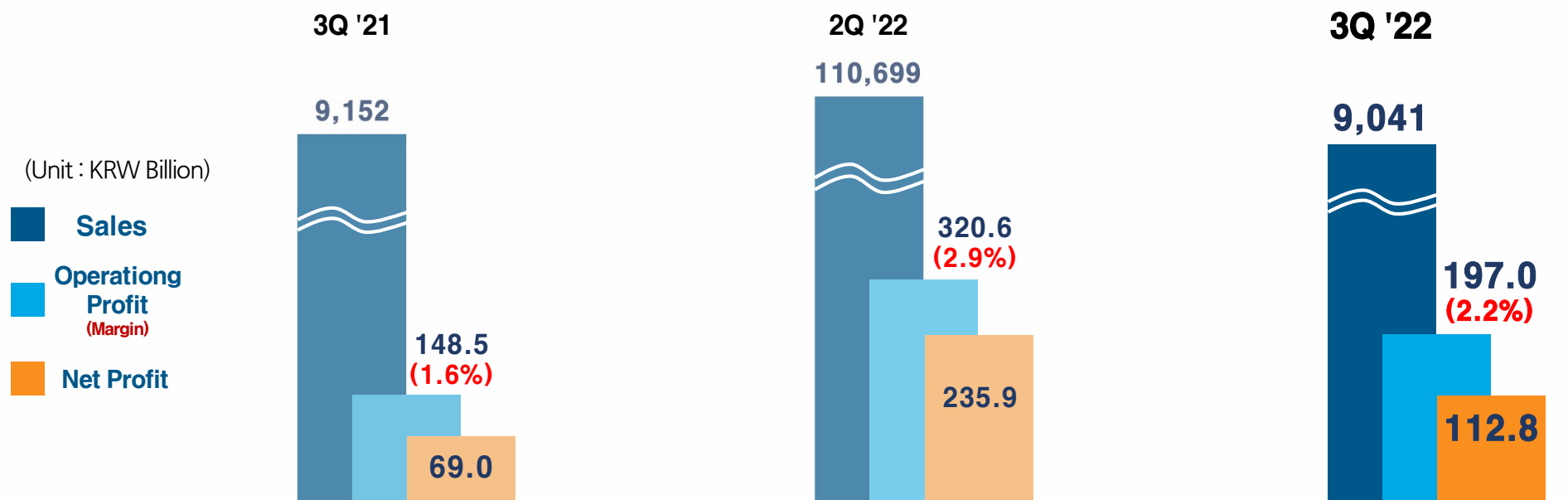
The financial information in this document are consolidated earnings results based on K-IFRS.

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

**KRW 9 Trillion in Sales (QoQ  $\triangle 18.3\%$ ) / KRW 197 Billion in Operating Profit (QoQ  $\triangle 38.6\%$ )**



	3Q '21	2Q '22	3Q '22
ROE (Return On Equity)	8%	26%	11%
Profitability (Net profit/Sales)	0.75%	2.16%	1.25%
Asset Turnover (Sales/Asset)	3.36	3.11	2.42
leverage (Asset/Equity)	3.26	3.88	3.43
EBITDA	232.9bn	424.5bn	297.0bn

## 2. Summary by Business Group

**Sales (Trading QoQ  $\Delta 21\%$ ) / Operating Profit (Trading  $\Delta 47\%$ , Investment sub.  $\Delta 58\%$ )**

(Unit : KRW Billion)	2021		2022			
	3Q Accum.	3Q	3Q Accum.	3Q	QoQ	YoY
Sales	24,763.0	9,151.5	30,023.3	<b>9,041.2</b>	$\Delta 2,028.6$	$\Delta 110.3$
Trading	22,629.0	8,390.2	27,034.0	<b>7,968.4</b>	$\Delta 2,078.4$	$\Delta 421.8$
Energy	933.7	335.4	1,017.5	<b>348.7</b>	+26.3	+13.3
Investment Subsidiaries & Etc.	1,200.3	425.9	1,971.8	<b>724.1</b>	+23.5	+298.2
<b>Operating Profit</b>	445.4	148.5	733.7	<b>197.0</b>	$\Delta 123.7$	+48.5
(OP Margin)	1.8%	1.6%	2.4%	<b>2.2%</b>	$\Delta 0.7\%p$	+0.6%p
Trading	237.0	78.0	285.8	<b>59.8</b>	$\Delta 53.4$	$\Delta 18.2$
Energy	86.3	32.2	240.8	<b>93.8</b>	$\Delta 10.2$	+61.6
Investment Subsidiaries & Etc.	122.1	38.3	207.1	<b>43.4</b>	$\Delta 60.1$	+5.1
<b>Non-Operating P/L</b>	$\Delta 58.2$	$\Delta 64.3$	$\Delta 41.5$	<b><math>\Delta 47.6</math></b>	$\Delta 47.7$	+16.7
Finance P/L	$\Delta 47.1$	$\Delta 12.9$	$\Delta 100.0$	<b><math>\Delta 67.0</math></b>	$\Delta 42.6$	$\Delta 54.1$
Equity Method P/L	41.7	14.6	63.8	<b>19.2</b>	$\Delta 10.1$	+4.6
Other P/L	$\Delta 52.8$	$\Delta 66.0$	$\Delta 5.3$	<b>0.2</b>	+5.0	+66.2
<b>Net Profit</b>	228.1	69.0	511.8	<b>112.8</b>	$\Delta 123.2$	+43.8

• Equity Method P/L (QoQ) : SEAGP 15.6bn( $\Delta 1.5$ ), Ambatovy  $\Delta 4.2$ bn( $\Delta 7.1$ ), KOLNG 5.7bn(+0.1), GENERAL MEDICINES CO., LTD.(Sudan) 1.3bn(+0.3), etc.

# 1. Trading (Steel, Agro, Trading Subsidiaries)

## Earning Results

(Unit : KRW Billion)	2021		2022			
	3Q Accum.	3Q	3Q Accum.	3Q	QoQ	YoY
<b>Sales</b>	29,660.3	10,987.3	36,574.0	10,848.4	△20.4%	△1.3%
Steel Business	16,962.1	6,647.9	20,954.8	6,060.4	△24.2%	△8.8%
Agro & Industrial Materials	4,365.0	1,206.4	4,038.5	1,112.6	△30.9%	△7.8%
Trading Subsidiaries	8,333.1	3,133.1	11,580.7	3,675.4	△8.9%	+17.3%
<b>Operating Profit</b>	227.8	84.1	281.3	58.4	△47.2%	△30.5%
OP Rate	0.8%	0.8%	0.8%	0.5%	△0.3%p	△0.1%p
Steel Business	125.4	65.2	161.6	29.2	△49.9%	△55.2%
Agro & Industrial Materials	6.7	△0.8	4.0	△4.5	△143.3%	△479.2%
Trading Subsidiaries	45.9	19.6	115.7	33.7	△19.6%	+71.9%

\* Not included consolidation adjustments

(Steel Biz) Keep the volume of sales products, decreased steel raw materials

\*Hedge effectiveness other Income (+22.6bn)

(Agro & Industrial Materials) Deficit due to bad debt allowance of Ukraine corn

(Trading Subsidiaries) Weak market of Steel, Decreasing sales of soybean

\*QoQ O.P. : America(△5.8), Vietnam(△1.1), Indonesia(△1.0bn)

## Key Performance

Volume (Mn. Tons)	3Q '21	2Q '22	3Q '22	QoQ	YoY
Steel products	3.52	3.39	3.33	△1.8%	△5.4%
POSCO Products	2.12	2.63	2.53	△3.8%	+19.3%
Steel raw materials	6.89	6.41	3.46	△46.0%	△49.8%

- Trading vol. of Steel products (QoQ 1.8%↓), Steel raw materials (QoQ 46%↓)
  - Strong sales of steel for Automotive and Energy, but sales volume decreased slightly due to flooding in Pohang
  - Falling global demand of raw materials, and carryover the shipment (0.55mn tons)

Volume (Mn. Tons)	3Q '21	2Q '22	3Q '22	QoQ	YoY
Agricultural Production	109	122	80	△34.3%	△26.4%
Soybean(meal)	30	69	33	△52.5%	+9.9%
Corn	33	40	31	△24.1%	△6.3%

- Reduced trading for Risk management during downturn
- Started the production of American soybean in Oct.
- Weak demand of feedstuff

### Note

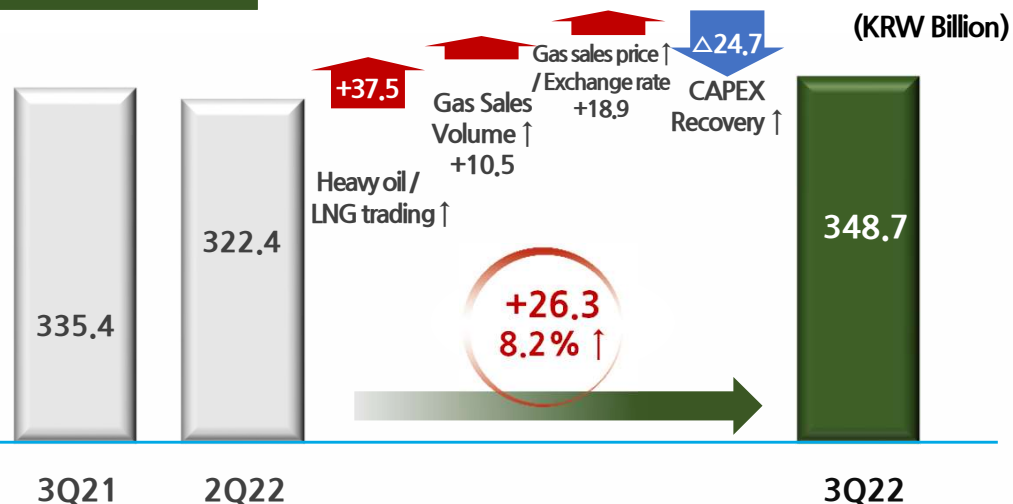
**Flooding in Pohang**(Opportunity cost) :

Sales for Sep.~Dec. shipment (Products 0.9mn tons, raw materials 0.7mn tons)

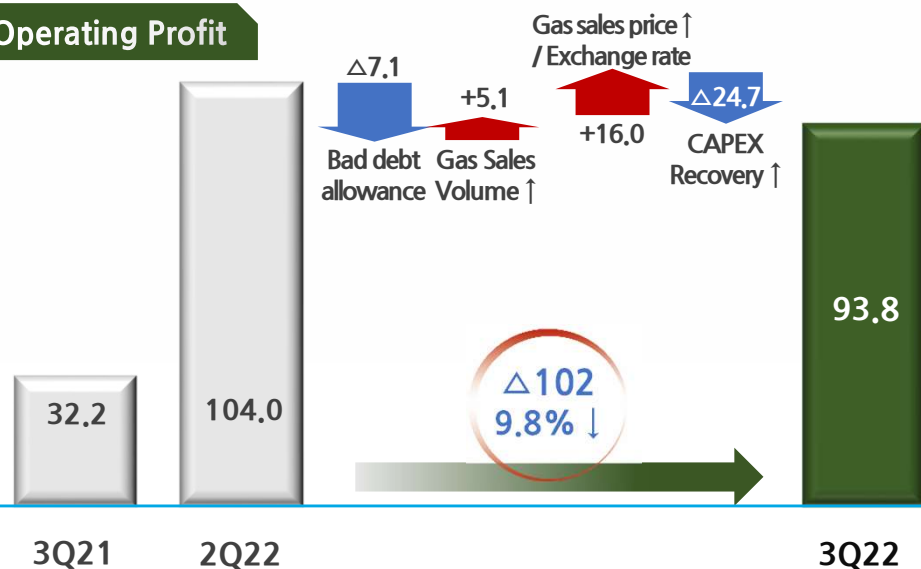
\* Recovery plan : Switchover to Kwangyang works, Replacement  
Expected increasing of Slabs supply from Pohang works

## 2. Energy

### Sales



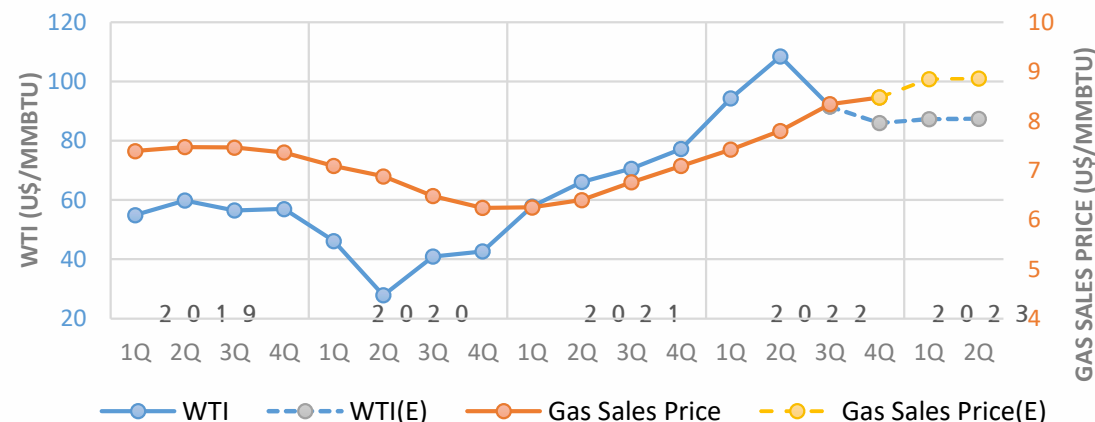
### Operating Profit



### Myanmar gas field

	2021		2022		
	3Q	4Q	1Q	2Q	3Q
Sales Vol. (bn ft <sup>3</sup> )	48.8	47.4	41.7	45.5	49.7
Operating Profit (bn KRW)	43.6	69.1	52.7	110.8	108.0

### Myanmar gas sales price



\* Myanmar gas sales prices expected to increase up to 2Q in 2023 despite WTI drop

### Outlook

#### Myanmar gas field

- After completion of the stage 2 development (Daily Avg. 550mn ft<sup>3</sup>)
- Sales price 1.7% up QoQ, uptrend lasts till 2Q of 2023 (E)\$8.86/MMBTU
- CAPEX recovery decreasing gradually (2Q 60% → 3Q 35%)

#### Other biz

- Group Captive LNG off-take LT agreement (yearly target 0.4mn tons, '26~'41)
  - Long term sales agreement in October (POSCO Group)
- Expansion E&P portfolio : Exploration right for Indonesian Bunga (~1H, '23)



# 3. Investment Subsidiaries

## Earnings Results

(Unit : KRW Billion)	2021		2022			
	3Q Accum.	3Q	3Q Accum.	3Q	QoQ	YoY
<b>Sales</b>	1,178.1	423.9	1,933.8	688.5	△1.7%	+62.4%
P-MS	806.0	301.8	1,106.4	366.4	△5.6%	+21.4%
PT.BIA	122.4	35.5	162.3	32.2	△56.4%	△9.3%
Senex	-	-	126.1	68.4	-	-
Narrabri	9.2	3.1	70.9	27.8	△19.2%	+796.8%
Others	240.5	83.5	468.1	193.7	+32.5%	+132%
<b>Operating Profit</b>	83.2	45.7	204.7	42.0	△59.5%	△8.1%
OP Rate	11.03%	11.47%	10.59%	6.1%	△8.7%p	△5.4%p
P-MS	29.7	12.3	31.3	0.8	△95.6%	△93.5%
PT.BIA	55.5	12.0	85.1	10.0	△75.4%	△16.7%
Senex	-	-	24.8	13.7	+23.4%	-
Narrabri	△4.0	△1.4	51.6	20.6	△22.0%	+1,571.4%
Others	2.0	22.8	11.9	△3.1	△141.9%	△113.6%

P-MS(POSCO Mobility solution) : Traction Motor Core sales vol. down and weak STS market

〔\*Flooding in Pohang : Decreased in STS sales(7,000tons) and Plate(3,000 tons)  
Recovery cost (2bn KRW) for damaged steel sheets〕

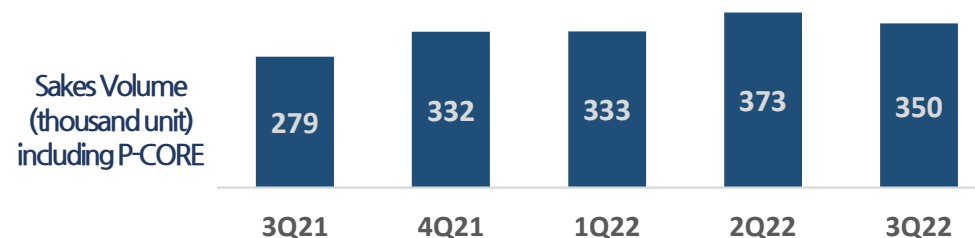
Narrabri(Australian coal) : Sales drop from production trouble (1.65→1.11mn tons)

Keep the high sales price (US\$392/ton) cf) Avg. sales price in 2021 : US\$114/ton

Others: eSteel4U(e-sales) included (73.9bn KRW)

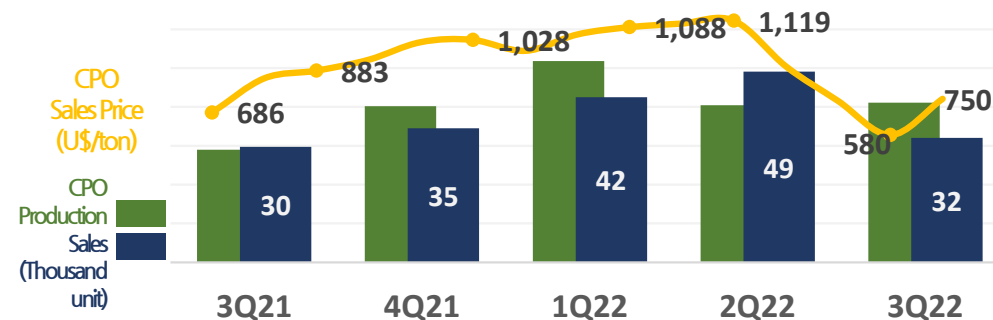
## Key Performance

- Traction Motor Core** : Overseas sales decreased temporarily due to adjustment of demand and supply in Europe (QoQ 6%↓)



- PT.BIA(Palm oil)** : Off-peak and seasonal drop in production  
Sales of CPO decreased QoQ 35%

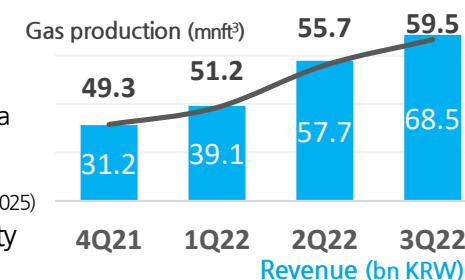
\* The volume of production and sales expected to rebound in 4Q



- SENEX** : Earning increased due to rise in sales vol. and **price**\*

\* Rise of oil price, Gas shortage in eastern Australia  
OP : 11.1(2Q) → 13.7bn KRW(3Q)

- Planned expansion of Gas production(~2025)
- Start construction of gas treatment facility



# Consolidated Balance Sheet

(Unit : KRW Billion)	Dec 31, 2020	Dec 31, 2021	Sep 30, 2022
<b>Total Assets</b>	<b>8,328.0</b>	<b>10,770.7</b>	<b>14,767.0</b>
Current Assets	4,764.6	7,155.2	9,453.2
AR and Inventory	3,823.8	5,950.8	6,916.8
Cash and Cash Equivalents	698.0	521.2	1,671.2
Non-Current Assets	3,563.4	3,615.5	5,313.8
<b>Total Liabilities</b>	<b>5,167.1</b>	<b>7,258.6</b>	<b>10,287.1</b>
Current Liabilities	3,397.3	5,669.3	7,840.0
Non-Current Liabilities	1,769.8	1,589.3	2,447.1
Debt	2,699.8	3,693.0	6,233.9
<b>Shareholder's Equity</b>	<b>3,160.9</b>	<b>3,512.1</b>	<b>4,479.9</b>
Issued Capital and Capital Surplus	1,152.7	1,219.6	1,788.0
Retained Earnings	2,008.2	2,292.5	2,691.9
	Dec 31, 2020	Dec 31, 2021	Sep 30, 2022
<b>Liabilities Ratio</b>	163.5%	206.7%	229.63%
<b>Net Debt to Assets</b>	24.0%	29.4%	30.9%
<b>Debt to EBITDA</b>	3.4	4.0	4.6



# Quarterly Earnings Trend and OP Weighting

## ● Quarterly Earnings Trend

(Unit : KRW Billion)		2019				2020				2021				2022		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
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	7,968
	Energy	451	459	450	487	375	339	306	322	277	346	348	538	346	322	349
	Investment Subsidiaries & Etc.	67	70	70	81	78	272	259	315	359	391	413	496	547	701	724
	<b>Total</b>	<b>6,175</b>	<b>6,419</b>	<b>5,890</b>	<b>5,938</b>	<b>5,511</b>	<b>5,252</b>	<b>5,068</b>	<b>5,641</b>	<b>7,087</b>	<b>8,525</b>	<b>9,152</b>	<b>9,186</b>	<b>9,912</b>	<b>11,067</b>	<b>9,041</b>
Operating Profit	Trading	50	44	45	△4	36	41	51	16	66	93	78	36	113	113.2	59.8
	Energy	104	129	114	89	94	87	48	56	24	33	30	61	43	104.0	93.8
	Investment Subsidiaries & Etc.	10	7	4	13	16	6	9	16	37	45	40	44	60	103.4	43.4
	<b>Total</b>	<b>164</b>	<b>180</b>	<b>163</b>	<b>98</b>	<b>146</b>	<b>134</b>	<b>107</b>	<b>87</b>	<b>127</b>	<b>170</b>	<b>149</b>	<b>140</b>	<b>216</b>	<b>320.6</b>	<b>197.0</b>

## ● Operating Profit Weighting by Business Area

