

posco

# 2021 Earnings Release

Jan 28, 2022



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# Contents

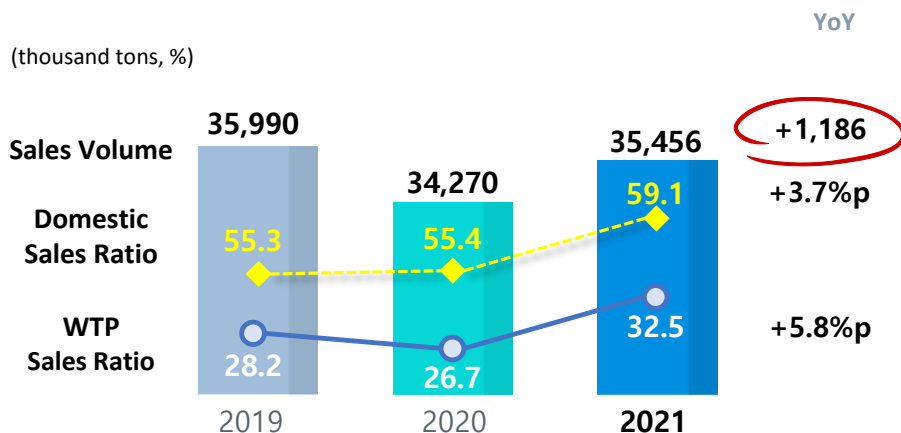
- 
- **2021 Earnings Release**
  - **2022 Business Plan**
  - **2022 Business Outlook**
  - **Appendix**

# 2021 Business Performance

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- **Parent Business Performance**
  - **Consolidated Business Performance**
  - **Financial Structure**
  - **Subsidiary Performance**

# Business Performance\_Sales/Production(Parent)

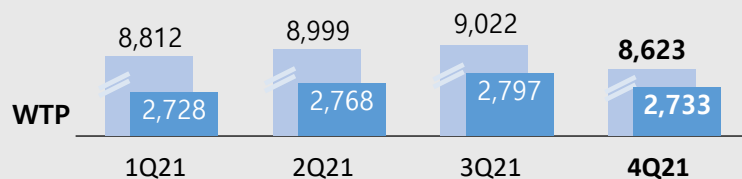
## Sales



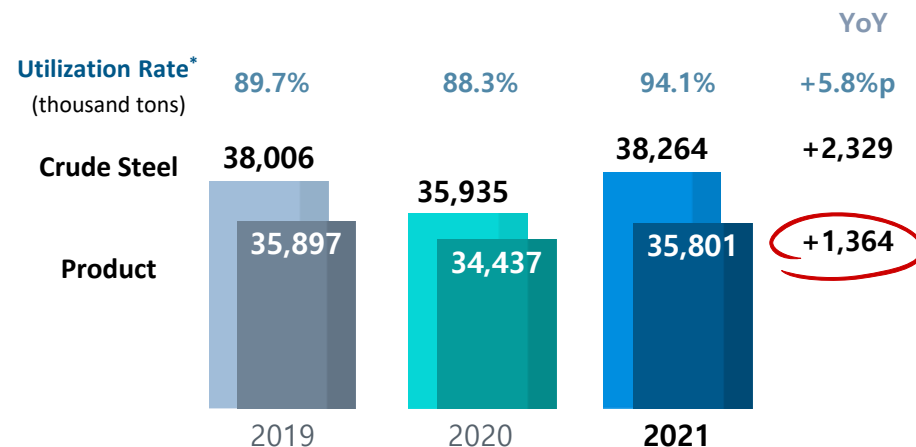
- As market rebounded, sales expanded largely from domestic and high-end products

• Sales volume (k tons, YoY) : CR/Coated Steel +1,278, etc.

[WTP Sales Volume(thousand tons)]



## Production



\* Utilization rate : Crude Steel Production / Crude Steel Capacity

- Crude Steel and product production volume increased year-on-year to meet the demand accordingly

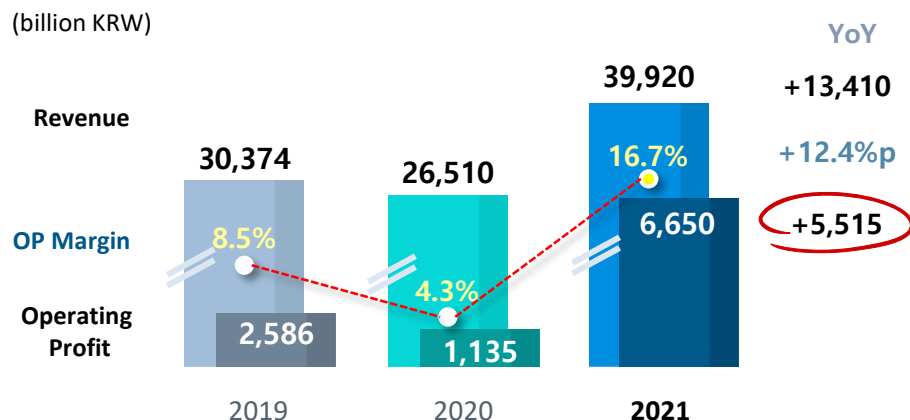
• Production volume (k tons, YoY) : CR/Coated Steel +1,386, etc.

[Carbon Steel/STS Production Volume by quarter]

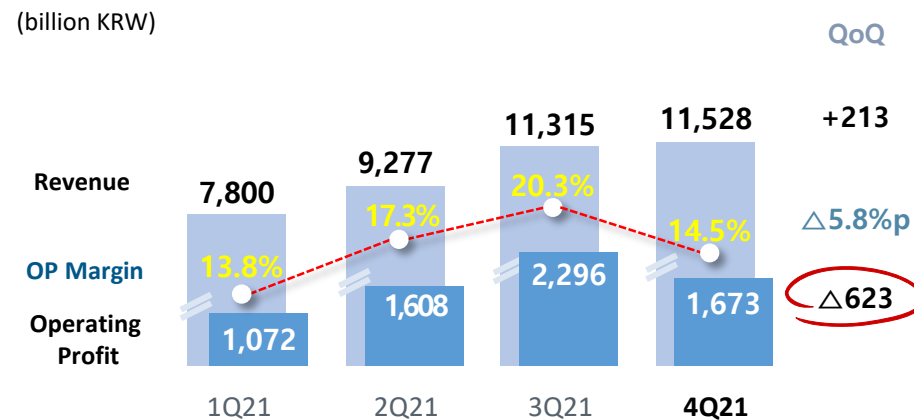
(k tons)	1Q21	2Q21	3Q21	4Q21	QoQ
Carbon Steel	8,433	8,544	8,591	8,237	△ 354
STS	487	473	521	515	△ 6

# Business Performance\_Parent

2021

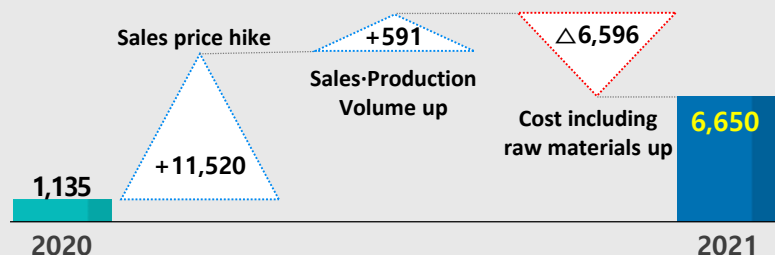


4Q 2021



○ Reached record profit as product price edged up despite the raw material cost increase

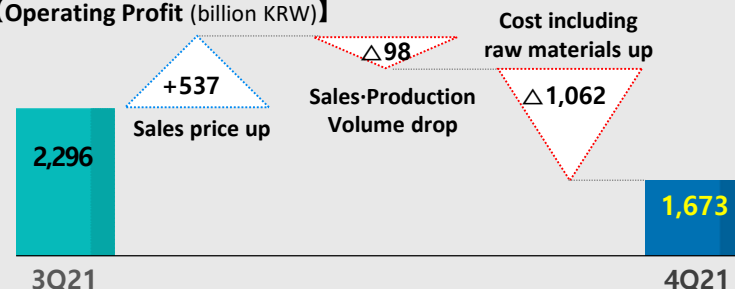
【Operating Profit (billion KRW)】



- Sales price(Carbon steel, thousand KRW/ton) : '20) 663 → '21) 975 (+312)
- 2021 Raw material applied cost(2020 price=100) : iron ore 155, Coking Coal 140

○ Profit downturned QoQ as sales volume dropped and coal price went up, while product price increased

【Operating Profit (billion KRW)】



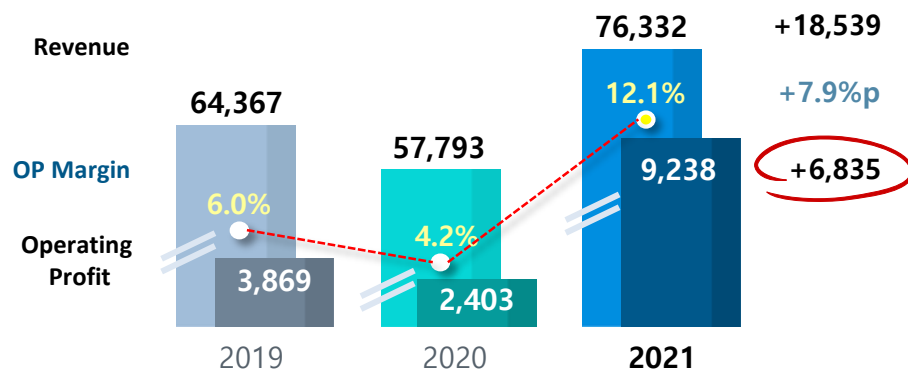
- Sales price(Carbon steel, thousand KRW/ton) : 3Q21) 1,097 → 4Q21) 1,144 (+47)
- 4Q21 Raw material applied cost(3Q21 price=100) : iron ore 88, Coking Coal 165

# Business Performance\_Consolidated

2021

(billion KRW)

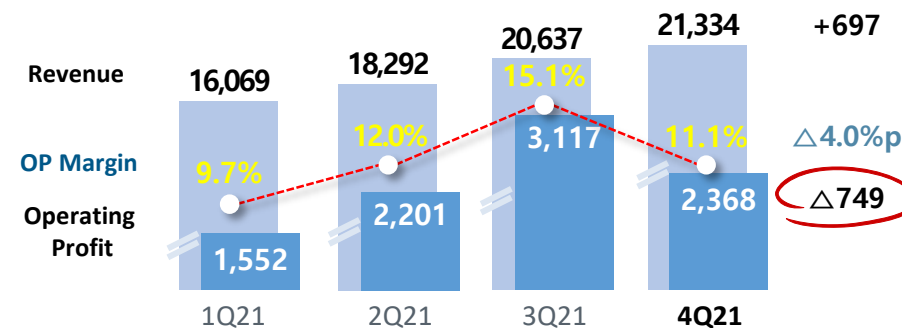
YoY



4Q 2021

(billion KRW)

QoQ



- Reached highest OP level as steel sector improved supported by the market uptrend and global infra. sector showed steady results

## 【Aggregated Operating Profit】

(billion KRW)	2019	2020	2021	YoY
Steel	2,687	1,205	8,365	+7,160
Overseas (US\$ m)	△24	32	1,288	+1,256
Global & Infra.	1,180	1,188	1,303	+115
New Growth	83	54	113	+59

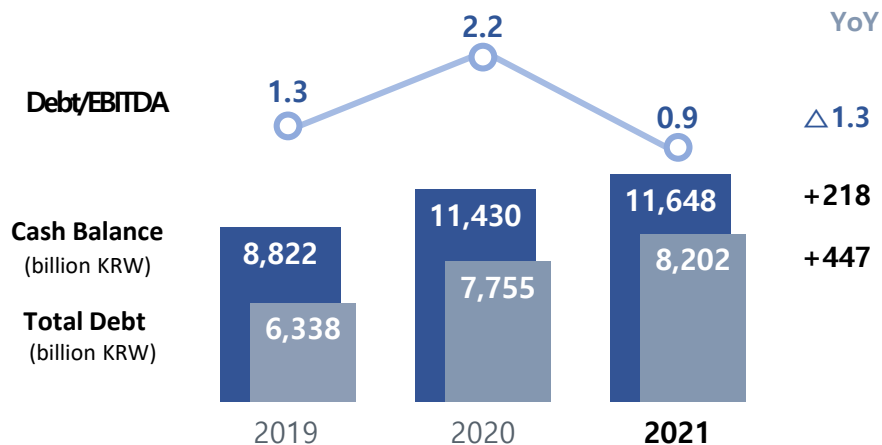
- Operating profit levelled down despite revenue increase QoQ as steel margin tightened due to raw material price increase

## 【Aggregated Operating Profit】

(billion KRW)	1Q21	2Q21	3Q21	4Q21	QoQ
Steel	1,333	2,048	2,916	2,068	△848
Overseas (US\$ m)	212	353	452	271	△181
Global & Infra.	347	286	355	315	△40
New Growth	33	34	29	17	△12

# Financial Structure

## Parent



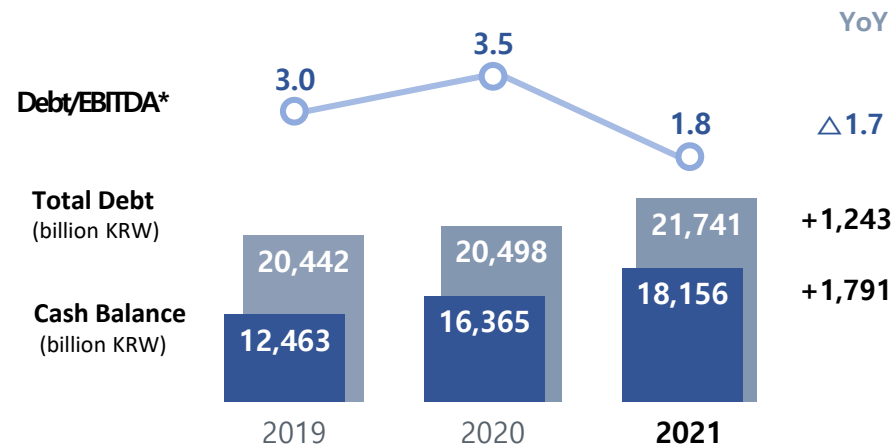
○ D/E level improved despite debt increase, an action to preemptively secure capital in preparation for interest rate increase, as operating profit soared

- Exchangeable bond issuance of EUR 1.1 billion and KRW 500 billion KRW (Sep 21)

### 【Liabilities ratio, EBITDA】

(billion KRW)	2019	2020	2021	YoY
Liabilities ratio	22.1%	25.9%	31.0%	+5.1%p
EBITDA	4,824	3,516	9,047	+5,531

## Consolidated



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

○ Financial soundness improved, despite debt increase, as both cash-in-hand and EBITDA enhanced as profit from all sectors rose

### 【Liabilities ratio, EBITDA】

(billion KRW)	2019	2020	2021	YoY
Liabilities ratio	65.4%	65.9%	66.9%	+1.0%p
EBITDA	7,330	6,025	12,794	+6,769

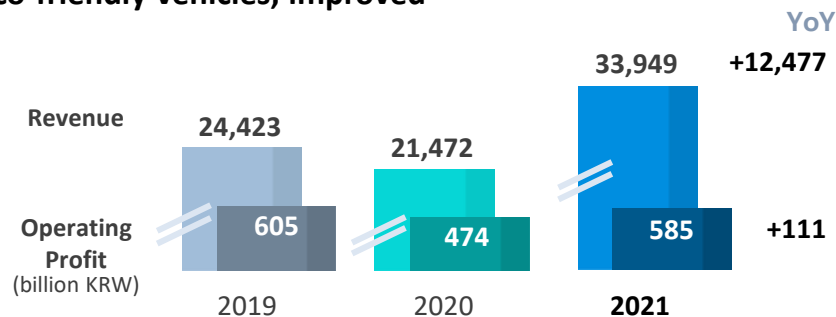


# Subsidiary Performance\_Domestic

※ Domestic performance result based on consolidated

## POSCO International

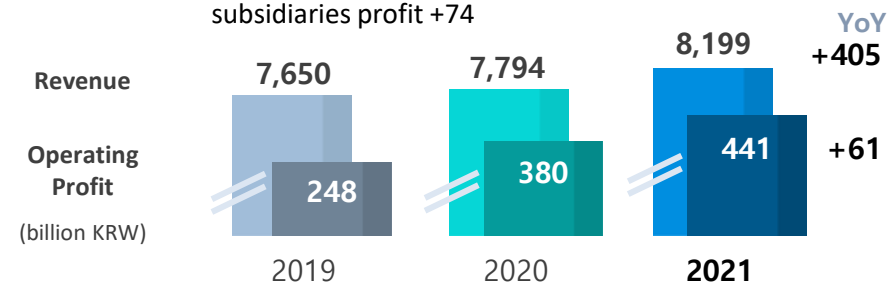
- Both revenue and profit improved as steel market upturned and performance of subsidiaries, as motor core for eco-friendly vehicles, improved



## POSCO E&C

- Profit rose as major domestic projects and overseas subsidiaries outperformed

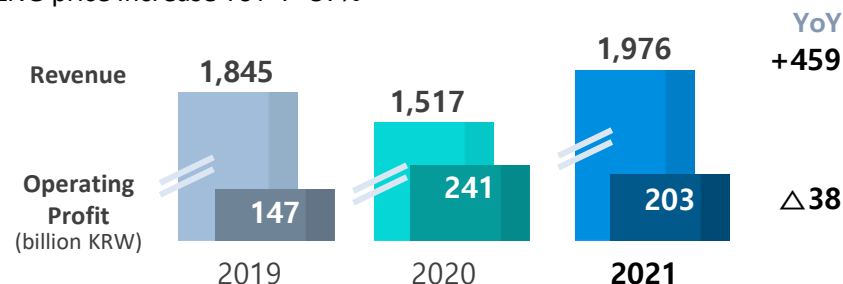
- Parent : OP by sector YoY (Infra. +15, construction +15, Plant  $\Delta$ 43)
- Consolidated : Communal home development in Clark, Phil. +11, subsidiaries profit +74



## POSCO Energy

- Profit maintained its yearly level through expansion of terminal-related business, while power generation margin dropped as LNG price soared

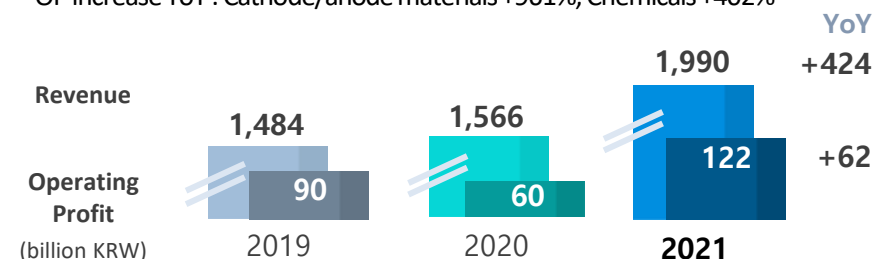
- LNG price increase YoY : +57%



## POSCO Chemical

- Both revenue and profit reached their peak as chemical product margin improved and cathode materials started to increase production

- Revenue increase YoY : Cathode/anode materials +60%, Chemicals +35%
- OP increase YoY : Cathode/anode materials +961%, Chemicals +402%

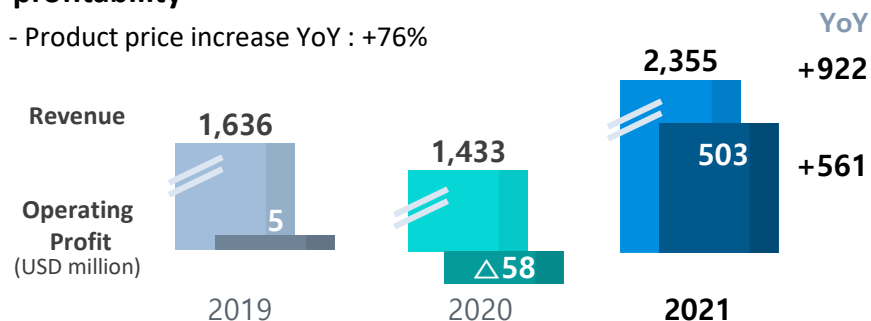


# Subsidiary Performance\_Overseas

## PT.Krakatau POSCO

- Reached highest profit ever as price went up along with market upturn and swift response toward demand to secure profitability

- Product price increase YoY : +76%

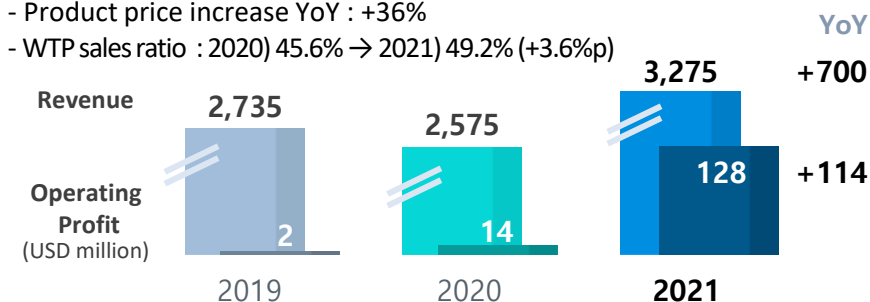


## Zhangjiagang STS (PZSS)

- Profit jumped due to widened WTP sales and low-priced scrap usage, despite power rationing and production control of the Chinese government

- Product price increase YoY : +36%

- WTP sales ratio : 2020) 45.6% → 2021) 49.2% (+3.6%p)

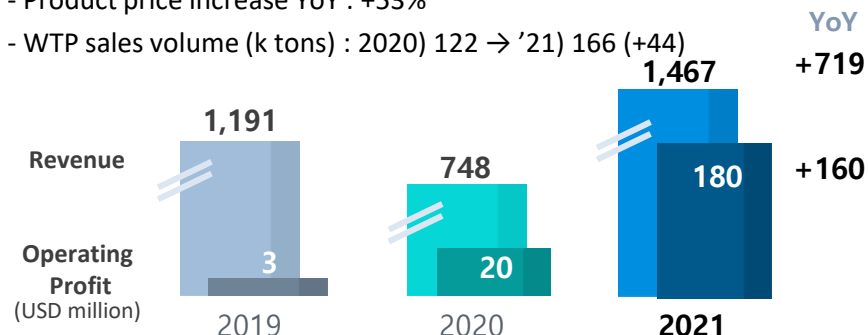


## POSCO Maharashtra

- Profit reached its highest level as price soared supported by the market and high-end sales expanded, as auto sheets

- Product price increase YoY : +53%

- WTP sales volume (k tons) : 2020) 122 → '21) 166 (+44)

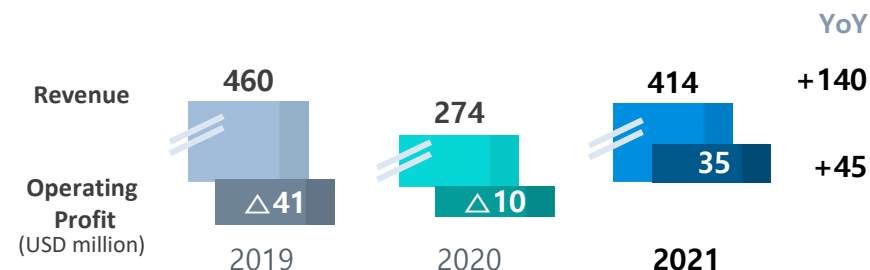


## PY VINA

- Profit upturned through product price increase, defending domestic market share and joint-R&D with JV partner

- Product price increase YoY : +47%

- H-beam domestic sales volume (k tons) : 2020) 266 → 2021) 272 (+6)





## Steel Market Outlook

## Major Business Plan

- Steel
- New Growth

# Steel Market Outlook

## Market price to hold firm as demand recovers while low carbon trend restrains further supply expansion

### Steel Supply/Demand

#### Demand

- Expect global growth of 2% supported by economy stimulus trend
  - EM countries restocking demand to rebound and vaccination spreads supports economy recovery
  - China to hold ground YoY as sluggish demand since 2H21 continues
  - Domestic demand to see an upturn by 1H22, while start to see slower growth from 2H22

	'20	'21	'22	YoY
Global	1,775	1,857	1,898	+2.2%
China	995	985	985	-
Ex-China	780	872	913	+4.7%
S.Korea	49	56	57	+1.8%

\* Source : worldsteel, SRO (Oct 21.), Korea Steel Association (Jan 22)

#### Supply

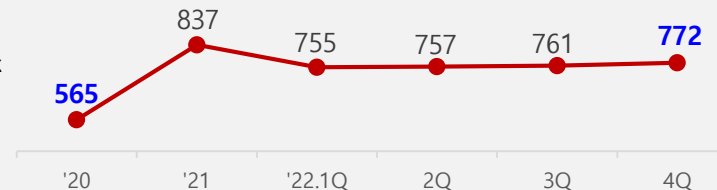
- Tight supply expected due to low-carbon trend
  - Crude steel capacity under pressure since 2021, as new facility investments slowed down
    - Global steel capacity (bil tons) : (20)2.45→(21)2.49→(22/E)2.50
  - Expect global overcapacity to ease as crude steel production in China decreased YoY
    - Crude steel production (bil tons) : (21)1.04→(22/E)1.02 (YoY  $\Delta$  2.2%)
  - Domestic demand to increase slightly (+2.8% YoY), to produce 7.5 million tons in 2022

### Steel/Raw material Price

#### Steel price

- Price to be adjusted after its surge in 2021 due to slower demand growth, though the adjustment is to be limited as China keeps its supply control
  - Price to level down slightly as oversupply eases despite lingering Pandemic and policy tightening

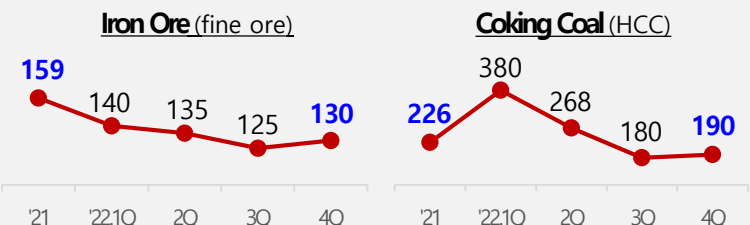
China HR  
Price Outlook  
(USD/ton)  
\* POSRI  
(Jan 22)



#### Raw material price

- Iron ore to rebound post-slight downturn, Coking coal to remain high in 1H and low in 2H
  - [Iron Ore] Price likely to stay weak by 3Q22 as Chinese demand slows down and global supply extends
  - [Coking coal] 1Q22 pricing to stay strong due to cyclone in Aus., and to stabilize downwards after 2Q as supply rises

Major  
Raw Material  
Price Outlook  
(USD/ton)  
\* POSCO Outlook  
(Jan 22)



# Major Business Plan\_Steel

## Domestic

**Generate stable profit as sales toward domestic and eco-friendly market expands**

- **Domestic sales ratio rise** by taking shares of imports
  - Domestic sales portion : (2020) 55 → (2021) 59 → (2022) 61%
- **Strengthen brand-marketing by discovering new demand of eco-friendly products**
  - Major products : Hyper NO for EV, PosMAC for solar panel, etc.

**Develop low-carbon production technology and fortify control over carbon emission**

- **Strengthen review on reaching CO2 emission target** through special carbon neutral council
- **Continue to reduce carbon emission by lowering HMR** (△0.8%p YoY)
- **Decide on the specifics of EAF facilities to be located in Gwangyang worksite and acquire business recognition**

**Reduce cost up to 1 tril KRW for better profitability**

- **Lower conversion cost by upgrading process**, as improving energy efficiency
- **Optimize purchase strategy by improving raw material price projection**

## Overseas

**Conduct feasibility study on projects to secure growth market demand**

- **Indonesia** : **Review ways** to expand up/downstream in PT.KP
- **India** : **Review integrated mill investment**, in consideration of competitiveness in eco-friendly infrastructure
  - Signed MoU to cooperate in diverse areas (Jan) ,  
Conduct business feasibility studies and review JV structure
- **US** : **Review to build eco-friendly integrated EAF**
  - Lower risk through partnerships with companies with low-carbon raw material resources assets
- ※ **China** : **Start construction of coated line for automobiles, a JV with HBIS** (Jan 22)
  - Capacity : 900 thousand tons/yr, complete construction by 2023

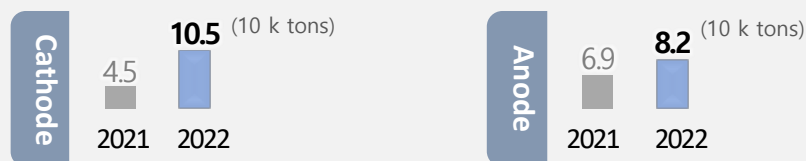
**Secure stable sourcing for eco-friendly resources for iron**

- **Diversify sourcing for scrap** in preparation for low HMR operations
  - Pursue to secure volume through overseas long-term contracts, etc.
- **Review overseas investment for Hot-Briquetted Iron**
  - Conduct feasibility study for joint production with Aus., etc.

# Major Business Plan\_New Growth

## Secondary battery materials

**Cathode/Anode materials : Expand production capacity based on customer partnership**



- Gwangyang 60k tons (3Q20~2Q22)
- JV in U.S. with GM 30k tons (2Q22~3Q24)
- Natural graphite in Sejong city 13k tons (2Q21~3Q22)

▪ **Push for securing new customers overseas and strategically cooperating with domestic 3 battery-makers**

**Lithium ·Nickel : Build commercial production system, expand recycling business**

**Lithium**

- Ore 43k tons (2Q21~4Q23), brine 25k tons(1Q22~2Q24)

**Nickel**

- Convert SNNC to produce for battery 20k tons (2Q22~3Q23)
- Domestic refinery plant with off-take volume from overseas 18k tons (2Q23~2Q24)

**Recycling**

- Production plant of 2k tons for Lithium ·Nickel respectively (~4Q22)

▪ **Pursue joint development with domestic battery-makers in materials and venturing into overseas**

『 **Run Future R&D center : Extend recruiting expertise from outside for new growth areas, such as secondary battery materials, hydrogen·low carbon energy, and AI, etc. 』**

## Hydrogen

**Set overseas production platform for clean hydrogen and secure related upcoming technology**

- **Review investment and conduct F/S for large-scale green/blue hydrogen production projects**

**Green Hydrogen**

- Conduct F/S for green hydrogen project in Duqm, Oman (~Jun 22)
- Sign MOU (Jan) and conduct F/S (~Jun 22) green hydrogen project in Sarawak, Malaysia
- Proceed green project in Saudi, jointly with Saudi PIF and Samsung C&T

**Blue Hydrogen**

- Plan to sign to co-develop with major oil producers in Saudi (~Nov 22)
- Conduct joint F/S to produce blue hydrogen with major US oil producers (~Dec22)

▪ **Develop clean hydrogen supply projects in line with carbon neutral strategy**

- In cooperation with RoyHill, pursue hydrogen production project for green HBI production of 150k tons/yr
- Review Hydrogen project for local DRI production, in line with integrated mill cooperation in India

▪ **Secure & Invest in upcoming technology R&D of key technologies**

- Develop key technology to decompose ammonia and apply to production (2022)  
→ Design Pilot plant (2023)
- Develop hydrogen combine tech. with Doosan Heavy and ways to apply to steelmaking
- Sign to cooperate in electrolysis with leading companies and pursue stake investments

# 2022 Business Outlook

## Parent

39.8

Crude Steel Production **36.5 million tons**  
Product Sales **34.7 million tons**

4.9

7.1

## Consolidated

**Revenue**  
(trillion KRW)

77.2

**CAPEX**  
(trillion KRW)

8.9

**Debt**  
(trillion KRW)

21.4



## Summarized Financial Statements

- Summarized F/S\_Parent (IS, BS)
- Summarized F/S\_Consolidated (IS, BS)

## Aggregated Business Performance by Sector

## Earnings Trend



# Summarized F/S\_Parent Income Statement

(billion KRW)

	2019	2020	2021	YoY
<b>Crude Steel Production</b> (thousand tons)	38,006	35,935	<b>38,264</b>	+2,329
<b>Product Sales</b> (thousand tons)	35,990	34,270	<b>35,456</b>	+1,186
<b>STS</b>	1,968	1,819	<b>1,983</b>	+164
<b>Carbon Steel Sales Price</b> (thousand KRW)	722	663	<b>975</b>	+312
<b>Revenue</b>	30,373	26,510	<b>39,920</b>	+13,410
<b>Cost of Goods Sold</b>	26,701	24,323	<b>32,136</b>	+7,813
<b>Gross Profit</b>	3,673	2,187	<b>7,784</b>	+5,597
<b>SG&amp;A</b>	1,086	1,051	<b>1,134</b>	+83
<b>Operating Profit</b>	2,586	1,135	<b>6,650</b>	+5,515
<b>(Operating Margin)</b>	(8.5%)	(4.3%)	<b>(16.7%)</b>	(+12.4%p)
<b>Non-Operating Profit</b>	△755	△116	<b>333</b>	+449
<b>Net Profit</b>	1,176	966	<b>5,181</b>	+4,215
<b>(Net Margin)</b>	(3.9%)	(3.6%)	<b>(13.0%)</b>	(+9.4%p)

# Summarized F/S\_Parent Balance Sheet

(billion KRW)

	2019	2020	2021	YoY
<b>Current Assets</b>	18,216	19,580	<b>25,919</b>	+6,339
<b>Cash Balance*</b>	8,822	11,430	<b>11,648</b>	+218
<b>Accounts Receivable</b>	3,987	3,694	<b>6,018</b>	+2,324
<b>Inventories</b>	4,989	4,094	<b>7,623</b>	+3,529
<b>Current Ratio</b>	546.8%	384.7%	<b>329.4%</b>	△55.3%p
<b>Non-Current Assets</b>	37,495	37,215	<b>38,324</b>	+1,109
<b>Other Long-term financial assets</b>	1,258	1,073	<b>1,327</b>	+254
<b>PP&amp;E</b>	20,132	20,217	<b>19,772</b>	△445
<b>Total Assets</b>	55,711	56,795	<b>64,243</b>	+7,448
<b>Liabilities</b>	10,097	11,680	<b>15,207</b>	+3,527
<b>Current Liabilities</b>	3,332	5,089	<b>7,868</b>	+2,779
<b>Non-Current Liabilities</b>	6,765	6,591	<b>7,339</b>	+748
<b>Interest-bearing Debt</b>	6,338	7,755	<b>8,202</b>	+447
<b>Liabilities Ratio</b>	22.1%	25.9%	<b>31.0%</b>	+5.1%p
<b>Equity</b>	45,614	45,115	<b>49,036</b>	+3,921

\* 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)

	2019	2020	2021	YoY
<b>Revenue</b>	64,367	57,793	<b>76,332</b>	+18,539
<b>Gross Profit</b>	6,250	4,720	<b>11,881</b>	+7,161
<b>(Gross Margin)</b>	(9.7%)	(8.2%)	<b>(15.6%)</b>	+7.4%p
<b>SG&amp;A</b>	2,382	2,317	<b>2,643</b>	+326
<b>Operating Profit</b>	3,869	2,403	<b>9,238</b>	+6,835
<b>(Operating Margin)</b>	(6.0%)	(4.2%)	<b>(12.1%)</b>	+7.9%p
<b>Non-Operating Profit</b>	△719	△296	<b>△437</b>	△141
<b>Share of Profit(Loss) of Equity-accounted Investees</b>	274	133	<b>650</b>	+517
<b>Finance Income and Costs</b>	△370	△215	<b>△35</b>	+180
<b>Foreign Currency Transaction &amp; Translation Gain(Loss)</b>	△35	229	<b>△162</b>	△391
<b>Net Profit</b>	1,983	1,788	<b>7,196</b>	+5,408
<b>(Net Margin)</b>	(3.1%)	(3.1%)	<b>(9.4%)</b>	+6.4%p
<b>Profit Attributable to Owners of the Controlling Company</b>	1,835	1,602	<b>6,617</b>	+5,015

# Summarized F/S\_Consolidated Balance Sheet

(billion KRW)

	2019	2020	2021	YoY
<b>Current Assets</b>	34,842	35,831	<b>46,622</b>	+10,791
<b>Cash Balance*</b>	12,463	16,365	<b>18,156</b>	+1,791
<b>Accounts Receivable</b>	9,078	8,121	<b>10,046</b>	+1,925
<b>Inventories</b>	10,920	9,052	<b>15,231</b>	+6,179
<b>Current Ratio</b>	213.4%	212.6%	<b>221.3%</b>	+8.7%p
<b>Non-Current Assets</b>	44,216	43,256	<b>44,850</b>	+1,594
<b>Other Long-term financial assets</b>	1,669	1,562	<b>2,120</b>	+558
<b>PP&amp;E</b>	29,926	29,400	<b>29,597</b>	+197
<b>Total Assets</b>	79,059	79,087	<b>91,472</b>	+12,385
<b>Liabilities</b>	31,264	31,412	<b>36,667</b>	+5,255
<b>Current Liabilities</b>	16,324	16,855	<b>21,063</b>	+4,208
<b>Non-Current Liabilities</b>	14,940	14,557	<b>15,603</b>	+1,046
<b>Interest-bearing Debt</b>	20,442	20,498	<b>21,741</b>	+1,243
<b>Liabilities Ratio</b>	65.4%	65.9%	<b>66.9%</b>	+1.0%p
<b>Equity</b>	47,795	47,675	<b>54,805</b>	+7,130
<b>Owners of the Controlling Company</b>	44,472	44,331	<b>50,427</b>	+6,096

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

# Aggregated Business Performance by Sector

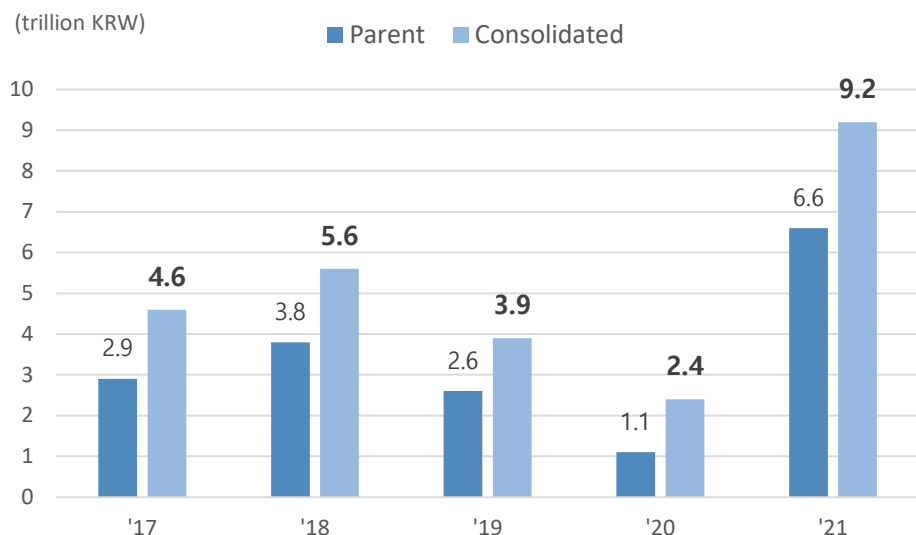
(billion KRW)

		Revenue			Operating Profit			Net Profit		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
	<b>Steel</b>	49,808	43,546	<b>63,549</b>	2,687	1,205	<b>8,365</b>	586	701	<b>6,600</b>
	<b>Global Infra.</b>	49,808	44,851	<b>57,402</b>	1,180	1,188	<b>1,303</b>	657	552	<b>751</b>
	<b>Trading</b>	37,625	32,996	<b>45,290</b>	654	472	<b>620</b>	160	160	<b>325</b>
	<b>E &amp; C</b>	7,713	7,610	<b>7,413</b>	266	390	<b>429</b>	30	148	<b>164</b>
	<b>Energy</b>	1,944	1,595	<b>2,044</b>	166	253	<b>215</b>	390	165	<b>210</b>
	<b>I C T</b>	977	974	<b>872</b>	48	30	<b>△20</b>	40	13	<b>△14</b>
	<b>New Growth</b>	1,513	1,614	<b>2,089</b>	83	54	<b>113</b>	85	50	<b>112</b>
	<b>Total</b>	101,129	89,749	<b>123,040</b>	3,950	2,447	<b>9,781</b>	1,328	1,303	<b>7,463</b>

# Earnings Trend

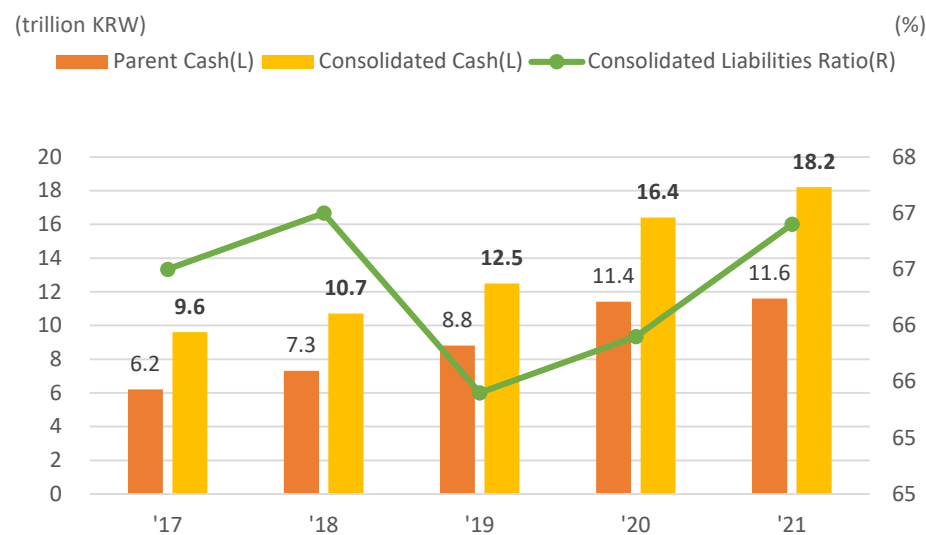
**Operating profit edged up as profit from all sectors reached record high,  
Debt to EBITDA improved despite slight debt increase**

## Operating Profit



OP margin (%)	2017	2018	2019	2020	2021
Consolidated	7.6	8.5	6.0	4.2	12.1
Parent	10.2	12.4	8.5	4.3	16.7

## Financial Structure



	2017	2018	2019	2020	2021
Consolidated D/E*	2.9	2.5	3.0	3.5	1.8

\* Debt/EBITDA : Moody's formula applied (Off-balance sheet liabilities included in debt, net finance costs included in EBITDA)