

posco
HOLDINGS

1Q 2022 Earnings Release

April 25, 2022



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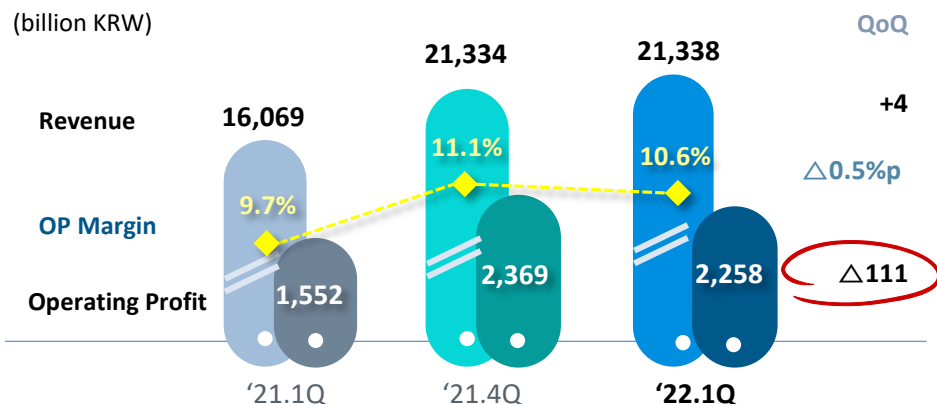
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- **Consolidated Business Performance**
- **Business Performance of Major Subsidiaries**
- **Business Performance of Key 7 Businesses**
- **2022 Business Outlook**
- **Appendix**

Consolidated Business Performance

Income



Major Activities

- Domestic steel profit declined due to sales volume dropped and raw material cost increased, whereas overseas steel profit remained strong as sales activities strengthened
- Profit levelled up from subsidiaries of Green Infra., Green Materials & Energy Business units
 - P-Int'l : Profit rose as steel product sales and raw materials trading improved
 - P-Energy : Margin improved from power generation and terminals business
 - P-Chemical : Profit improved as both sales volume and price of cathode materials increased

【Aggregated Results】

(billion KRW)	Revenue				Operating Profit			
	1Q21	4Q21	1Q22	QoQ	1Q21	4Q21	1Q22	QoQ
Steel	12,776	18,027	17,790	Δ237	1,334	2,068	1,647	Δ421
POSCO ¹⁾	7,800	11,528	11,272	Δ256	1,073	1,673	1,199	Δ474
Overseas Steel	4,647	5,946	5,987	+41	237	322	317	Δ5
Green Infra. Business	12,148	15,831	17,151	+1,320	347	315	516	+201
POSCO International	6,303	8,286	8,567	+281	83	76	116	+40
POSCO E&C	1,567	2,087	1,804	Δ283	129	76	94	+18
POSCO Energy	424	550	805	+255	72	32	107	+75
Green Materials & Energy Business	494	564	714	+150	33	17	27	+10
POSCO Chemical	455	526	652	+126	34	21	25	+4

1) Including performance result of POSCO parent basis before the vertical spin-off

* 1Q consolidated results include dividend income in operating profit level, as a result of the vertical spin-off. While previous quarter results are based on the results before the vertical spin-off

Business Performance of Major Subsidiaries

Steel Business Unit

- POSCO
- Overseas Steel

Green Infrastructure Business Unit

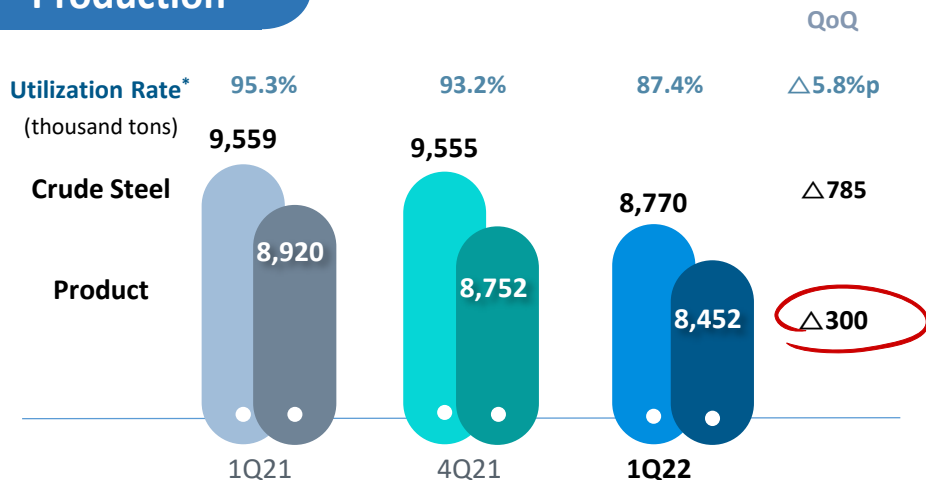
- POSCO International
- POSCO E&C
- POSCO Energy

Green Materials & Energy Business Unit

- POSCO Chemical

POSCO_Production/Sales

Production



* Utilization rate : Crude Steel Production / Crude Steel Capacity

○ Crude steel and product production decreased due to major facilities revamping

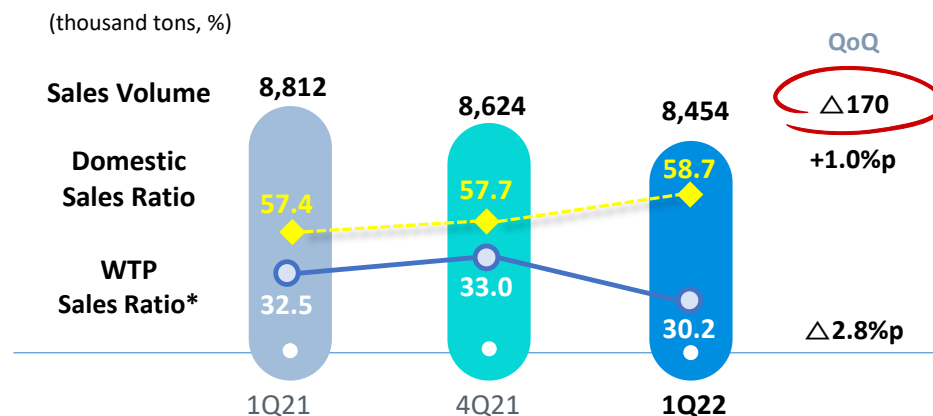
- BF revamping : Gwangyang No.4 BF (Feb 11~ Jun 10, 120 days)
- Major downstream : [Pohang] 1, 4 Wire rod (13 days), 3 Plate (22 days)
[Gwangyang] 1, 2 HR (15 days), 1 Plate (22 days)

[Carbon Steel/STS Production Volume]

(k tons)	1Q21	4Q21	1Q22	QoQ
Carbon Steel	8,432	8,237	7,929	Δ 308
STS	488	515	523	+8

* Including POSCO parent results before the vertical spin-off

Sales

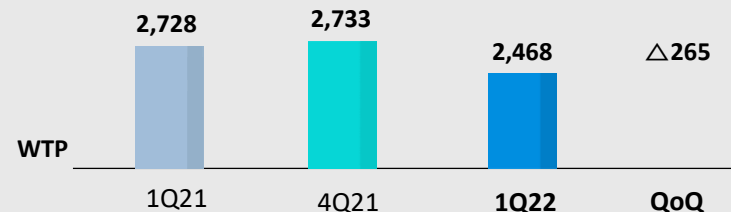


*Un-ordered and semi-product figure excluded in total sales volume

○ Sales volume declined, mostly from HR products, as production decreased

- Sales volume (QoQ, k tons) : HR Δ 244, Wire rod Δ 45, Plate Δ 23, etc
- Domestic sales ratio went up to secure stable demand and strengthen domestic market

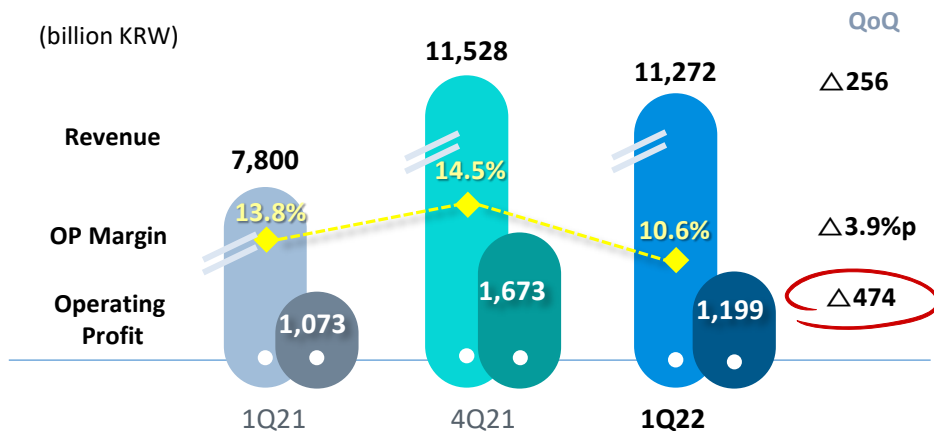
[WTP Sales Volume(k tons)]



* Including POSCO parent results before the vertical spin-off

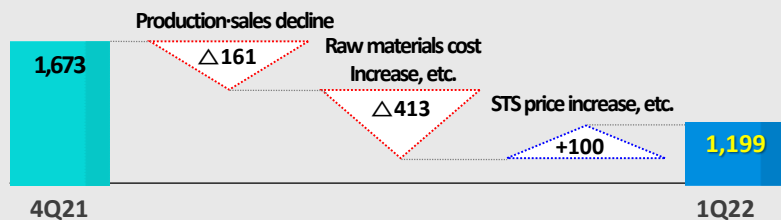
POSCO_Income/Financial Structure

Income



- Profit lowered as sales volume dropped and coking coal price jumped

【Operating Profit (billion KRW)】



- Sales price (carbon steel, thousand won/t) : 4Q21) 1,143 → 1Q22) 1,136 (Δ7)
- 1Q Raw material applied cost (2Q21 price =100) : Iron ore 92, coking coal 125

* Including POSCO parent results before the vertical spin-off

Financial Structure

(billion KRW)	as of March 1, 2022		'22.3/E
	Before spin-off	After spin-off	
Assets	64,769	42,645	43,702
Current Assets	26,213	19,836	20,922
Non-current Assets	38,556	22,809	22,780
Liabilities	15,063	10,759	11,599
Equity	49,706	31,887	32,102

- Net asset declined as cash-in-hand and investment securities decreased due to the vertical spin-off

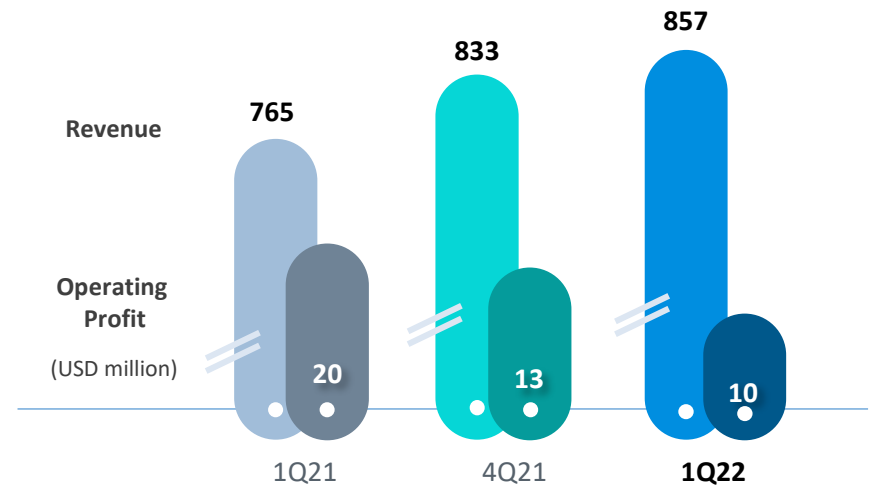
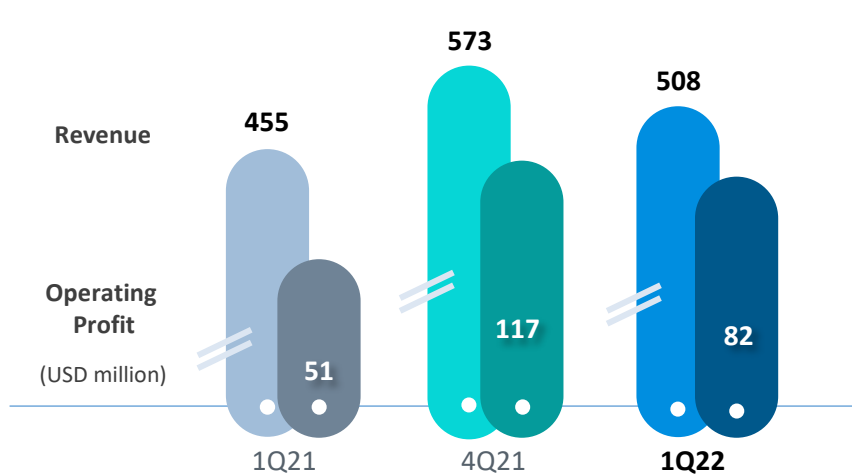
- Transferred Cash balance (6.3 trillion KRW) and equity-based securities (16.1 trillion KRW) to POSCO Holdings
- Debt : Transferred exchangeable bond (1.4 trillion KRW) to POSCO Holdings

(trillion KRW)	Before the spin-off	After the spin-off	'22.3/E
Cash balance	11.8	5.5	6.4
Equity-based securities	16.3	0.2	0.2
Debt	8.5	7.1	7.2

Overseas Steel Subsidiaries_Performance

PT. Krakatau POSCO

Zhangjiagang STS (PZSS)



- Secured profitability level by expanding domestic sales ratio despite raw material price hike and product price decline

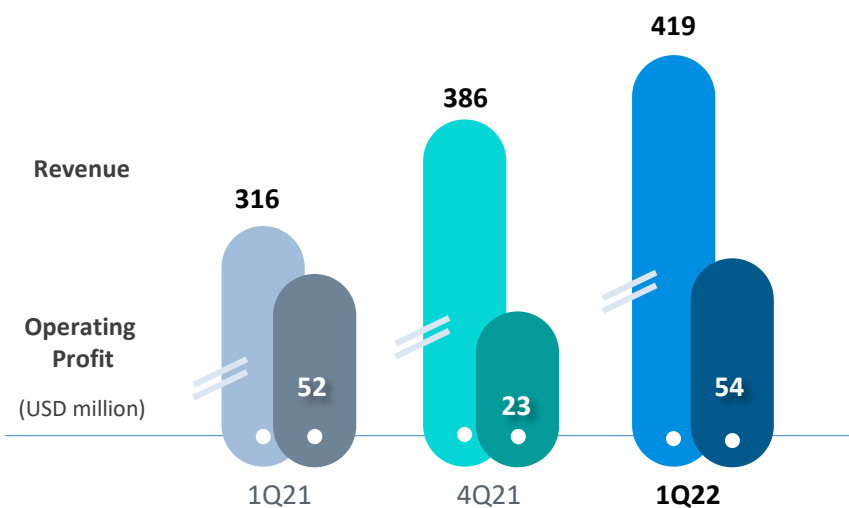
- Product price(QoQ) : [Slab] Δ 14% [Plate] Δ 8%
 - Domestic sales ratio : 4Q21) 64% \rightarrow 1Q22) 74%

- Profit edged down QoQ as raw material cost increased due to nickel price fluctuation and energy cost surged

- Product price(QoQ) : +0.9%
 - Raw materials cost(QoQ) : +4.6%

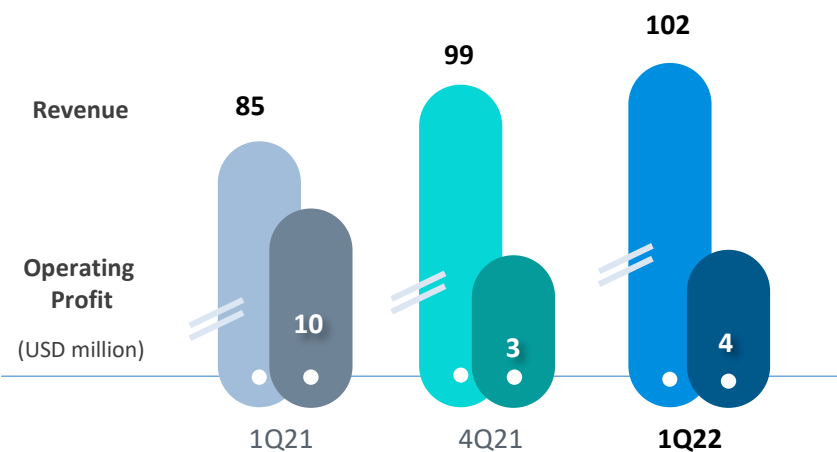
Overseas Steel Subsidiaries_Performance

POSCO Maharashtra



- **Profit edged up QoQ as price rose and sales volume expanded due to auto demand recovery in India**
 - Sales volume (k tons) : 4Q21) 325 → 1Q22) 340 (+15)
 - Product price(QoQ) : +5%
- **Focused on cost reduction through lowering materials cost, etc**

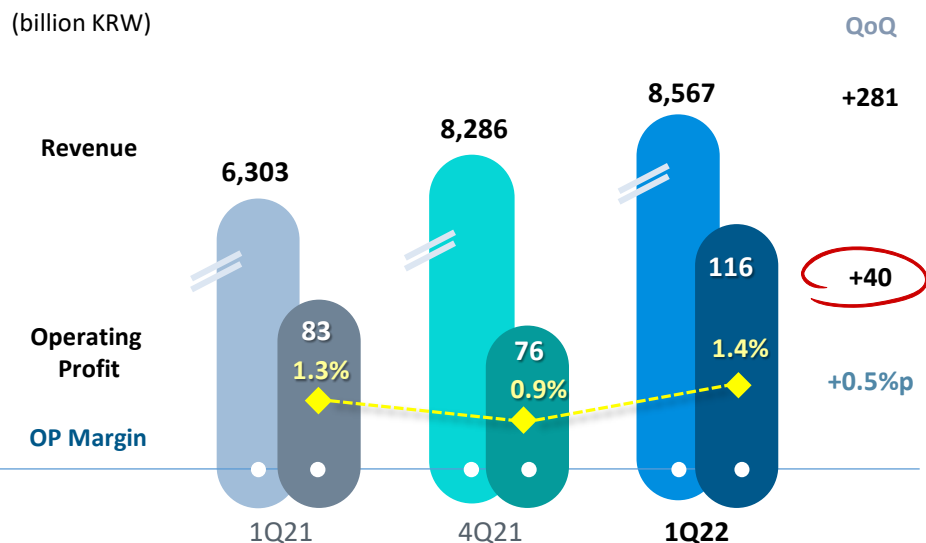
PY VINA



- **Profit improved slightly through stronger sales activities and export expansion, against the delayed market recovery**
 - Sales volume(k tons) : 4Q21) 93 → 1Q22) 110 (+17)
 - Product price(QoQ) : Δ 0.1%

POSCO International_Performance

Income



【Revenue by Business】

(billion KRW)	1Q21	4Q21	1Q22	QoQ
Steel	4,605	6,240	6,901	+661
Energy	262	514	346	△168
Agri.& Materials	1,459	1,531	1,317	△214

* Excluding Other Sales, as rental revenue generated from Song-do Tower

Major Activities

○ Steel : Profit went up as product sales volume and raw material price increased

- Steel product sales increased : (4Q21) 313 → (1Q22) 351 million tons
- Coking coal price hike led profit improvement despite steel raw materials sales volume dropped
 - Steel raw materials sales volume : (4Q21) 677 → (1Q22) 646 mil. tons

○ Energy : Profit lowered as sales volume dropped temporarily due to construction of connecting new mining lot with the platform

- Sales volume declined due to construction project of connecting newly developed stage 2 mining lot and the platform, despite gas price increase
 - Gas sales price : (4Q21) 7.02 → (1Q22) 7.42US\$/ft³
 - Production volume : (4Q21) 47.4 → (1Q22) 41.7 billion ft³

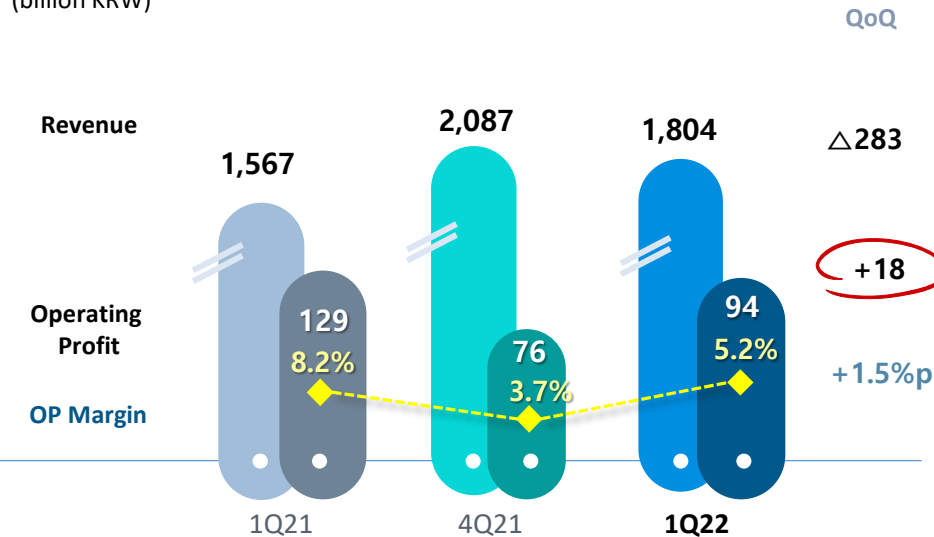
○ Agri. & Materials : Weak performance under worsening Ukraine-Russia tension

- Recognized inventory evaluation loss on crops under transportation in Ukraine (△4.1 billion KRW)

POSCO E&C Performance

Income

(billion KRW)



【Revenue by Business】

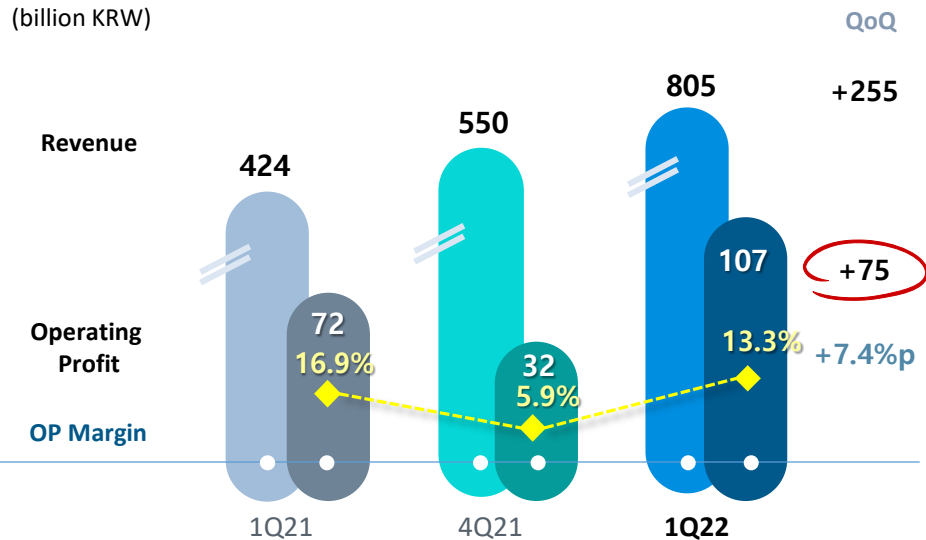
(billion KRW)	1Q21	4Q21	1Q22	QoQ
Plant	378	617	562	△55
Infrastructure	155	264	223	△41
Building	1,034	1,207	1,019	△188

Major Activities

- **Increased new orders, mostly from building projects (+0.2 tril. KRW, QoQ)**
 - Plant : Pohang No.4 Cokes, Gwangyang electrical steel line for eco-friendly vehicles, etc
 - Building : Song-do G5 Bloc, Communal housing in Ma-dong, Gwangyang
- **Profit improved, led by infrastructure and building businesses**
 - Plant : Profit slightly dropped due to materials cost hike (4.9 bil. KRW, QoQ)
 - Infra. : Profit improved despite revenue decline, due to cost decrease from winning lawsuits, lower bad debt expense, etc (QoQ 9 billion KRW)
 - Building : Profit increased as cash recognized from completed projects, despite revenue decline due to seasonal effect (QoQ +13.4 billion KRW)

POSCO Energy_Performance

Income



【Revenue by Business】

(billion KRW)	1Q21	4Q21	1Q22	QoQ
Power generation	382	512	723	+211
Terminal	36	35	78	+43
Fuel cell, etc	6	3	4	+1

Major Activities

○ Power Generation : Profit improved as entering into peak power season and rise in sales prices

- Profit of power generation sector improved due rise in winter season electricity demand and rise in sales price(SMP) due to surge in fuel costs

【Market Index】

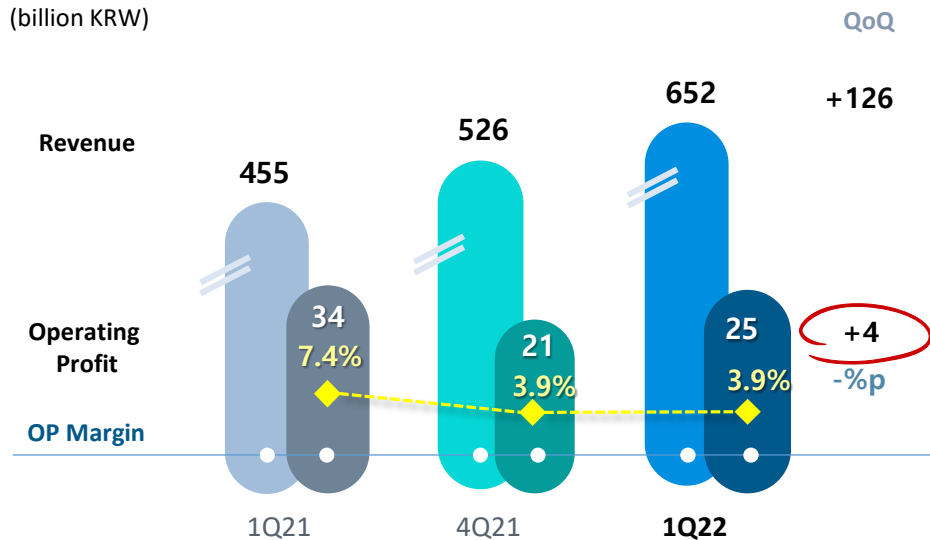
	1Q21	4Q21	1Q22	QoQ
Power demand (GW)	77.2	75.3	81.1	+5.8
SMP (won/kWh)	76.5	125.6	181.0	+55.4

○ Terminal : Profit increased due to stable rental earnings, Domestic/overseas ship commissioning through utilizing existing infrastructure, and overseas sales of LNG

- Stable rental earnings of terminal to customers as SK, S-Oil, etc.
- Expanded commissioning to LNG ship-owners and shipbuilders
 - * Market share of domestic LNG ship commissioning : 71% (5 out of 7 ships performed)
- Sold LNG inventory for sale to overseas, in response towards LNG supply shortage (12k tons)
- Proceed building Gwangyang No.6 LNG Tank (target to complete by May 2024)

POSCO Chemical_Performance

Income



【Revenue by Business】

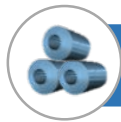
(billion KRW)	1Q21	4Q21	1Q22	QoQ
Cathode materials	155	184	272	+88
Anode materials	52	36	45	+9
Refractories	109	120	137	+17
Quicklime/Chemical	139	186	198	+12

Major Activities

- **Cathode : Improved profit due to increased sales volume and rise in sales price**
 - Increased sales volume (+27% QoQ)
 - Rise in sales price due to rise in prices of raw materials (Lithium +14%, etc.)
 - Rise in product display price due to rise in exchange rates
* 1,155 ('21.4Q) → 1,200 KRW/USD ('22.1Q)
- **Anode : Improved revenue due to rise in sales volume**
 - Increased sales volume of EV application products to LG Energy Solution, etc. (+24% QoQ)
- **Refractories, Furnace Maintenance/Construction : Increased profit through increased orders**
 - Additional orders of steel and non-ferrous application (SNNC, PNR maintenance, etc)+8.9 billion KRW
 - Increased revenue due to early supply of refractories to overseas CSP steelworks
- **Quicklime / Chemical : Improved revenue due to rise in sales price**
 - Revenue increased due to rise in unit price of quicklime despite drop in sales volume

● Performance of Key 7 Businesses

- Steel
- Cathode/Anode
- Lithium-Nickel
- Hydrogen
- Renewable Energy
- Construction
- Agriculture



Steel

CO₂ **Steel**
Emission (Domestic) **2021** 78.5 → **2030** **71 mil tons**

- **Fortified organizational control to lower CO₂ emissions**
 - Set up and run organization to take on carbon neutral action plan
 - Launched carbon neutral committee and outside council for advisory



Launched carbon neutral committee

- **Continue to develop low carbon operations**
 - High pellet operations and lower HMR level
 - Reached 1Q carbon emission and Co2t-s/t target level
- **Start reviewing implementation of EAF in order to meet the demand for low-carbon products**
 - Name optimal site and facility type (investment decision to be made by end of 2022)



Cathode/Anode

+ **Cathode/Anode**
Capacity **2021** 110 → **2030** **930 k tons**

- **Cathode materials Gwangyang stage 3,4 construction** (58k tons, ~1H22), **Anode natural graphite Sejong No.2** (10k tons, ~ 2H22) **construction underway**



Gwangyang cathode materials



Sejong anode materials

- **Start construction of Cathode Pohang stage 5** (29 k tons, Apr)



- **Diversify supply chain for raw materials for secondary battery materials**
 - Reviewing stake investment in graphite mine in Australia, etc



Lithium · Nickel



Lithium · Nickel
Capacity

2021 0 → 2030 **520 k tons**

Lithium



Brine stage 1 opening ceremony (Mar 2022)

○ Production site under construction

- **P-Argentina** Brine stage 1(25 ktons, ~Feb'24)
- **P-Pilbara Lithium Solution** Gwangyang (43k tons, ~Oct '23)
- **HY Clean Metal** Gwangyang Recycling (3 k tons, ~Nov 22)

○ Review Brine stage 2 and recycling plant stage 2

Nickel

○ Pursue building production plant

- Environmental assessment underway for transitioning SNNC production line to produce materials for battery (20 k tons, complete by end of 2023)
- Building recycling factory of using battery scraps sourced from battery-makers (2k tons, ~Nov 2022)

○ Plan to complete F/S, start construction from 2Q on refinery linked to RNO, Aus. (15k tons, complete by end of 2024)

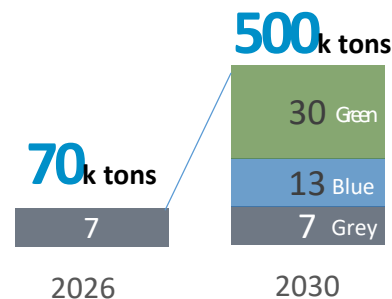


Hydrogen



Hydrogen
Capacity

2021 0.01 → 2030 **500 k tons**



Build hydrogen supply network, Internalize key technologies


○ Conduct feasibility study on major production project and infrastructure, Start development of projects in RE abundant areas

- Grey hydrogen : Target to complete F/S of 70k tons within 2022
- Blue/Green : Review Join F/S with ME oil companies, Production F/S underway in RE abundant areas as Oman, Aus.
- Infra : Kicked off joint F/S with 6 domestic companies* to supply ammonia for coal-fired plant in Donghae (Feb 2022)

○ Pursue joint R&D with independent institutions

- Discuss investment opportunity with global water electrolysis makers

Renewable Energy

 **Renewable Energy Capacity** 2021 0.1 → 2030 2.4GW

- **Build the ground for joint development of domestic wind-power plant**
 - Under discussion of Joint Development Agreement and launching SPC with Korea South-East Power corp. on off-shore wind power plant in Jeonnam area (300MW, 1.6 tri. KRW)
- **Strengthen green energy business portfolio including solar power**
 - Pursue to secure business rights on the bid on onshore/offshore solar power in Incheon airport (40MW)



Wind-power plant




Zero energy building



Argi. terminal

Construction

 **Construction Order** 2021 6.5 → 2030 10.4 tril. KRW

- **Reinforce PR on remodeling business, Build eco-construction base by utilizing zero energy building technology**
 - Uijeonbu city community building won preliminary level 1 as ZEB*
*Zero Energy Building
- **Participate in communal land bidding jointly with operators through forming network**

Agriculture

 **Agriculture Volume** 2021 6.55 → 2030 25 mil tons

- **Secure stable sourcing for agriculture and reached the target for domestic inflow amount**
(1Q target of domestic inflow for food of 430k tons)
- **Find new investment opportunity to expand value chain for palm business and plant to conduct F/S**

2022 Business Outlook

POSCO Holdings Consolidated

Revenue
(trillion KRW)



CAPEX
(trillion KRW)



Debt
(trillion KRW)





Summarized Income Statement

Summarized Balance Sheet

Summarized F/S_Consolidated Income Statement

(billion KRW)

	1Q21	4Q21	1Q22	QoQ
Revenue	16,069	21,334	21,338	+4
Gross Profit	2,137	3,142	2,929	△213
(Gross Margin)	(13.3%)	(14.7%)	(13.7%)	△1.0%p
SG&A	585	773	671	△102
Operating Profit	1,552	2,369	2,258	△111
(Operating Margin)	(9.7%)	(11.1%)	(10.6%)	△0.5%p
Non-Operating Profit	-	△427	103	+530
Share of Profit(Loss) of Equity-accounted Investees	78	97	248	+151
Finance Income and Costs	△71	61	△145	△206
Foreign Currency Transaction & Translation Gain(Loss)	△126	46	△63	△109
Net Profit	1,139	1,622	1,907	+285
(Net Margin)	(7.1%)	(7.6%)	(8.9%)	+1.3%p
Profit Attributable to Owners of the Controlling Company	1,025	1,498	1,712	+214

* 1Q consolidated results include dividend income in operating profit level, as a result of the vertical spin-off. While previous quarter results are based on the results before the vertical spin-off

Summarized F/S_Consolidated Balance Sheet

(billion KRW)

	1Q21	4Q21	1Q22	QoQ
Current Assets	39,442	46,622	50,977	+4,355
Cash Balance*	17,568	18,156	19,584	+1,428
Accounts Receivable	8,954	10,062	11,708	+1,646
Inventories	10,253	15,215	16,079	+864
Current Ratio	215.7%	221.1%	215.8%	△5.3%p
Non-Current Assets	43,380	44,850	45,569	+719
Other Long-term financial assets	1,711	2,120	2,371	+251
PP&E	29,472	29,597	29,794	+197
Total Assets	82,823	91,472	96,546	+5,074
Liabilities	33,608	36,667	39,267	+2,600
Current Liabilities	18,289	21,084	23,625	+2,541
Non-Current Liabilities	15,318	15,583	15,643	+60
Interest-bearing Debt	21,625	21,741	23,993	+2,252
Liabilities Ratio	68.3%	66.9%	68.6%	+1.7%p
Equity	49,215	54,805	57,279	+2,474
Owners of the Controlling Company	45,262	50,427	52,309	+1,882

* Cash Balance : Cash and cash equivalents, Short-term financial instruments, Short-term trading securities, Short-term securities, Current portion of held-to-maturity securities