

POSCO INTERNATIONAL 2Q 2021 Earnings Release



July 21, 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

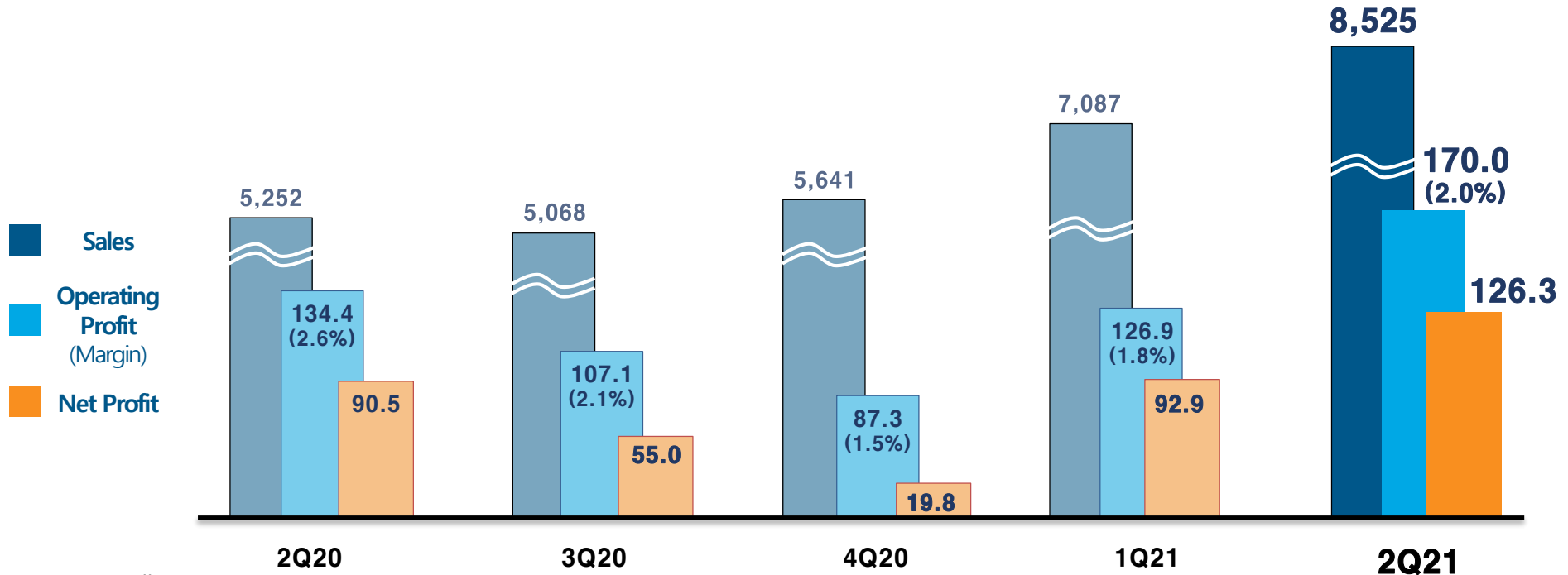
2Q : KRW 8.5 Trillion in Sales / KRW 170.0 Billion in Operating Profit

[Sales] Grew by +20.3% QoQ backed by **strong steel trading business and general rise in commodity prices**

[Operating Profit] Strong performance of trading business (steel, trading subsidiaries) and key investment subsidiaries

Profit • Earnings growth of key investment subsidiaries:

→ **SPS** (+53% QoQ), **Indonesia Palm Oil** (+24% QoQ), **Uzbekistan Cotton Wool** (+28% QoQ)



(Unit: KRW Billion)

2. Condensed Income Statement

(KRW Billion)	2020		2021			
	1H	2Q	1H	2Q	QoQ	YoY
Sales	10,762.9	5,252.0	15,611.5	8,524.5	+1,437.5	+3,272.5
Operating Profit	280.2	134.4	296.9	170.0	+43.1	+35.6
<i>(OP Margin)</i>	2.6%	2.6%	1.9%	2.0%	+0.1%p	-0.6%p
<i>Trading & Etc.</i>	72.4	39.3	145.7	86.6	+27.6	+47.3
<i>Investment Subsidiaries</i>	21.4	6.4	83.1	45.7	+8.2	+39.3
<i>Myanmar Gas</i>	186.4	88.7	68.1	37.7	+7.3	-51.0
Non-Operating P/L	-59.2	-4.2	5.9	5.4	+4.9	+9.6
<i>Finance P/L</i>	-50.1	10.8	-27.2	-15.3	-3.4	-26.1
<i>Equity Method P/L</i>	7.3	2.5	24.7	15.6	+6.5	+13.1
<i>Other P/L</i>	-16.4	-17.5	8.4	5.1	+1.8	+22.6
Net Profit	154.7	90.5	219.1	126.3	+33.4	+35.8

2021 2Q Sales and Operating Profit Details

- ▷ **Sales : +1,437.5bn QoQ** (unit: KRW)
- 1) **Growth in sales revenue aided by increased sales volume and rise in prices of steel products and agro commodities** (Com, Soybeans)
 - Steel 1Q (4.1tn) → 2Q (5.2tn) +44% QoQ / Agro 1Q (795bn) → 2Q (959bn) +21% QoQ
- ▷ **Operating Profit : +43.1bn QoQ**
- 1) **Trading & Etc. (+27.6bn)** :
 - Strong sales and earnings from steel products, mobility, and eco-solution goods
- 2) **Investment Subsidiaries (+8.2bn)** :
 - Increased production and rise in prices of CPO and cotton (Indonesia Palm Oil, Uzbekistan Cotton Wool subsidiaries, etc.)
- 3) **Myanmar Gas Field (+7.3bn)** : Rise in gas sales price (+2.4% QoQ) and increase in CAPEX recovery ratio despite seasonally slower sales volume

2021 2Q Non-Operating Profit & Loss Details

- ▷ **Financial P/L : -15.3bn** (unit: KRW)
 - Net Interest Expenses (-14.8bn),
 - Foreign Exchange P/L and etc. (-0.5bn)
- ▷ **Equity Method P/L : +15.6bn**
 - Myanmar Gas Pipeline(+10.7bn), Sudan Medicine (+2.6bn), KOLNG (+2.1bn), Ambatovy Nickel(-0.8bn), etc.
- ▷ **Other P/L : +5.1bn**
 - Ambatovy arbitration victory (Reversal of cash call payment (+12.1bn), Peru Block-8 (-3.9bn), etc.

3. Results and Outlook by Business Group



STEEL BUSINESS

(KRW Billion)	2020		2021	
	1H	2Q	1H	2Q
Sales	5,054.6	2,459.7	9,293.4	5,171.6
OP	51.9	24.4	125.4	72.0
Volume (Mn Tons)	12.61	6.61	19.65	9.96
Overseas	10.77	5.79	17.03	8.55
Domestic	1.84	0.82	2.62	1.41
POSCO Products	4.09	2.01	4.89	2.44

Key Achievements in 1H

- **Expanded global markets and laid out foundation for growth through the integration of export channels**
 - Increased client base by acquiring 13 new clients & 6 returning clients, etc.
- **Strengthened marketing of POSCO's WTP products to better meet the demands of global auto manufacturers**
 - Expanded sales of automotive steel plates (1.16mn tons sold in 1H)
- **Simple trading → High valued-added biz model (Package + Processing)**
 - Awarded major construction PJT packages (plate + beam + rebar), etc.

Outlook & Strategy

- ☞ Expand sales of materials and product packages for green energy PJTs (Wind & solar projects)
- ☞ Expand intermediary trading and provide stable procurement of raw materials to overseas POSCO Group companies



ENERGY & INFRASTRUCTURE

(KRW Billion)	2020		2021	
	1H	2Q	1H	2Q
Sales	713.8	339.1	598.3	335.9
OP	180.6	87.0	54.1	32.0
Gas Sales (Bn ft³)	101.9	50.0	98.9	47.6
LNG Sales (Mn Tons)	1.03	0.54	0.71	0.36

Key Achievements in 1H

- **Myanmar gas field operating profit increased QoQ assisted by rise in gas sales price(+2.4% QoQ) and increase in CAPEX recovery ratio despite lower gas sales due to slow season**
 - Daily avg gas sales volume (mn ft³): **480** (3Q20) ⇨ **580** (4Q20) ⇨ **570** (1Q21)
 - Maintained 99.94% operational uptime despite COVID19 crisis
- **Obtained joint study rights on new block in Indonesia**

Outlook & Strategy

- ☞ 3Q : Increase in both the gas sales price and volume expected
- ☞ Establish basis for long term earnings growth through acquiring additional reserves and expanding exploration

3. Results and Outlook by Business Group



AGRO & INDUSTRIAL MATERIALS

(KRW Billion)	2020		2021	
	1H	2Q	1H	2Q
Sales	3,449.0	1,713.0	4,179.5	2,237.4
OP	25.7	12.5	11.6	5.1
Agro Biz (HQ, PT.BIA, Terminal, RPC combined)				
OP	23.4	9.4	39.8	19.1
Volume (Mn Tons)	4.05	2.48	3.80	1.80
Mobility Biz (HQ, TMC combined)				
OP	6.4	2.6	9.1	4.9

Key Achievements in 1H

- **Continued growth through increasing agro handling volume**
 - Com(1.45mn tons), Soybeans(0.93mn tons), Wheat(0.49mn tons), etc.
- **New orders for green mobility components(267bn) and materials(161.7bn)**
 - Magnets(97bn), Differential gears for BEVs(79.4bn), Half-shafts(49.6bn), etc.
 - Increased sales of Cu/Al materials and lightweight component materials for future cars (161.7bn)

추진 전략

- ☞ Establish foundation for continued growth through investments in new assets (Value chain expansion)
- ☞ Further expansion of green mobility business and set up basis for eco-friendly future growth businesses



FOREIGN SUBSIDIARIES

(KRW Billion)	2020		2021	
	1H	2Q	1H	2Q
Trading Subsidiaries				
Sales	3,745.6	1,865.3	5,200.1	2,900.4
OP	△ 1.3	1.9	26.3	17.3
Investment Subsidiaries				
Sales	431.1	315.3	754.2	398.3
OP	21.4	6.4	83.1	45.7

Trading Subsidiaries

- **Earnings growth from global market recovery and strong trading biz**
 - Sales +1,797.1bn YoY / Operating Profit +27.7bn YoY
 - Increased sales of steel products (N. American & European subsidiaries), raw materials and agro commodities (Singapore subsidiary)

Investment Subsidiaries

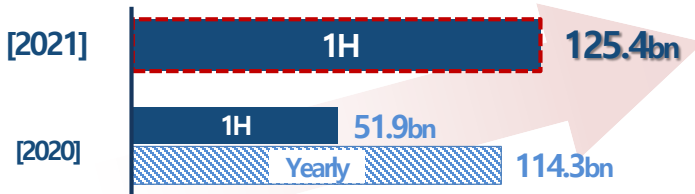
- **Indonesia Palm, production levels maintained high and rise in CPO price**
 - Enhanced productivity and reduced F/X risk through refinancing of debt
- **SPS, strong earnings from rise in prices of steel products and increased sales volume of traction motor cores**
- **Myanmar Hotel, increased occupancy rate(OCC) despite emergency situation**

1. Status of Steel Biz & Key Subsidiaries

Integration of Steel Export Channels / Traction Motor Core (SPS) / Indonesia Palm Oil

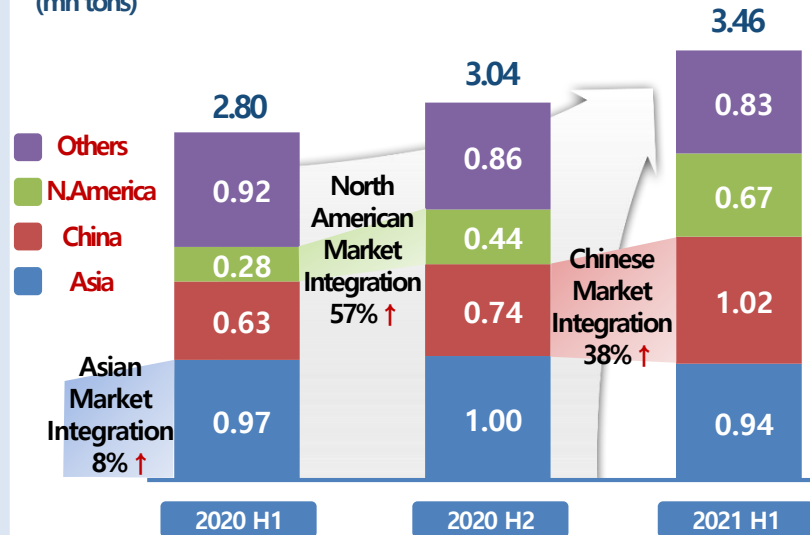
Steel

Q2 Steel biz OP grew by +142% YoY



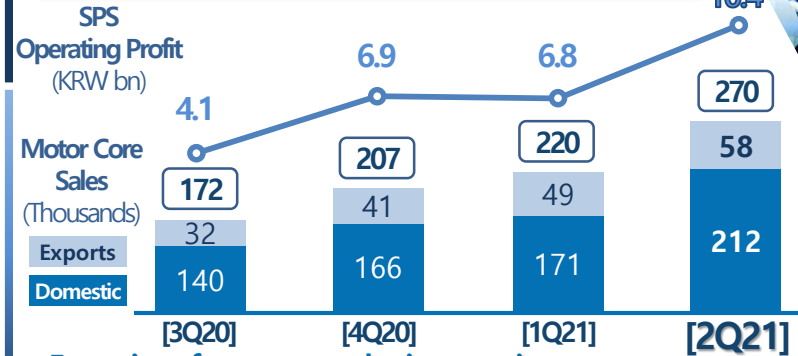
Sales Volume of POSCO Steel Products by Region

(mn tons)



SPS

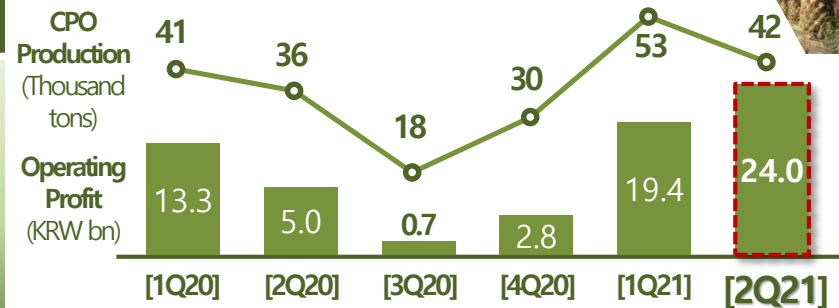
SPS quarterly operating profit surpassed 10bn



- Expansion of overseas production capacity: Equity participation in P-Core (China) planned through paid-in capital increase

Palm

CPO Production +17% and OP +380% YoY



- Planned expansion of new CPO Mill Unit 3 (additional prod. capacity of 90k tons/year, target completion by 4Q 2022)

Condensed Income Statement

(KRW Billion)

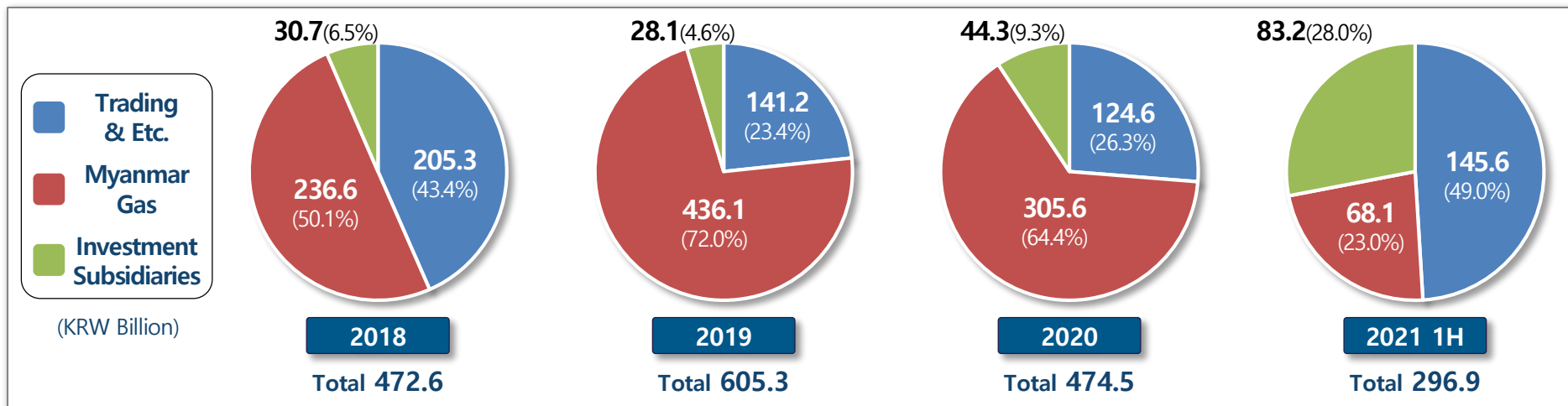
	Dec 31, 2019	Dec 31, 2020	June 30, 2021
Total Assets	8,959.4	8,328.0	10,310.2
Current Assets	5,032.3	4,764.6	6,831.4
AR and Inventory	4,343.1	3,823.8	6,012.3
Cash and Cash Equivalents	258.8	698.0	327.9
Non-Current Assets	3,927.1	3,563.4	3,478.8
Total Liabilities	5,911.3	5,167.1	7,018.0
Current Liabilities	3,561.2	3,397.3	5,187.4
Non-Current Liabilities	2,350.1	1,769.8	1,830.6
Debt	3,133.0	2,699.8	3,876.9
Shareholder's Equity	3,048.1	3,160.9	3,292.2
Issued Capital and Capital Surplus	1,190.6	1,152.7	1,174.9
Retained Earnings	1,857.5	,008.2	2,117.3

	Dec 31, 2019	Dec 31, 2020	June 30, 2021
Liabilities Ratio	193.9%	163.5%	213.2%
Net Debt to Assets	32.1%	24.0%	34.4%
Debt to EBITDA	3.5	3.4	4.1

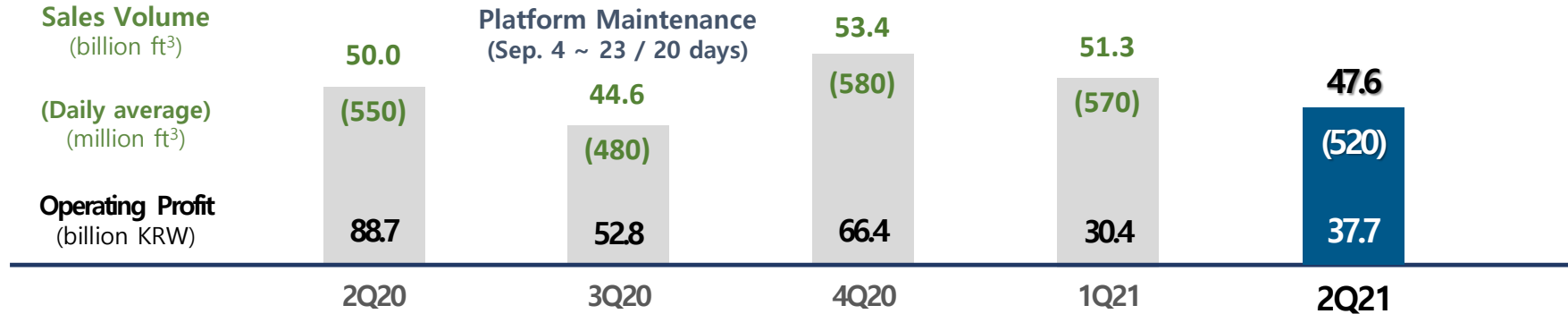
● Quarterly Earnings Trend

(KRW Billion)		2018				2019				2020				2021	
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Sales	Trading & Etc.	5,915.5	5,941.1	6,386.2	6,054.6	5,892.0	6,104.4	5,634.4	5,648.7	5,231.0	4,774.1	4,645.7	5,157.6	6,633.2	8,027.5
	Myanmar Gas	164.8	135.2	43.6	130.0	186.7	206.6	149.5	180.3	174.0	165.2	119.7	146.1	97.9	98.6
	Investment Subs.	90.6	99.6	102.0	110.7	96.4	107.8	106.4	109.4	106.0	312.6	302.8	337.6	355.9	398.3
	Total	6,170.9	6,175.9	6,531.8	6,295.3	6,175.1	6,418.8	5,890.3	5,938.4	5,511.0	5,251.9	5,068.2	5,641.3	7,087.0	8,524.4
Operating Profit	Trading & Etc.	57.3	60.9	50.4	36.6	54.9	51.1	47.8	-12.7	33.3	39.1	46.3	5.9	59.0	86.6
	Myanmar Gas	86.2	69.3	13.2	68.0	100.5	122.1	113.8	99.7	97.7	88.7	52.8	66.4	30.4	37.7
	Investment Subs.	6.6	5.7	5.6	12.6	9.0	6.7	1.8	10.6	14.8	6.6	7.9	15.0	37.5	45.7
	Total	150.1	135.9	69.2	117.2	164.4	179.9	163.4	97.6	145.8	134.4	107.0	87.3	126.9	170.0

● Operating Profit Weighting by Business Area (Yearly)



● Myanmar Gas Sales Volume



● Key E&P Development and Exploration Timeline

