

POSCO INTERNATIONAL 3Q 2021 Earnings Release



Oct 22, 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.

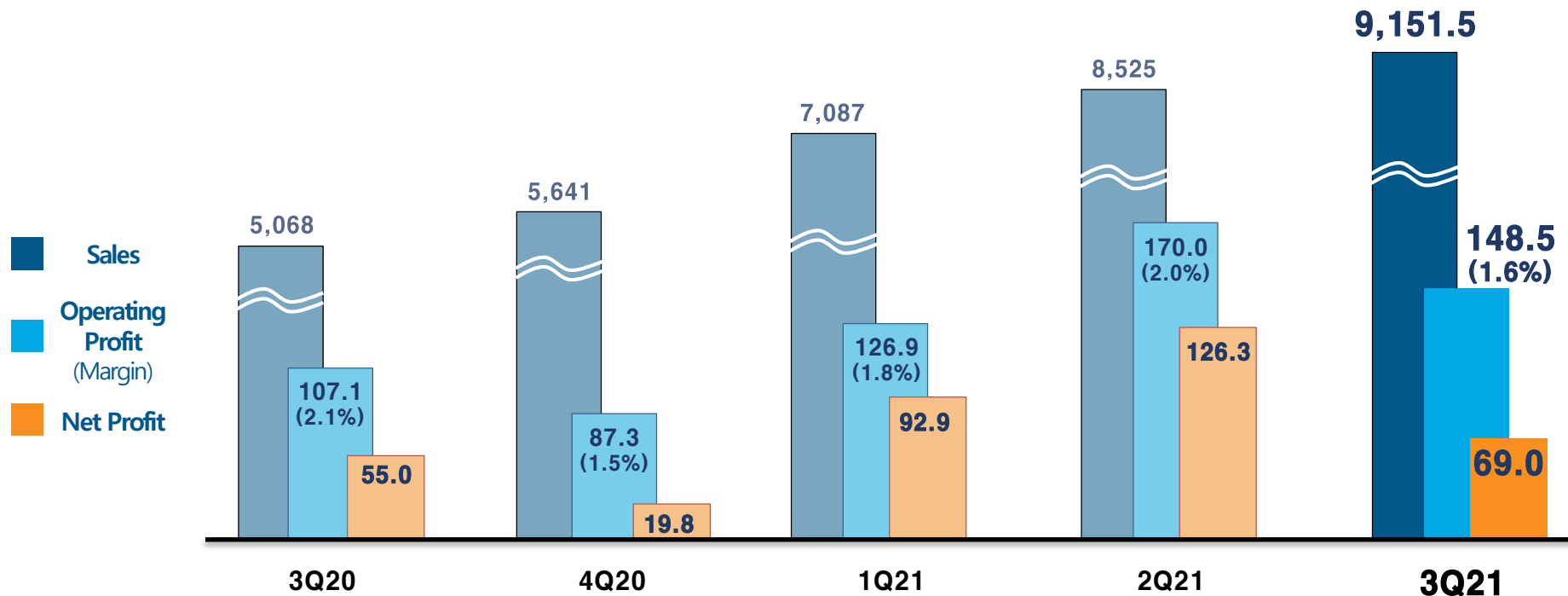
1. Consolidated Results Overview

3Q : KRW 9.2 Trillion in Sales / KRW 148.5 Billion in Operating Profit

[Sales] +7.4% QoQ backed by **growth in steel raw materials sales** and **strong performance of trading subsidiaries**

[Operating Profit] Earnings down QoQ due to rise in employee benefits(-8.6bn) and slow CPO production at Indonesia Palm(-11.9bn)

[Net Profit] Decreased QoQ due to impairment losses at investment subsidiaries (-60.2bn)



(Unit: KRW Billion)

2. Condensed Income Statement

(KRW Billion)	2020		2021			
	3Q Accum.	3Q	3Q Accum.	3Q	QoQ	YoY
Sales	15,831.1	5,068.2	24,763.0	9,151.5	+627.0	+4,083.3
Operating Profit	387.2	107.1	445.4	148.5	-21.5	+41.4
<i>(OP Margin)</i>	2.4%	2.1%	1.8%	1.6%	-0.4%p	-0.5%p
<i>Trading & Etc.</i>	118.6	46.4	213.3	67.6	-19.0	+21.2
<i>Investment Subsidiaries</i>	29.4	7.9	120.4	37.3	-8.4	+29.4
<i>Myanmar Gas</i>	239.2	52.8	111.7	43.6	+5.9	-9.2
Non-Operating P/L	-83.7	-24.6	-58.3	-64.2	-69.6	-39.6
<i>Finance P/L</i>	-81.9	-31.7	-42.0	-14.8	+0.5	+16.9
<i>Equity Method P/L</i>	8.5	1.2	46.3	21.6	+6.0	+20.4
<i>Other P/L</i>	-10.3	5.9	-62.6	-71.0	-76.1	-76.9
Net Profit	209.7	55.0	288.1	69.0	-57.2	+14.0

2021 3Q Sales and Operating Profit Details

- ▷ **Sales : +627.0bn QoQ** (unit: KRW)
- 1) **Sales strong due to rise in price & volume of steel raw materials** (Coal, scraps)
- Steel 1Q (4.1tn) → 2Q (5.2tn) → **3Q (6.1tn)** +18% QoQ
- ▷ **Operating Profit : -21.5bn QoQ**
- 1) **Trading & Etc. (-19.0bn)** :
- Earnings slow due to increased freight costs and decreased profitability of the E-Sales platform
- 2) **Investment Subsidiaries (-8.4bn)** :
- Continued earnings growth of POSCO SPS (+19% QoQ), decreased CPO production at Indonesia Palm due to low season (-31% QoQ)
- 3) **Myanmar Gas Field (+5.9bn)**

2021 3Q Non-Operating Profit & Loss Details

- ▷ **Financial P/L : -14.8bn** (unit: KRW)
- Net Interest Expenses (-16.6bn),
- Foreign Exchange P/L and etc. (+1.8bn)
- ▷ **Equity Method P/L : +21.6bn**
- Myanmar Gas Pipeline(+11.3bn), Sudan Pharmaceutical(+1.9bn), KOLNG(+2.8bn), Ambatovy Mine(+1.9bn), etc.
- ▷ **Other P/L : -71.0bn**
- Impairment loss at Ambatovy Mine (-47.6bn),
- Impairment loss at Narrabri Mine (-12.6bn), etc.

3. Results and Outlook by Business Group



STEEL BUSINESS

(KRW Billion)	2020		2021	
	3Q Accum.	3Q	3Q Accum.	3Q
Sales	7,704.2	2,649.7	15,378.0	6084.6
OP	86.6	34.7	183.0	57.5
Volume (Mn Tons)	19.77	7.16	29.93	10.28
Overseas	16.82	6.05	25.67	8.64
Domestic	2.95	1.11	4.26	1.64
POSCO Products	6.45	2.36	7.21	2.32

3Q Key Performance

- **Increased OP from coal and steel scrap sales due to rise in price**
 - Completed the stable supply chain of steel scraps for POSCO in response to the Net Zero policy
- **Strengthened marketing of POSCO's WTP products to better meet the demands of global auto manufacturers**
 - Continued increasing sales of automotive steel (1Q 0.56mn tons → 2Q 0.53mn tons → 3Q 0.59mn tons)

Outlook & Strategy

- ☞ Expand the marketing synergy through the integration of marketing channel in Japan
- ☞ Broaden the sales of automotive steel & the materials of traction motor core toward the global top EV makers
- ☞ Lead the E-commerce market through the Online Platform



ENERGY & INFRASTRUCTURE

(KRW Billion)	2020		2021	
	3Q Accum.	3Q	3Q Accum.	3Q
Sales	1,019.7	305.9	933.7	335.4
OP	228.1	47.4	86.3	32.2

Myanmar Gas Field

Sales Vol. (bn ft ³)	44.6	53.4	51.3	47.6	48.8
(Daily Avg.) (mn ft ³)	(480)	(580)	(570)	(520)	(530)
Operating Profit (bn KRW)	52.8	66.4	30.4	37.7	43.6
	3Q20	4Q20	1Q21	2Q21	3Q21

3Q Key Performance

- **Myanmar Gas Field : Sales vol. & OP up QoQ (KRW +5.9 bn)**
 - Gas Sales Volume(+2.5%), Gas Sales Price(+3.4%)
- **Awarded the right to explore & operate the PM524 offshore mine in Malaysia**
 - Start off the exploration for 4 years since being awarded

Outlook & Strategy

- ☞ Preparations for appraisal drilling at Mahar and new exploration drilling at Mahar West
- ☞ Conduct joint study for new exploration offshore Indonesia
- ☞ Develop & acquire new E&P projects in key areas such as Southeast Asia and Australia

3. Results and Outlook by Business Group



AGRO & INDUSTRIAL MATERIALS

(KRW Billion)	2020		2021	
	3Q Accum.	3Q	3Q Accum.	3Q
Sales	5,342.3	1,551.8	5,949.2	1,769.7
OP	28.7	4.0	18.6	7.0
Agro Biz (HQ, PT.BIA, Terminal, RPC combined)				
OP	24.2	2.2	45.0	7.0
Volume (Mn Tons)	5.66	1.61	4.94	1.16
Mobility Biz (HQ, TMC combined)				
OP	6.9	0.9	12.3	3.1

3Q Key Performance

- **Agro. : Slow demand due to increased market volatility and rise in shipping costs**
 - Slow sales of Ukrainian grain to the Tanlong in Vietnam
- **Mobility : Profitability down due to the increased shipping costs**
 - Targeting to improve profitability through negotiation with clients

Outlook & Strategy

- ☞ Broaden agro value chain by sourcing from strategic countries and strengthen sales competence through related assets.
- ☞ Expand palm oil biz portfolio through downstream diversification
 - Expand downstream value chain (Refinery, Bio fuel, etc) with partners
- ☞ Expand supply of EV parts and develop e-powertrain module business



FOREIGN SUBSIDIARIES

(KRW Billion)	2020		2021	
	3Q Accum.	3Q	3Q Accum.	3Q
Trading Subsidiaries				
Sales	5,247.0	1,488.7	8,333.2	3,133.1
OP	5.9	7.3	45.9	19.6
Investment Subsidiaries				
Sales	721.2	302.8	754.2	398.3
OP	29.4	7.9	83.1	45.7

Trading sub.

- **Increased sales volume with stable profitability due to continued uptrend of the global steel market**
 - Sales up KRW +232.7 bn QoQ / OP KRW +2.3 bn QoQ
 - Increased demand for steel with the price rise in USA and Mexico

Investment sub.

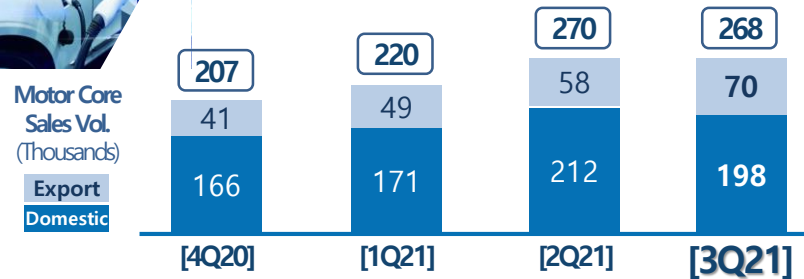
- **Palm oil : Increased profitability due to rise in CPO price (+7% QoQ)**
 - CPO production growth continues YoY despite seasonal downturn
- **SPS : Increase sales margin of stainless steel and motor core sales**
- **Uzbekistan Textile : Increase sales price with stable profitability**

1. Status of Core Businesses – EV, Steel, & Palm Oil

EV Components / Intergration of export channel / Palm Oil

EV Comp.

Motor Core Sales and Investment Plan



Overseas Investment Progress



EV Half Shaft Supply Plan

- Buyer: RIVIAN (American EV maker, Invested by Amazon & Ford)
- Item: Half Shaft for EV
- Order amount: Total USD 124mn
- Period: 2022~2028 (6 years)

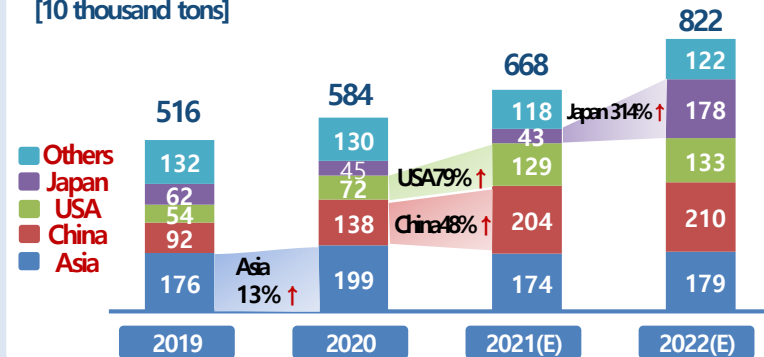
Rivian's Vehicles (SUV, PICK-UP, AMAZON VAN) related to the supply



Steel

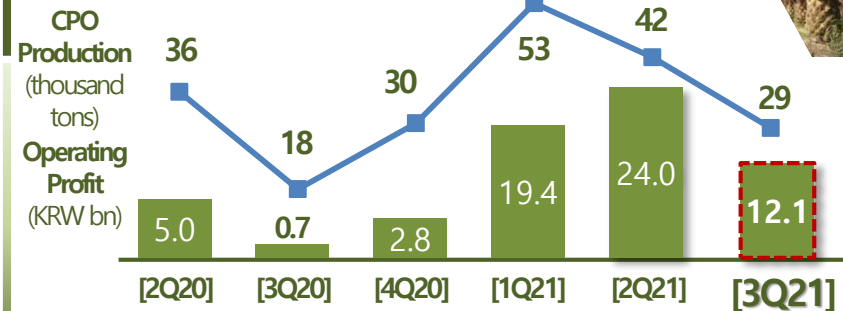
Sales Volume of POSCO Steel Products by Region

[10 thousand tons]



Palm

CPO Production +61% and OP +1,629% YOY



Obtained RSPO Certification on Sep 2021

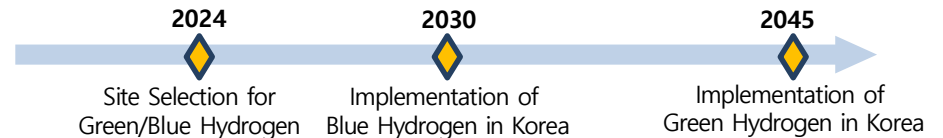
2. Future Expansion Through Energy Business

Develop carbon neutral and hydrogen business platform through 2.5TCF reserves in possession

Project	Strategy to Acquire Reserves
Myanmar A-1/A-3	<ul style="list-style-type: none"> Maintain production plateau and stable gas sales through timely completion of Stage 2 & 3 development phases
Myanmar Mahar	<ul style="list-style-type: none"> Combined development of gas field through appraisal drilling at Mahar and additional exploration drilling → Begin production in 2027
New Exploration Projects 1	<ul style="list-style-type: none"> Acquire long-term reserves through business expansion to key locations * Malaysia PM524 Block, Indonesia joint study, etc
New Development Projects 2	<ul style="list-style-type: none"> Acquisition of participating shares at stable assets with confirmed reserves Acquisition of companies specializing in E&P

Business Platform Linked to 'Net Zero' Policies

Hydrogen Business Road map



- Review projects utilizing currently owned natural gas and on-site assets**
 - Cooperation with CCS/Blue Hydrogen companies based on existing reserves
 - Gas recovery rate improvement through injection of CO2 in gas layer
- Develop strategic Net Zero business with POSCO Group**
 - Supply of LNG to Group companies and operation of LNG import terminals
 - Development of infrastructure (terminals, etc.) to overseas hydrogen PJTs

- Malaysia PM524 Block**
 - Depth 50~80m / Area 4,738km²
 - Exploration Period (4Q21 ~ 3Q25)
- Joint Study at Indonesia**
 - East Java Shallow Sea / Area 11,515km²
 - Joint Study Period (Jun 21 ~ Feb 22)

- Acquisition of participating shares at stable assets with confirmed reserves**

Condensed Income Statement

(KRW Billion)

	Dec 31, 2019	Dec 31, 2020	Sep 30, 2021
Total Assets	8,959.4	8,328.0	11,496.9
Current Assets	5,032.3	4,764.6	7,967.7
AR and Inventory	4,343.1	3,823.8	6,689.2
Cash and Cash Equivalents	258.8	698.0	714.4
Non-Current Assets	3,927.1	3,563.4	3,529.2
Total Liabilities	5,911.3	5,167.1	8,070.1
Current Liabilities	3,561.2	3,397.3	6,452.2
Non-Current Liabilities	2,350.1	1,769.8	1,617.8
Debt	3,133.0	2,699.8	4,395.2
Shareholder's Equity	3,048.1	3,160.9	3,426.8
Issued Capital and Capital Surplus	1,190.6	1,152.7	1,216.2
Retained Earnings	1,857.5	1,008.2	2,210.6

	Dec 31, 2019	Dec 31, 2020	Sep 30, 2021
Liabilities Ratio	193.9%	163.5%	235.5%
Net Debt to Assets	32.1%	24.0%	32.0%
Debt to EBITDA	3.5	3.4	4.7

● Quarterly Earnings Trend

(KRW Billion)		2018				2019				2020				2021		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
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	8,614.4
	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	113.1
	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	424.0
	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	9,151.5
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	67.6
	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	43.6
	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	37.3
	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	148.5

● Operating Profit Weighting by Business Area (Yearly)

