



posco

2021 2Q Earnings Release

July 22, 2021

Disclaimer

This presentation was prepared and circulated to release the informations regarding the company's business performance to shareholders and investors prior to the completion of auditing for the period of the second quarter of 2021. As figures in this presentation are based on unaudited financial statements, certain contents may be subject to modification in the course of auditing process.

This presentation contains certain forward-looking statements relating to the business, financial performance and results of the company and/or the industry in which it operates. The forward-looking statements set forth herein concern future circumstances and results and other statements that not historical facts, and are solely opinions and forecasts which are uncertain and subject to risks. Therefore, the recipients of this presentation shall be aware of that the forward-looking statements set forth herein may not correspond to the actual business performance of the company due to changes and risks in business environments and conditions.

The sole purpose of this presentation is to assist persons in deciding whether they wish to proceed with certain investments to the company. The company does not make any representation or warranty, expressly or impliedly, as to the accuracy and completeness of this presentation or of the information contained herein and shall not have any liability for the informations contained in this presentation.

Contents

● 2Q 2021 Earnings Release

- Business Performance (Parent/Consolidated)
- Financial Structure
- Subsidiary Performance

● Major Business Strategies

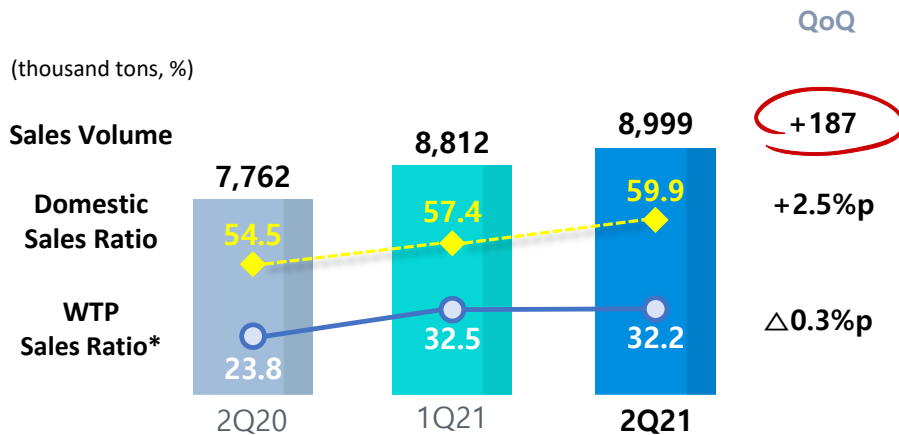
- Global Steel Business Strategies
- 2021 Safety Management Enhancement Strategies
- Technology Development Plan to Reach Net Zero

● 2021 Business Outlook

● Appendix

Business Performance_Sales/Production(Parent)

Sales

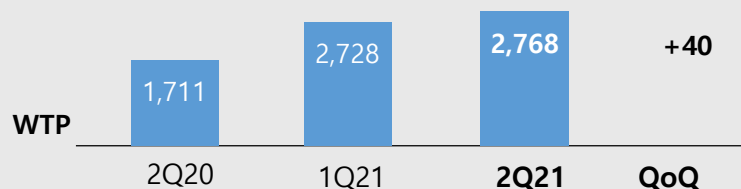


*Un-ordered and semi-product figure excluded in total sales volume

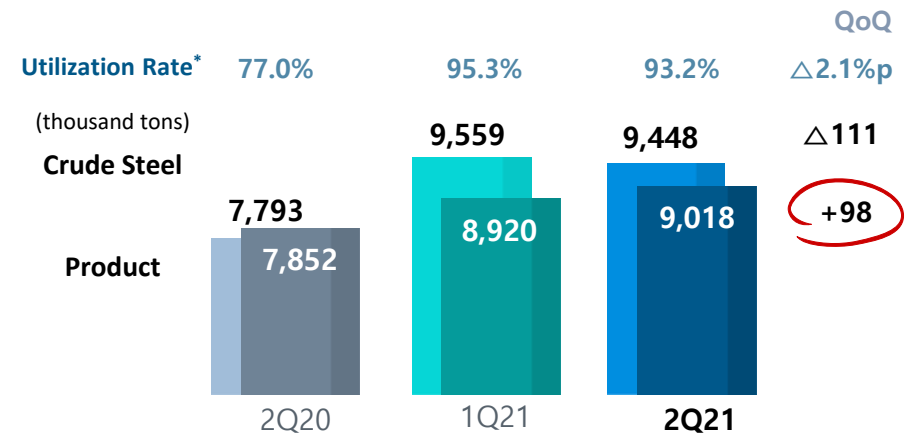
○ Sales volume and domestic portion increased as domestic sales, mostly from HR and Plate, expanded

- Sales volume (QoQ, k tons) : HR +256, Plate +57, CR/Coated Δ 117, etc

[WTP Sales Volume(k tons)]



Production



* Utilization rate : Crude Steel Production / Crude Steel Capacity

○ Product production went up in an effort to meet the demand, while crude steel production lowered due to maintenance

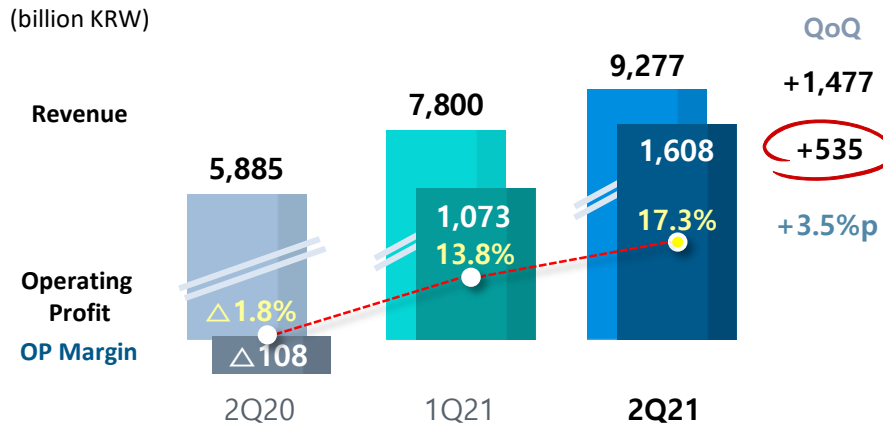
- Production (QoQ, k tons) : HR +252, Plate +106, CR/Coated Δ 229, etc
- ※ Major maintenance : [Pohang] 3 FINEX(5 days), 2CAL (15 days), etc. [Gwangyang] No.1, 2, 4 BF wall repair, CR #2 (18 days), etc

[Carbon Steel/STS Production Volume]

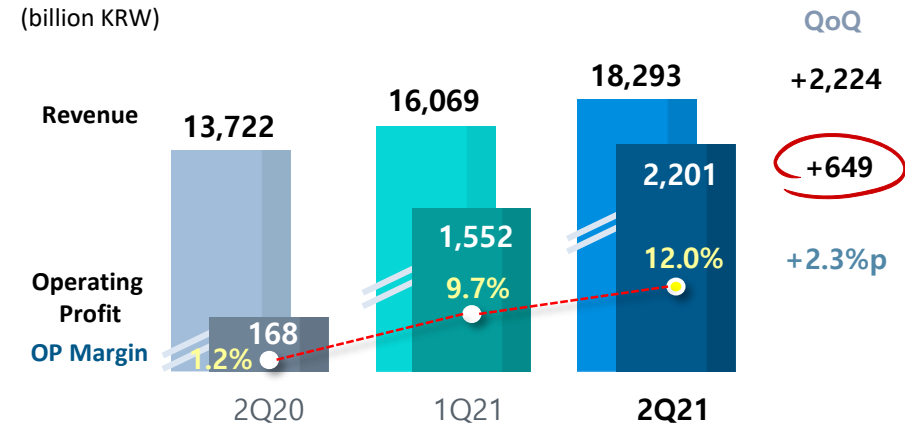
(k tons)	2Q20	1Q21	2Q21	QoQ
Carbon Steel	7,460	8,432	8,543	+111
STS	392	488	475	Δ 13

Business Performance_Parent/Consolidated

Parent

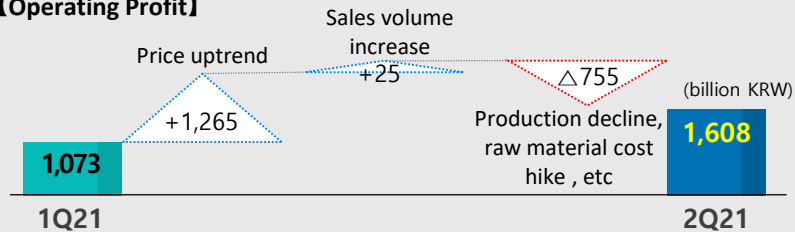


Consolidated



- Reached the highest OP level since 3Q10, led by price and sales volume increase, despite raw material price hike

【Operating Profit】



- Sales price (carbon steel, thousand won/t) : 1Q21) 763 → 2Q21) 901 (+138)
- 2Q Raw material applied cost ('1Q21 price=100) : Iron ore 122, coking coal 115

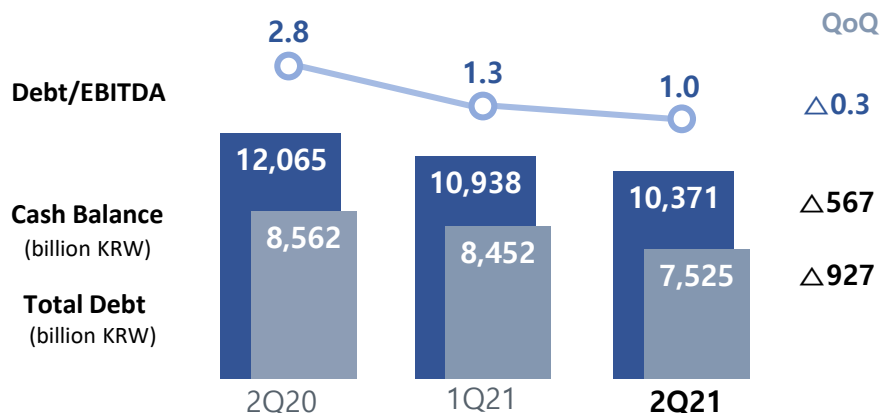
- Consolidated OP recorded 2.2 trillion KRW as both domestic and overseas steel businesses, including POSCO and PT.KP, outperformed

【Aggregated Operating Profit】

(billion KRW)	2Q20	1Q21	2Q21	QoQ
Steel	△197	1,334	2,048	+714
Overseas (U\$ m)	△77	212	353	+141
Global & Infra.	282	347	286	△61
New Growth	△10	43	44	+1

Financial Structure

Parent



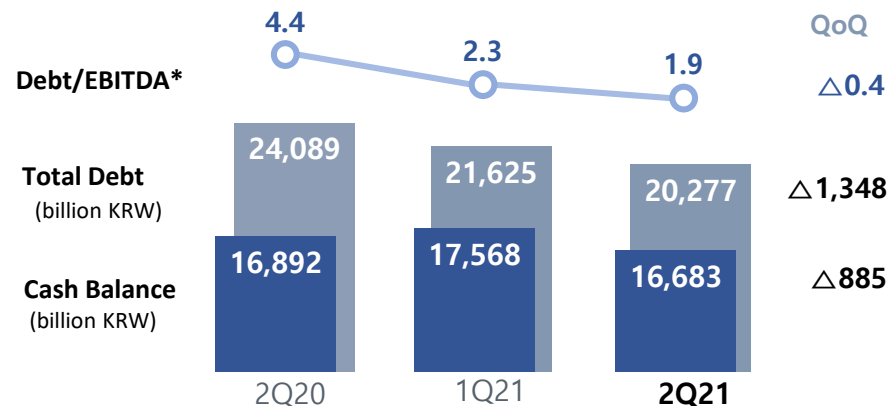
○ Debt/EBITDA improved as debt and cash decreased due to debt repayment and operating profit increased

- Debt : The 3rd Global bond △U\$0.7 billion, Public Bond △150 billion KRW

【Liabilities ratio, EBITDA】

(billion KRW)	2Q20	1Q21	2Q21	QoQ
Liabilities ratio	26.9%	27.6%	26.1%	△1.5%p
EBITDA	482	1,673	2,209	+536

Consolidated



* Based on Moody's standard (Consider unrecorded liabilities in debt and net finance cost in EBITDA)

○ Liabilities ratio dropped by 4.2%p QoQ, as major group affiliates as POSCO and POSCO E&C repaid debt

- Debt (billion KRW) : POSCO E&C △180, P-Energy △152, PT.KP △138, P-Maharashtra △109, etc

【Liabilities ratio, EBITDA】

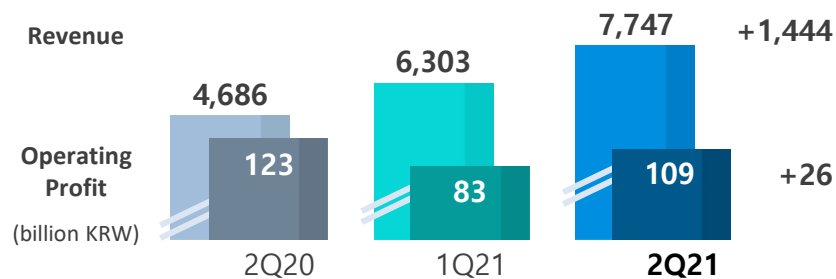
(billion KRW)	2Q20	1Q21	2Q21	QoQ
Liabilities ratio	72.5%	68.3%	64.1%	△4.2%p
EBITDA	1,069	2,452	3,090	+638

Subsidiary Performance _Domestic

POSCO International

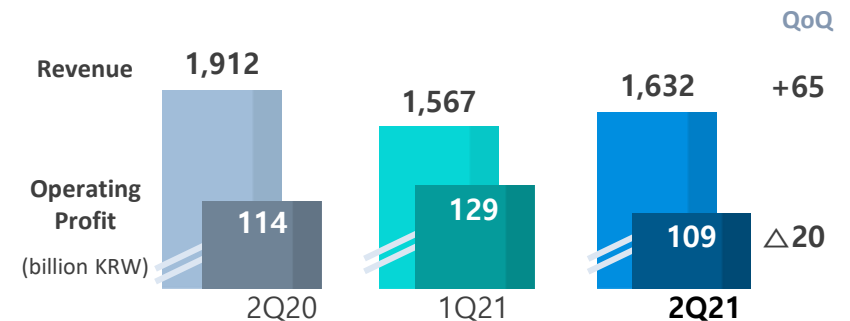
- Both revenue and OP went up supported by improved trading, as steel sector

- Revenue and OP better off as steel product sales volume and price went up
- Sales volume from other sectors, as agriculture and auto parts, improved



POSCO E&C

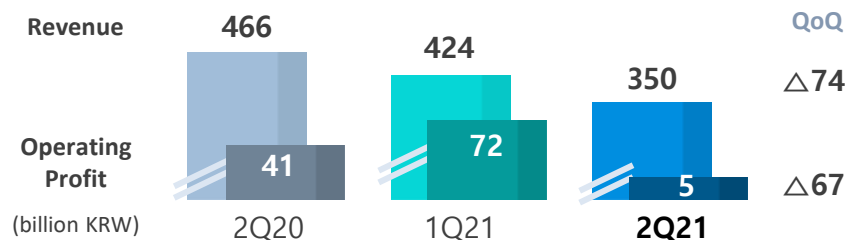
- Profit fell QoQ due to one-off expenses, as promotion expenses for apartment applications



POSCO Energy

- OP downturned as electricity price declined as entering the slow season and LNG unit price hike pressured the margin

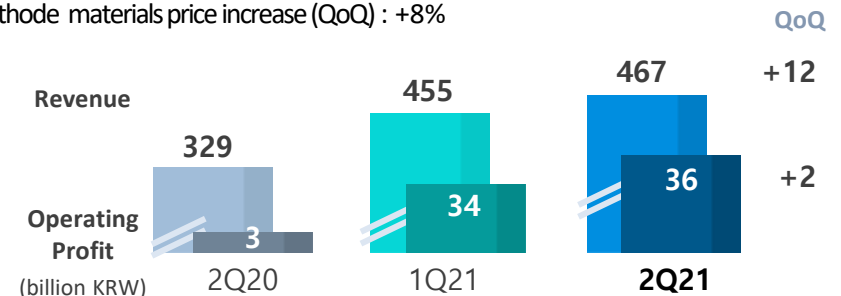
- Capacity Price per unit declined (QoQ) : Δ63%
- LNG direct purchase price per unit increase (QoQ) : +33%



POSCO Chemical

- Profit increased due to higher cathode material price, enhanced production efficiency backed by mass production, and production cost reduction

- Cathode materials price increase (QoQ) : +8%

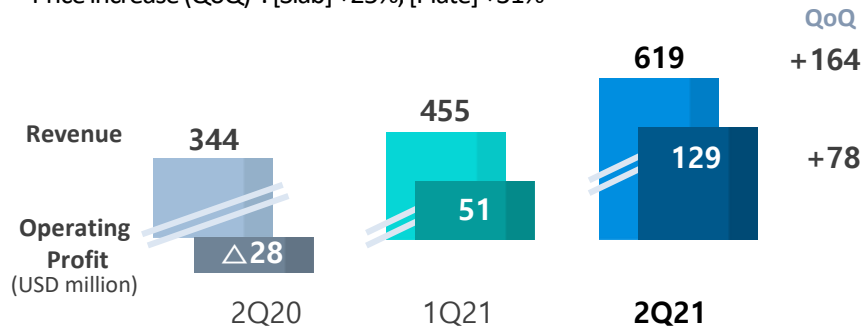


Subsidiary Performance _Overseas

PT. Krakatau POSCO

- Profitability enhanced as sales volume for plate and export portion went up, on top of booming market

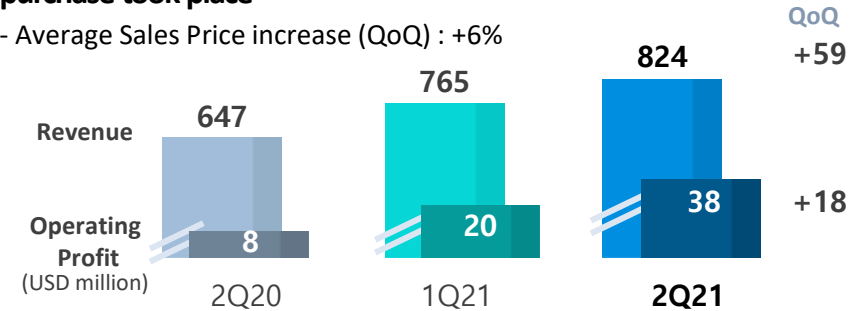
- Price increase (QoQ) : [Slab] +25%, [Plate] +31%



Zhangjiagang STS (PZSS)

- Margin better off as price uptrend continued as demand picked up from auto and white goods and preemptive low-cost raw material purchase took place

- Average Sales Price increase (QoQ) : +6%

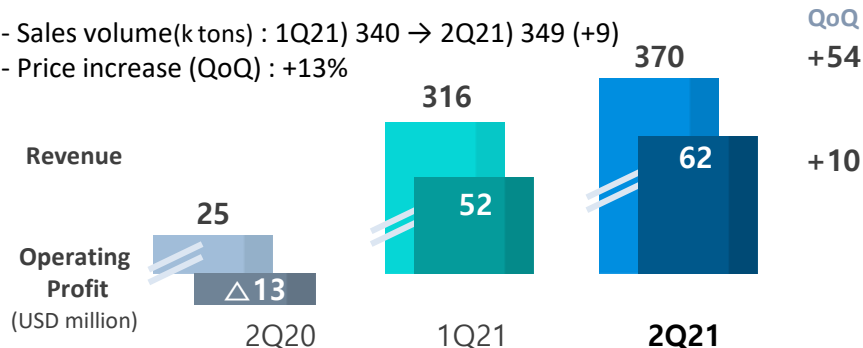


POSCO Maharashtra

- Profit rose as sales price edged up due to pricing negotiation with major automakers resumed applying the market situation

- Sales volume(k tons) : 1Q21) 340 → 2Q21) 349 (+9)

- Price increase (QoQ) : +13%

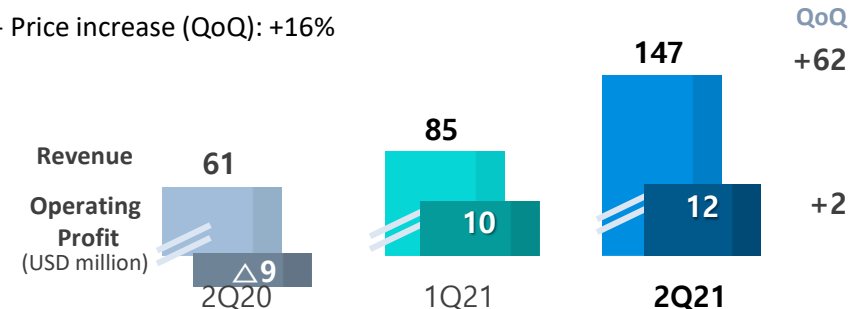


PY VINA

- Profit improved as domestic sales volume expanded due to less low-cost H-beam imports in the market and price continued its uptrend

- Domestic sales volume (k tons) : 1Q21) 75 → 2Q) 87 (+12)

- Price increase (QoQ) : +16%



Global Steel Business Strategies

Build global crude steel capacity to reach over 60 million tons+α by 2030

Maintain the “Global Top Tier” level through stabilizing existing business and expanding in growth markets

- Capacity : (2020) 46 million tons (Domestic 41, Indonesia 3, China 1, Vietnam 1) → (2030) 60 million tons, globally

Growth market

Expand biz integration utilizing existing productions



Indonesia

- **Preoccupy the local market by engaging PT.KP**
 - Continue improving profitability of existing mills, while reviewing plans to expand up/downstream process
 - * Current Capacity (million tons) : Crude steel 3, Plate 1.4



India

- **Pursue partnership in building integrated system in link with existing downstream**
 - Secure high-growth market by cooperating with local mills with P-Maharashtra
 - * Current Capacity (million tons) : CR 1.8, Coated 0.5, Electric 0.3



Vietnam

- **Pursue joint business by utilizing P-Vietnam land**
 - Form JV with local partners to build coating production line and wind-power generating tower production line
 - ~21/E) Sign contract and start construction , '23) Complete construction

Mature market

Stabilize business in cooperation with local mills



China

- **Build secure supply system through JV on coated line for automobiles**
 - Signed JV contract with HBIS (Jun, 2021)
 - Scheduled capacity for coated Steel 1.4 mil tons , CAPEX U\$0.3 billion
 - Jan 2022) Start construction, 2023/E) Complete construction



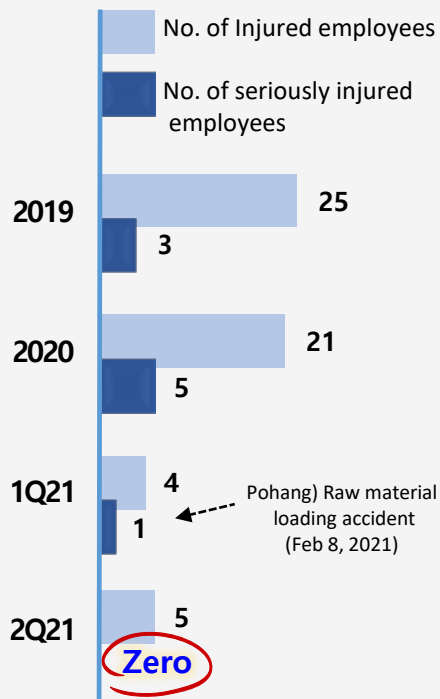
Mexico

- **Secure stable supply source for P-Mexico and plan to expand business in the Northamerican market**
 - Pursue JV on EAF and downstream with local mills
 - Scheduled to build 1.5 million tons of crude steel production
 - To finalize the business model by the end of 2021

2021 Safety Management Enhancement Strategies

Prohibit serious accidents from occurring by levelling up the basic safety management standards

Accident status



Zero serious accidents since Mar 2021

Strategies

Improve safety management system

- **Increase Board control through ESG committee (Mar 12~)**
 - Build prior reviewing and progress monitoring process on health and safety agenda
 - Establish corporate level of key safety execution strategies (Apr 9)
 - Set out 2021 health and safety strategies (May 14)
- **Strengthen safety organization**
 - Levelled up the person-in-charge : Sr.EVP → representative Director
 - Launched the Control tower and related organizations
 - Safety & Environment Div. (64 per) : Control tower
 - 3 Div. include. Cooperative safety support section (27 per) : Expand mgmt. coverage
 - Safety/Environment audit group (11 per) : audit/risk prevention
- **Safety awareness through activities involving all employees**
 - Establish system to draw out active employee participation, as Safety report center and incentive for no-accident record, etc.
- **Enhance competency for safety evaluation and its credibility and ability for post-accident research**
 - Cooperate with outside consulting agency to evaluate safety system and prevent accident reoccurrence

Strengthen education and training

- Conduct special safety education for all employees
- Improve education targeting each level and division

Review safety mgmt. status of subcontractors

- **Provide equivalent level of education to subcontractors as HQ and reinforce manpower for safety competency**
 - Encourage retired HQ plant leader/part-leader to work for safety and environment deputy in subcontractor worksites
 - Establish professional department that supports safety check and evaluation process for subcontractors

Fortify facilities and infrastructure

- Safety check on outdated facilities and infrastructure and swift improvement on highly dangerous facilities

☞ Increase allocation for health and safety budget (732 billion KRW, +247 billion YoY) and implement fast-track process for related budget execution

Technology Development Plan to Reach Net Zero

Fulfill the vision become net zero by 2050 through BF process enhancement and technology development for HyREX*

* Hydrogen-based Reduction

Improve efficiency of operations & energy efficiency by smartization

- **Reduce coal usage through Smart technology (~2025)**
 - Detect uneven usage of raw materials by using IoT(Internet of Things) tech.
 - Improve operation efficiency by using auto-control through A.I.
- **Level-up the efficiency of power-generating facilities (~2030)**
 - Rationalize off-gas power plant
 - Build large-scale and highly-efficient power plant
 - Implement heat-recovery facility for FINEX and hearting furnace
- **Increase scrap ratio (under progress)**
 - Operating scrap ratio usage from 15% to 20%

Develop technology to reduce carbon emission from BF process

- **Develop technology to increase HMR ratio to 30% (~2025)**
 - (Gradually apply from 2025)
 - Introduce steelmaking facilities that uses big volume of scraps
 - Review ways to implement EAF
- **Introduce Technology to reduce CO₂ emission from BF**
 - Inject Hydrogen-innate gas (LNG, COG) ('26)
 - Use BF-produced scrap or HBI*
 - (Test underway, reviewing ways to expand the usage)
- **Develop and apply CCUS technology**
 - Make liquified CO₂ by using FINEX gas (Pursue to apply the facility by 2024)
 - Expand facility using FINEX-generated CO₂ (Applied at Pohang No.5 cokes oven, run as government-funding project until 2024)

* Hot Briquetted Iron

Develop technology for HyREX

- **Expediate hydrogen-reduction technology based on FINEX fluidized reactor**
 - Experienced in running fluidized reactor on a commercial production level
 - Have cost advantage by using low-cost fine ore
- **Build demo plant to test commercial production (~2030)**
 - Government-funded project in place with steelmakers
- **Upgrade & complete technology (~2040)**
 - Secure production technology for high-quality and high-level of steel product
- **Gradually replace facilities (~2050)**
 - Start replacing facilities by step when national level of government-backed green hydrogen and green power infrastructure completes

2021 Business Outlook

Parent

37.0

Crude Steel Production **38.2 million tons**
Product Sales **35.6 million tons**

4.2

6.9

Consolidated

Revenue
(trillion KRW)

66.4

CAPEX
(trillion KRW)

6.4

Debt
(trillion KRW)

19.1



Summarized Financial Statements

- Summarized F/S_Parent (IS, BS)
- Summarized F/S_Consolidated (IS, BS)

Summarized F/S_Parent Income Statement

(billion KRW)

	2Q20	1Q21	2Q21	QoQ
Crude Steel Production (thousand tons)	7,793	9,559	9,448	△111
Product Sales (thousand tons)	7,762	8,812	8,999	+187
STS	415	480	480	-
Carbon Steel Sales Price (thousand KRW)	643	763	901	+138
Revenue	5,885	7,800	9,277	+1,477
Cost of Goods Sold	5,743	6,467	7,412	+945
Gross Profit	142	1,334	1,865	+531
SG&A	250	261	257	△4
Operating Profit	△108	1,073	1,608	+535
(Operating Margin)	(△1.8%)	(13.8%)	(17.3%)	+3.5%p
Non-Operating Profit	58	233	222	△11
Net Profit	7	952	1,318	+366
(Net Margin)	(0.1%)	(12.2%)	(14.2%)	+2.0%p

Summarized F/S_Parent Balance Sheet

(billion KRW)

	2Q20	1Q21	2Q21	QoQ
Current Assets	20,017	20,398	21,058	+660
Cash Balance*	12,065	10,938	10,371	△567
Accounts Receivable	3,143	4,107	4,920	+813
Inventories	4,216	4,759	5,325	+566
Current Ratio	422.5%	354.5%	393.8%	+39.2%p
Non-Current Assets	37,603	37,662	37,943	+281
Other Long-term financial assets	1,176	1,190	1,282	+92
PP&E	20,187	20,079	19,931	△148
Total Assets	57,620	58,265	59,001	+736
Liabilities	12,217	12,585	12,198	△387
Current Liabilities	4,738	5,754	5,348	△406
Non-Current Liabilities	7,480	6,831	6,850	+19
Interest-bearing Debt	8,562	8,452	7,525	△927
Liabilities Ratio	26.9%	27.6%	26.1%	△1.5%p
Equity	45,403	45,680	46,803	+1,123

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

Summarized F/S_Consolidated Income Statement

(billion KRW)

	2Q20	1Q21	2Q21	QoQ
Revenue	13,722	16,069	18,293	+2,224
Gross Profit	734	2,138	2,823	+685
(Gross Margin)	(5.3%)	(13.3%)	(15.4%)	(+2.1%p)
SG&A	566	585	623	+38
Operating Profit	168	1,552	2,201	+649
(Operating Margin)	(1.2%)	(9.7%)	(12.0%)	(+2.3%p)
Non-Operating Profit	△1	-	63	+63
Share of Profit(Loss) of Equity-accounted Investees	△12	78	188	+110
Finance Income and Costs	△21	△71	△54	+17
Foreign Currency Transaction & Translation Gain(Loss)	49	△126	12	+138
Net Profit	105	1,139	1,807	+668
(Net Margin)	(0.8%)	(7.1%)	(9.9%)	(+2.8%p)
Profit Attributable to Owners of the Controlling Company	40	1,025	1,664	+639

Summarized F/S_Consolidated Balance Sheet

(billion KRW)

	2Q20	1Q21	2Q21	QoQ
Current Assets	37,746	39,442	40,182	+740
Cash Balance*	16,892	17,568	16,683	△885
Accounts Receivable	8,562	8,954	9,422	+468
Inventories	9,744	10,253	11,427	+1,174
Current Ratio	206.7%	215.7%	226.4%	+10.7%p
Non-Current Assets	44,366	43,380	43,288	△92
Other Long-term financial assets	1,596	1,711	1,891	+180
PP&E	30,162	29,472	29,334	△138
Total Assets	82,112	82,823	83,470	+647
Liabilities	34,519	33,607	32,614	△993
Current Liabilities	18,266	18,289	17,744	△545
Non-Current Liabilities	16,253	15,318	14,870	△448
Interest-bearing Debt	24,089	21,625	20,277	△1,348
Liabilities Ratio	72.5%	68.3%	64.1%	△4.2%p
Equity	47,593	49,216	50,855	+1,639
Owners of the Controlling Company	44,331	45,262	46,756	+1,494

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