

# POSCO INTERNATIONAL 4Q 2021 Earnings Release



**Jan 26, 2022**

# Contents & Disclaimer

## 4Q & Yearly Results

1. Consolidated Results Overview
2. Condensed Income Statement
3. Results and Outlook by Business Group

## Key Performance & Strategy for Core Business

## Appendix    Condensed Financial Position Quarterly Earnings Trend and OP Weighting

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

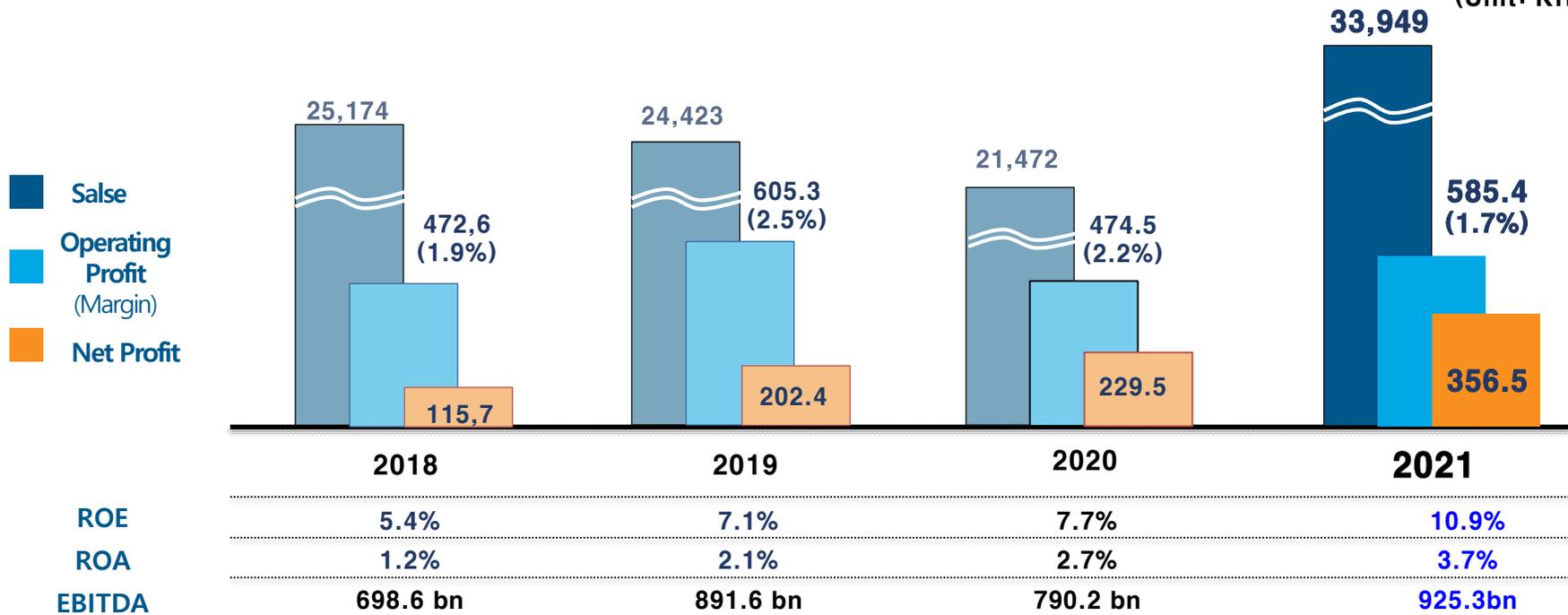
**KRW 34 Trillion in Sales / KRW 585 Billion in Operating Profit**

**[Sales]** +58% YoY growth in steel products and steel raw materials due to rise in price & integration of marketing channels

**[OP]** +23% YoY mainly by steel sales and investment subsidiaries

**[Net Profit]** +55% YoY backed by minimizing non-operating losses through strengthened risk management

(Unit: KRW Billion)



| (KRW Billion)            | 2020          |                       | 2021          |               |               |               |                      |
|--------------------------|---------------|-----------------------|---------------|---------------|---------------|---------------|----------------------|
|                          | 4Q            | Year                  | 1Q            | 2Q            | 3Q            | 4Q            | year                 |
| Sales                    | 5,641.3       | <b>21,472.4</b>       | 7,087.0       | 8,524.5       | 9,151.5       | 9,185.9       | <b>33,948.9</b>      |
| Operating Profit         | 87.3          | <b>474.5</b>          | 126.9         | 170.0         | 148.5         | 140.0         | <b>585.4</b>         |
| (OP Margin)              | 1.5%          | <b>2.2%</b>           | 1.8%          | 2.0%          | 1.6%          | 1.5%          | <b>1.7%</b>          |
| Trading & Etc.           | 14.1          | <b>126.8</b>          | 59.0          | 86.6          | 67.6          | 14.2          | <b>227.4</b>         |
| Investment Subsidiaries  | 6.8           | <b>42.1</b>           | 37.5          | 45.7          | 37.3          | 56.7          | <b>177.2</b>         |
| Myanmar Gas              | 66.4          | <b>305.6</b>          | 30.4          | 37.7          | 43.6          | 69.1          | <b>180.8</b>         |
| <b>Non-Operating P/L</b> | $\Delta$ 63.7 | $\Delta$ <b>147.4</b> | 0.5           | 5.4           | $\Delta$ 64.2 | $\Delta$ 38.4 | $\Delta$ <b>96.7</b> |
| Finance P/L              | 2.0           | $\Delta$ <b>79.9</b>  | $\Delta$ 11.9 | $\Delta$ 15.3 | $\Delta$ 14.8 | $\Delta$ 21.6 | $\Delta$ <b>63.6</b> |
| Equity Method P/L        | 10.3          | <b>18.8</b>           | 9.1           | 17.9          | 14.6          | 18.4          | <b>60.1</b>          |
| Other P/L                | $\Delta$ 76.0 | $\Delta$ <b>86.3</b>  | 3.3           | 2.8           | $\Delta$ 64.0 | $\Delta$ 35.2 | $\Delta$ <b>93.2</b> |
| <b>Net Profit</b>        | 19.8          | <b>229.5</b>          | 92.9          | 126.3         | 69.0          | 68.3          | <b>356.5</b>         |

## 2021 4Q Sales and Operating Profit Details

- ▷ **Sales : +34.4 bn (+0.4%) QoQ**
  - Sales up due to the rise in agro sales volume (+198.5 bn)
- ▷ **Operating profit :  $\Delta$ 8.5bn QoQ**
  - 1) Trading & etc. ( $\Delta$ 53.4 bn)**
    - slowdown in steel industries and decreased profitability of the E-Sales platform ( $\Delta$ 24 bn)
    - Setting bad debt allowance for long-term AR to deal with upcoming risk ( $\Delta$ 20.8 bn)
  - 2) Investment subsidiaries (+19.4 bn)**
    - Increased CPO production and rise in price (+9.2 bn)
  - 3) Myanmar gas field (+25.5 bn)**
    - Increase in cost recovery ratio & Rise in gas sales price

## 2021 4Q Non-Operating Profit &amp; Loss Details

(unit: KRW)

- ▷ **Financial P/L :  $\Delta$  21.6 bn**
  - Net interest exp. ( $\Delta$ 27.6bn)
  - Foreign exchange P/L and etc. (+6.0bn)
- ▷ **Equity method P/L : +18.4 bn**
  - Myanmar gas pipeline (+13.6 bn), KOLNG (+2.5 bn)
- ▷ **Others :  $\Delta$ 35.2 bn**
  - Impairment loss ① Myanmar hotel ( $\Delta$ 17.1bn)
  - ② Ukraine agro terminal ( $\Delta$ 4.4 bn)

### STEEL BUSINESS

| (KRW Billion)             | 2020    |          | 2021    |          |
|---------------------------|---------|----------|---------|----------|
|                           | 4Q      | Year     | 4Q      | Year     |
| <b>Sales</b>              | 2,657.3 | 10,361.5 | 5,575.5 | 20,953.5 |
| <b>OP</b>                 | 27.7    | 114.3    | 20.9    | 203.7    |
| <b>Volume (thou Tons)</b> | 6.71    | 26.48    | 9.59    | 41.43    |
| <b>Overseas</b>           | 5.61    | 22.43    | 8.12    | 33.80    |
| <b>Domestic</b>           | 1.10    | 4.05     | 1.47    | 7.63     |
| <b>POSCO Products</b>     | 2.11    | 8.55     | 2.26    | 9.47     |

#### Key Performance in 4Q

- **Expansion of trading vol. and strengthened global marketing as the lineal trader of POSCO**
  - Completion of integration in marketing channel (Japan, 4Q '21)
  - POSCO products supply : 9.5mn T in 2021 → 10.4mn T in 2022
- **Stable sourcing structure in overseas ferrous scrap**
  - Sales vol. up to 2.9mn T in 2021 from the Net Zero policy of POSCO
  - MOU with Schnitzer for sourcing ferrous scrap (yearly 0.4mn T)
- **Developing demand related to the eco-friendly industries**
  - supply materials to EV, wind power and solar power (0.53 → 0.65mn T)

### ENERGY & INFRASTRUCTURE

| (KRW Billion) | 2020  |         | 2021   |         |
|---------------|-------|---------|--------|---------|
|               | 4Q    | Year    | 4Q     | Year    |
| <b>Sales</b>  | 321.8 | 1,341.5 | 513..9 | 1,447.6 |
| <b>OP</b>     | 55.7  | 283.8   | 47.1   | 133.4   |

#### Myanmar Gas Field

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| <b>Sales Vol. (bn ft<sup>3</sup>)</b>   | 53.4  | 51.3  | 47.6  | 48.8  | 47.4  |
| <b>(Daily Avg.) (mn ft<sup>3</sup>)</b> | (580) | (570) | (520) | (530) | (520) |
| <b>Operating Profit (bn KRW)</b>        | 66.4  | 30.4  | 37.7  | 43.6  | 69.1  |
|   | 4Q20  | 1Q21  | 2Q21  | 3Q21  | 4Q21  |

#### Key Performance in 4Q

- **Stable production and profit in Myanmar gas field**
  - Increase in sales price and OP(+25.5bn QoQ)
  - Sales price up[1Q 6.25→2Q 6.40→3Q 6.76→4Q 7.09→'22.1Q 7.42]
  - Progressing 2<sup>nd</sup>/3<sup>rd</sup> stages as planned (2<sup>nd</sup> stage completed in 1H)
- **Strengthen basis for growth by operating the acquired assets**
  - Acquiring Senex Energy (50.1% in shares, total 0.8TCF reserves)
  - Increase gas production (20BCF in 2021 → 30BCF in 2024)
  - Exploration in PM524 in Malaysia + Joint study in Indonesia



### AGRO & INDUSTRIAL MATERIALS

| (KRW Billion)  | 2020    |         | 2021    |         |
|--|---------|---------|---------|---------|
|  | 4Q      | Year    | 4Q      | Year    |
| <b>Sales</b>   | 1,936.9 | 7,279.2 | 2,195.1 | 8,144.3 |
| <b>OP</b>  | △5.7    | 23.0    | 7.2     | 25.8    |
| <b>Agro Biz (HQ, PT.BIA, Terminal, RPC combined)</b> |         |         |         |         |
| <b>OP</b>  | 1.78    | 4.20    | 17.4    | 62.4    |
| <b>Volume (Mn Tons)</b>                              | 2.3     | 8.0     | 1.6     | 6.7     |
| <b>Mobility Biz (HQ, TMC combined)</b>               |         |         |         |         |
| <b>OP</b>  | 5.1     | 10.5    | 5.8     | 17.6    |

### Key Performance in 4Q

- A** • **Broadening value chain by acquiring assets**
  - Ukraine agro terminal : decreased trading vol. due to sharp price fluctuation and poor cultivation
  - Ukraine agro biz. projects (delayed due to geopolitical risk)
- G** • **Acquisition of new palm biz. and downstream investments**
  - Established holding company for palm biz. In 2021
- R** • **Expansion of Uzbekistan textile biz.**
  - Join cotton cluster to secure sourcing structures of textile
- O** • **Global supply chain of traction motor core (TMC)**
  - Production base for American market in Mexico ('21.4Q)
  - Planning production base for EU market ('22. 3Q)



### FOREIGN SUBSIDIARIES

| (KRW Billion)                  | 2020    |         | 2021    |          |
|--------------------------------|---------|---------|---------|----------|
|                                | 4Q      | Year    | 4Q      | Year     |
| <b>Trading Subsidiaries</b>    |         |         |         |          |
| <b>Sales</b>                   | 2,012.6 | 7,259.6 | 2,941.4 | 11,274.6 |
| <b>OP</b>                      | △8.2    | △2.3    | 8.8     | 54.7     |
| <b>Investment Subsidiaries</b> |         |         |         |          |
| <b>Sales</b>                   | 337.5   | 1,058.7 | 561.7   | 1,739.9  |
| <b>OP</b>                      | 15.0    | 44.4    | 56.7    | 177.2    |

### Trading Subsidiaries

- **Performed well due to strong demand in steel market**
  - Sales YoY +4,000bn KRW / OP YoY +56.3bn KRW
  - Increased steel sales in US & Mexico due to higher demand and low tariff burden

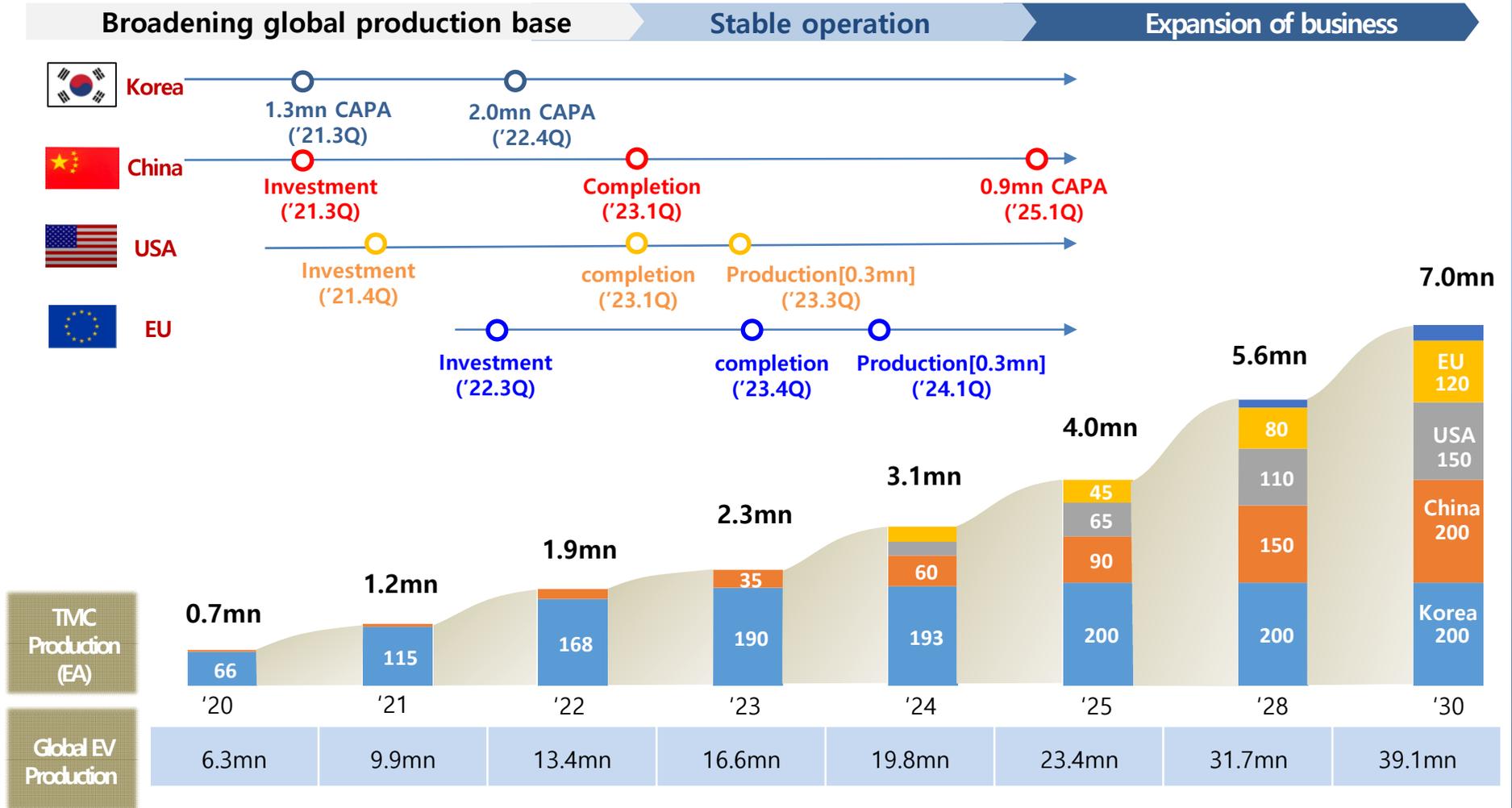
### Investment Subsidiaries

- **Indonesia Palm** : increased production and higher price in CPO
  - CPO Production ('20 124→'21 164K ton), Average price(\$578→\$808)
- **Uzbekistan Textile** : Rise in sales vol. and price (\$2.39 →\$3.73)
- **Mobility solution** : Increased sales of TMC and Stainless biz.

# Key Performance and Strategy for Core Business

TMC

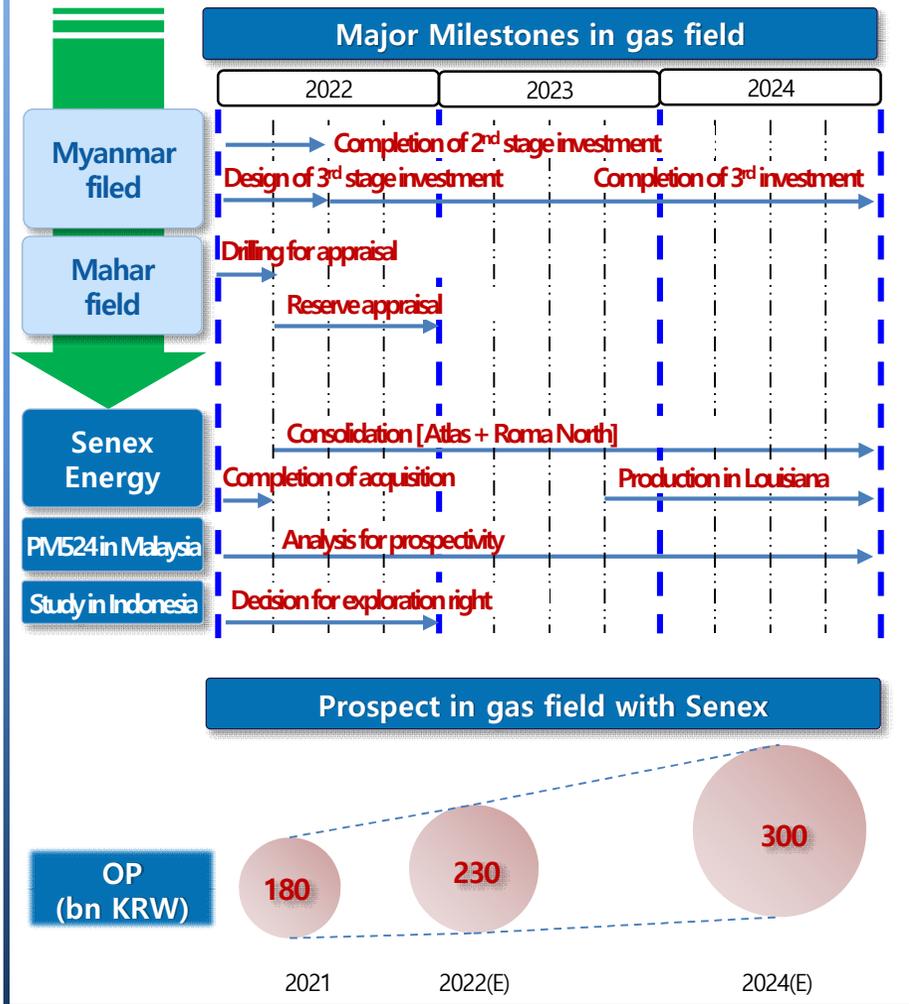
## Securing global Market share of 20% in 2030



# Key Performance and Strategy for Core Business

## Energy

### Diversified biz. Area by acquiring Senex



## Steel

### Increasing sales vol. as the lineal trader of POSCO



## Palm

### Value chain expansion based on holding company



# Condensed Income Statement

(KRW Billion)

| 구 분                                | Dec 31, 2019   | Dec 31, 2020   | Dec 31, 2021    |
|------------------------------------|----------------|----------------|-----------------|
| <b>Total Assets</b>                | <b>8,959.4</b> | <b>8,328.0</b> | <b>10,765.5</b> |
| Current Assets                     | 5,032.3        | 4,764.6        | 7,153.2         |
| AR and Inventory                   | 4,343.1        | 3,823.8        | 5,948.8         |
| Cash and Cash Equivalents          | 258.8          | 698.0          | 521.2           |
| Non-Current Assets                 | 3,927.1        | 3,563.4        | 3,612.3         |
| <b>Total Liabilities</b>           | <b>5,911.3</b> | <b>5,167.1</b> | <b>7,256.6</b>  |
| Current Liabilities                | 3,561.2        | 3,397.3        | 5,667.7         |
| Non-Current Liabilities            | 2,350.1        | 1,769.8        | 1,588.9         |
| Debt                               | 3,133.0        | 2,699.8        | 3,693.0         |
| <b>Shareholder's Equity</b>        | <b>3,048.1</b> | <b>3,160.9</b> | <b>3,508.9</b>  |
| Issued Capital and Capital Surplus | 1,190.6        | 1,152.7        | 1,216.4         |
| Retained Earnings                  | 1,857.5        | 2,008.2        | 2,292.5         |

|                           | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2021 |
|---------------------------|--------------|--------------|--------------|
| <b>Liabilities Ratio</b>  | 193.9%       | 163.5%       | 206.8%       |
| <b>Net Debt to Assets</b> | 32.1%        | 24.0%        | 29.5%        |
| <b>Debt to EBITDA</b>     | 3.5          | 3.4          | 4.0          |

### ● Quarterly Earnings Trend

| (KRW Billion)    |                  | 2018    |         |         |         | 2019    |         |         |         | 2020    |         |         |         | 2021    |         |         |         |
|------------------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                  |                  | 1Q      | 2Q      | 3Q      | 4Q      |
| 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 | 8,565.1 |
|                  | 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   | 139.4   |
|                  | 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   | 481.5   |
|                  | 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 | 9,186.0 |
| 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    | 14.2    |
|                  | 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    | 69.1    |
|                  | 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    | 56.7    |
|                  | 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   | 148.5   | 140.0   |

### ● Operating Profit Weighting by Business Area (Yearly)

