

Green Tomorrow,  With POSCO

posco
HOLDINGS

3Q 2022 Earnings Release

Oct 24, 2022



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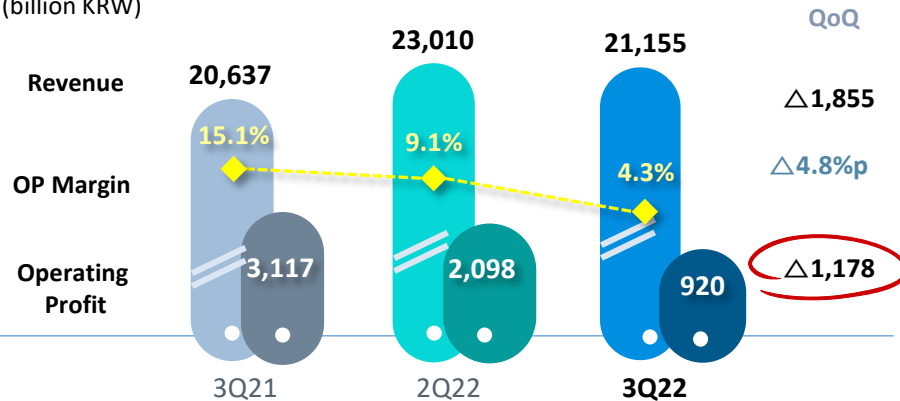
- **Consolidated Business Performance**
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Consolidated Business Performance

Steel profit weakened due to the flood and the slow demand, while LiB materials business showed resilient growth

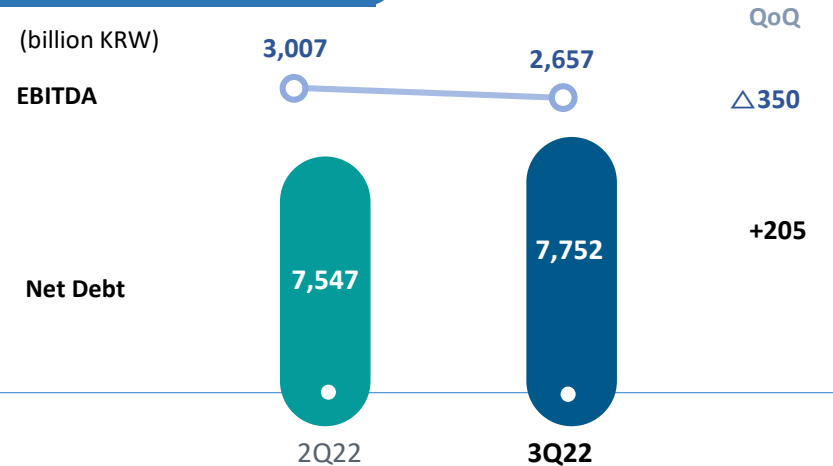
Income

(billion KRW)



Financial Structure

(billion KRW)



【 Before Inter-company Transaction Adjustment 】

* Debt increased on USD-denominated debt due to exchange rate effect : 2Q22) 1,292.9 → 3Q22) 1,434.8

(billion KRW)	Revenue				Operating Profit			
	3Q21	2Q22	3Q22	QoQ	3Q21	2Q22	3Q22	QoQ
Steel	18,447	19,331	17,784	△1,547	2,942	1,762	515	△1,247
POSCO 1)	11,315	11,871	10,878	△993	2,296	1,322	397	△925
Overseas Steel	5,813	6,463	6,030	△433	519	315	11	△304
Green Infrastructure	14,482	18,641	15,885	△2,756	320	484	345	△139
POSCO International	9,151	11,070	9,041	△2,029	149	321	197	△124
POSCO E&C	2,029	2,490	2,262	△228	111	126	43	△83
POSCO Energy	590	676	1,049	+373	70	26	86	+60
Green Materials	529	810	1,056	+246	29	48	75	+27
POSCO Chemical	505	803	1,053	+250	31	55	82	+27

* 3Q21 : POSCO Parent result before the vertical spin-off

* POSCO result is parent basis, other subsidiaries consolidated

Flood Impact on 3Q Result

Recognized Operating Loss of 436 bil KRW, Non-OP Loss of 148 bil KRW

Operating Loss

✓ POSCO 408 billion KRW

○ Loss due to production and sales volume decline : 222 bil KRW

- Based on IFRS, increased amount of fixed cost caused by temporary production drop was realized in 3Q COGS

○ One-off loss due to the flood damage : 186 bil KRW

- Inventory impairment loss : 94.4 bil KRW
- Repair, material cost to recover production facilities : 91.6 bil KRW

✓ Other Subsidiaries (POSCO Steeleon, POSCO Chemical, POSCO Mobility Solution, etc) 27.4 billion KRW

○ POSCO Steeleon : Production loss due to submerged facilities, repair cost on damaged facilities

○ POSCO Chemical : Repair cost for electrical facility in refractories, etc.

○ POSCO Mobility Solution : Production/Sales volume dropped due to operation loss, wash off submerged inventories, etc.

Non-OP Loss

○ Impairment loss on tangible assets : POSCO 147 bil KRW, POSCO Chemical 0.75 bil KRW, etc.

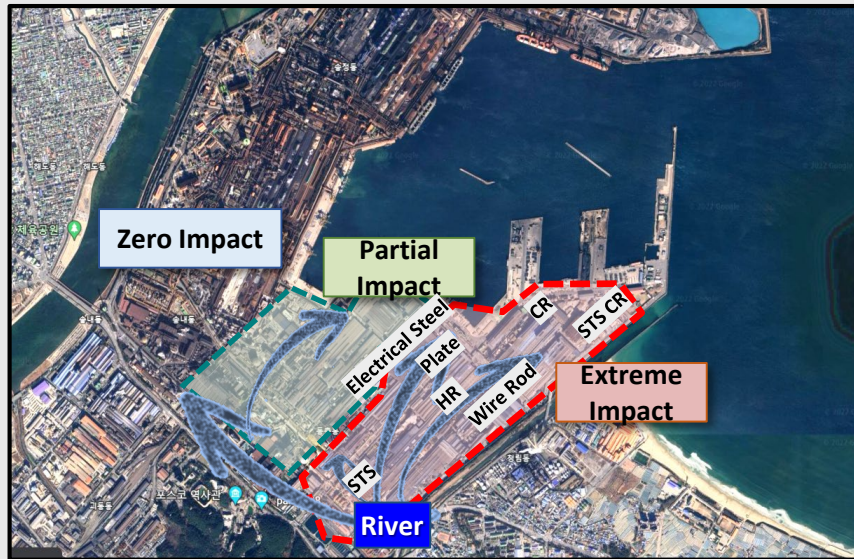
Flood Damage and Repair Schedule

Exert all efforts to normalize the production to work to minimize the impact on supply and demand; timely respond towards customers' urgent requests

- River flooded over to the Pohang works' downstream line causing electricity blackout (9/6)
 - Downstream line, located near the river, was submerged, while zero impact on the upstream line
 - 3 BF's/2 FINEXs normalized operation (9/12), downstream line gradually under repair

- Target to produce all type of products by the year end, Maximize production in Gwangyang Works
 - Prioritize based on imminent demand, recovery on track
 - Softened the impact of product volume decrease by maximizing production of Gwangyang Works
 - Rescheduled maintenance plan of Gwangyang Works

[Impact on Pohang Works by Region]



[Repair Schedule of Pohang Works]

(Completed ●, Under Progress ○)

	Completed	~Nov 2022	~Dec 2022
Hot Rolling Line	No.1 HR (Oct7) No.1 WireRod* (Oct20) No.3 Plate (Oct24)	No.2 Plate** No.3 WireRod No.4 WireRod	No.2 HR No.2 WireRod
Cold Rolling Line	No.3 Electrical Steel (Sep14) No.2 Electrical Steel (Sep28) No.1 CR (Oct6)	Electrical Galvanizing Line	No.2 CR No.2 STSCR

* Operation on No.1 Wire Rod earlier than scheduled (Speeded up to finish by Oct. from Nov.)
 ** No.2 Plate, expected to operate by end of Oct., required a week more of repair

LiB Materials Business Progress

Lithium

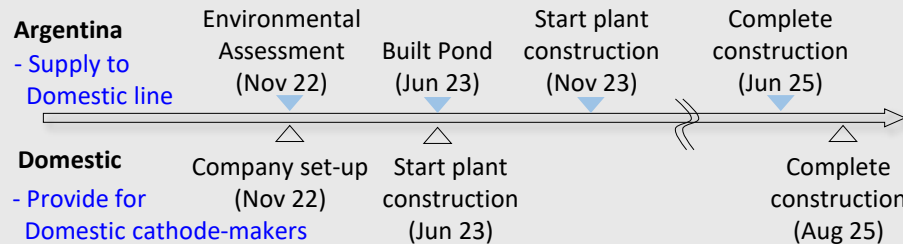
Secured production base, enable to fluidly respond to change in business environment, as the IRA*

* IRA : Critical minerals should be extracted/processed from US FTA partners; as for components, tax credit restricted to EV models, made in N.America

2nd Stage Project in Argentina

- Produce lithium carbonate in Argentina, and produce lithium hydroxide in Gwangyang, S.Korea (25k tons/yr)
- Reviewing to invest 3rd/4th stage project in the N.America (under revision)
- 2nd stage CAPEX U\$1,093 mil (Including debt)

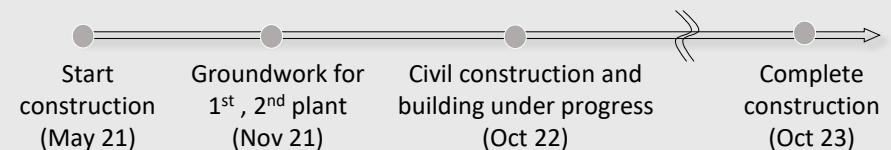
[2nd stage construction schedule]



Ore-based Lithium

- 1st stage commercial plant under construction as scheduled (43k tons/yr)
- Produce lithium hydroxide in Gwangyang commercial plant by using Aus. Pilbara spodumene procurement (315k tons)
 - Expect counter benefit from IRA, as Australia being US FTA partner

[1st stage progress]



Nickel

Start construction of battery-grade nickel refinery in SNNC, lowered dependency to China through MHP procurement from RNO

Pyro-Metallurgical

- (SNNC) Upstream: Iron-removal process to produce nickel matte from SNNC (Started construction in Jun 22, Complete by 3Q23)
- (POSCO) Downstream : Refine nickel matte to produce battery-grade nickel (Started construction in Oct 22, Complete by 4Q23)

Hydro-metallurgical

- (P-Holdings) Procured MHP through stake investment in RNO, Aus.(30%, May 21), Feasibility study underway on refining (Target to win approval by Jan 2023)

Business Performance of Major Areas



Steel

- POSCO
- Overseas Steel



Green Infrastructure

- POSCO International
- POSCO Energy
- POSOC E&C

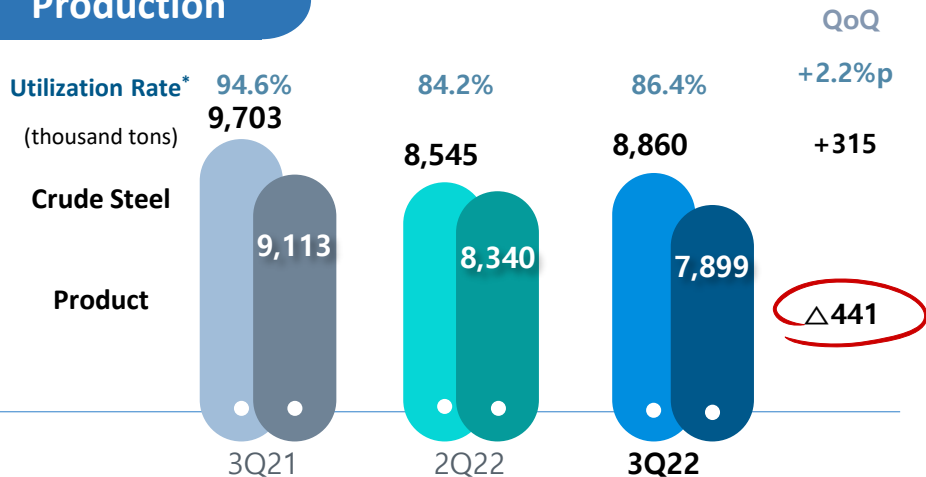


Green Materials

- POSCO Chemical

POSCO_Production/Sales

Production



* Utilization rate : Crude Steel Production / Crude Steel Capacity

○ Crude steel production went up as No.4 BF revamping completed in Gwangyang in 2Q, whereas product production dropped as downstream in Pohang flooded

【Crude Steel Production (k tons)】

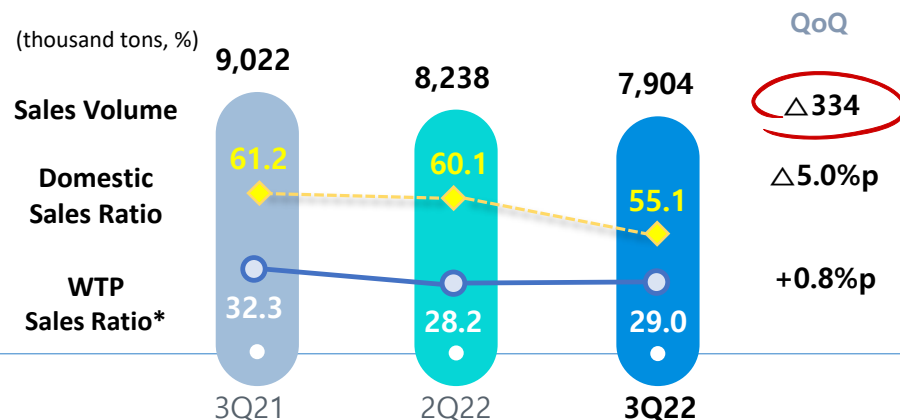
- Pohang : 2Q) 3,983 → 3Q) 3,309 △674
- Gwangyang : 2Q) 4,562 → 3Q) 5,551 +989

【Carbon Steel/STS Production Volume】

	3Q21	2Q22	3Q22	QoQ
Carbon Steel	8,592	7,885	7,554	△331
STS	521	455	345	△110

* 3Q21 : POSCO Parent result before the vertical spin-off

Sales

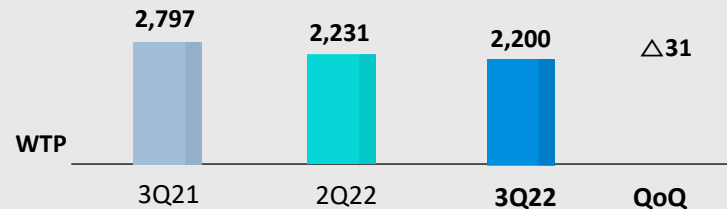


*Un-ordered and semi-product figure excluded in total sales volume

○ Sales volume decreased along with product production volume declined from Pohang Works

- Sales Volume (QoQ, k tons) : Plate △172, Wire rod △158, etc.
- WTP sales volume held up to 2Q level as WTP sales increased to automakers (+205k tons)

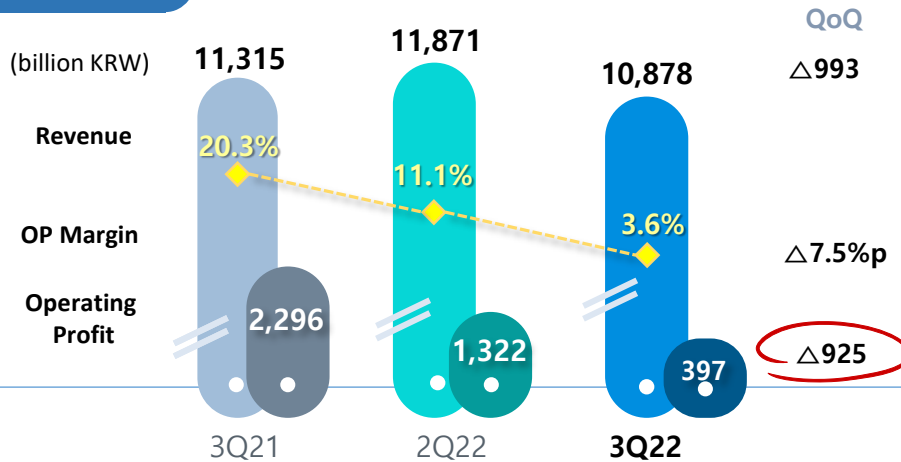
【WTP Sales Volume (k tons)】



* 3Q21 : POSCO Parent result before the vertical spin-off

POSCO_Income/Financial Structure

Income



* 3Q21 : POSCO Parent result before the vertical spin-off

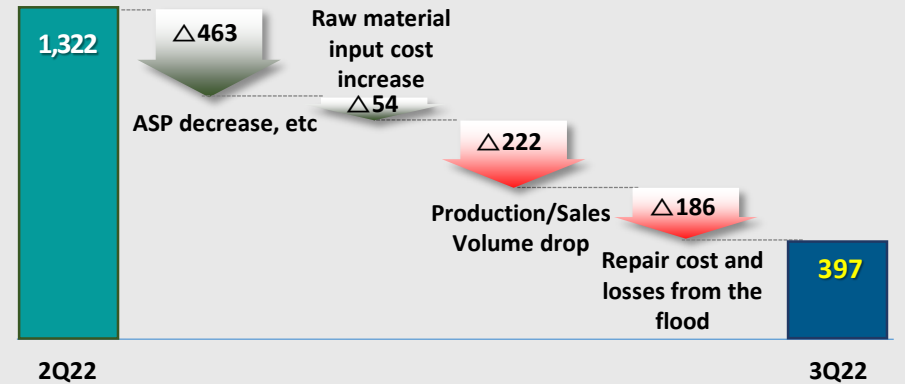
(billion KRW)	2Q22	3Q22	QoQ
Net Debt	262	△109	△371
EBITDA	1,915	995	△920

○ Revenue, OP plunged as price dropped due to worsened steel demand and one-off losses, as repair cost and OP loss from the flood damage, occurred

○ Turned net cash as working capital decreased due to raw materials and product inventory lowered

- Working Capital (trl KRW) : 2Q) 11.5 → 3Q) 11.1

【Operating Profit QoQ】

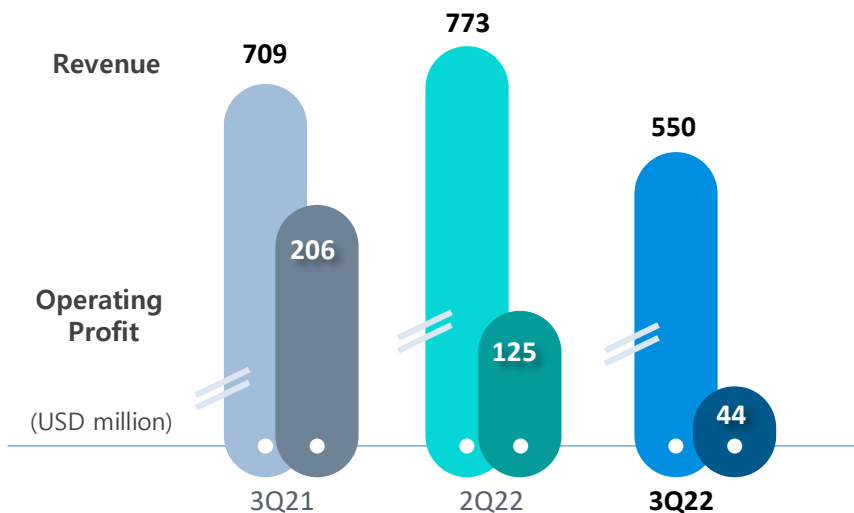


- **Sales Price** (carbon steel, thousand KRW/ton) : 2Q) 1,236 → 3Q) 1,186 (△50)
 - Domestic distribution price downtrend slightly halted after the flood, domestic demand remains weak
- **Raw Material Input Cost** : Iron Ore 2Q) 100→3Q) 107, Coking Coal 100→93.6 (2Q22 price=100)
 - Despite the fall in input cost, profit declined as inventory with high applied cost from previous quarter raw material cost, was sold
- **Operating income impacted by 222 bil KRW, due to production decline in Pohang**
 - Increased fixed cost on inventories, caused by the production decline, recognized as 3Q COGS, regardless of sales status (production disruption)
- **One-off cost recognized due to the flood damage**
 - Repair cost : 91.6 bil KRW (material cost, maintenance cost, etc)
 - Inventory impairment loss : 94.4 bil KRW (finished/semi-product, materials, etc)
 - ※ Impairment of tangible assets : 147 bil KRW recognize as Non-op income

Overseas Steel Subsidiaries_Performance

Profit of overseas steel subsidiaries continue their downtrend due to slow demand and price decline, mostly from rerolling mills

PT. Krakatau POSCO



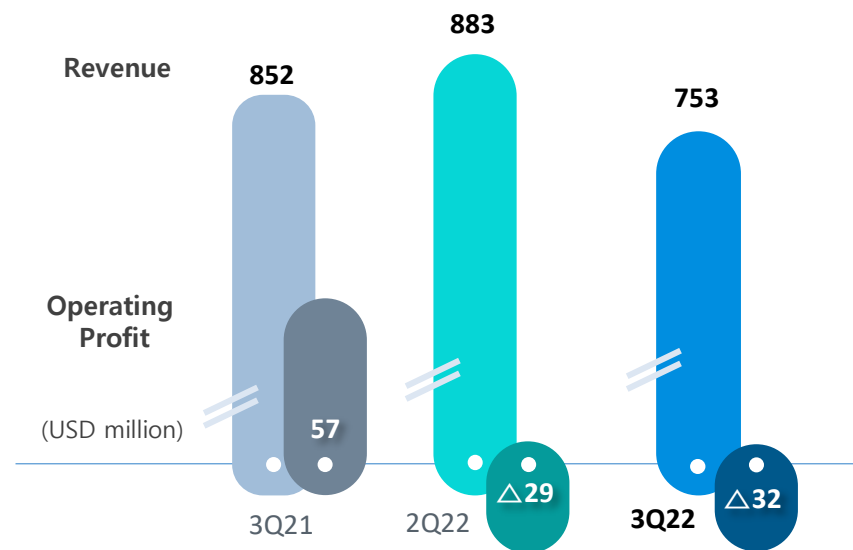
- Despite the price and sales volume drop due to slowing demand, generated profit by defending profitability by selling highly priced product to Europe

- Sales volume (k tons) : 2Q) 752 → 3Q) 607 (△145)

- * Plate sales to Europe : (sales volume) 73k tons (OP) U\$9 mil

- Product price(QoQ) : [Slab] △16% [Plate] △11%

Zhangjiagang STS (PZSS)



- Profitability dampened as demand faltered due to China's Zero-COVID policy and weak construction market, and low-pricing competition with local competitors

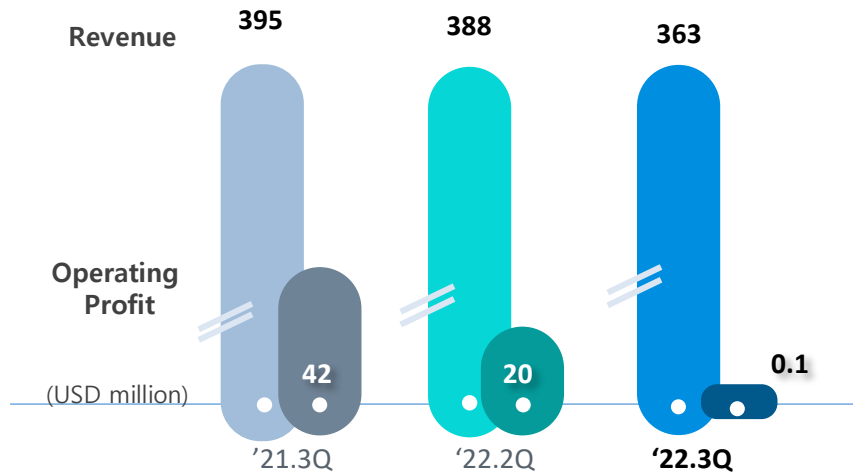
- Sales volume (k tons) : 2Q) 280 → 3Q) 270 (△10)

- Sales price (QoQ) : △12.1% / Raw materials cost (QoQ) : △11.2%

- * Sales price rebounded during September

Overseas Steel Subsidiaries_Performance

POSCO Maharashtra



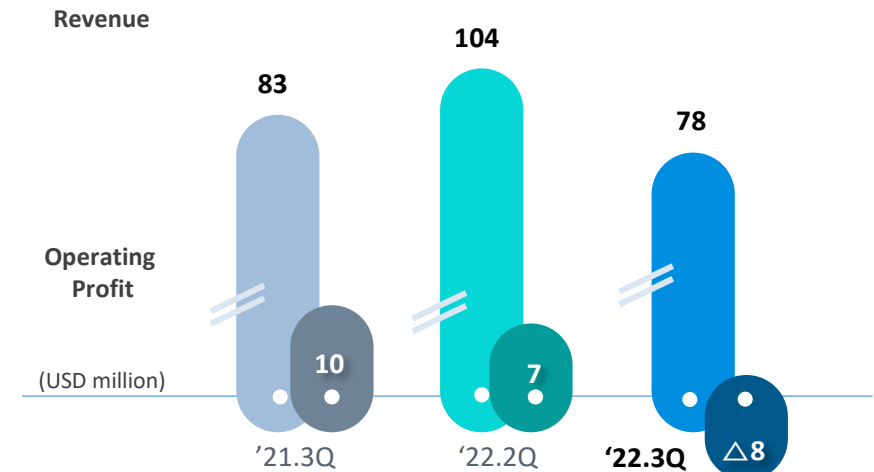
- Profit slashed as market worsened and processing cost increased due to materials cost as natural gas price increased

- Sales volume (k tons) : 2Q) 322 → 3Q) 337 (+15)

- Product price (QoQ) : Δ 9% / Processing cost(QoQ) : +14.5%

* Export tax imposed by the Indian government in May(15%) caused domestic distribution and construction price to drop

PY VINA



- Turned to loss as sales volume and price dropped due to weakened construction market and low-priced imports entered the market

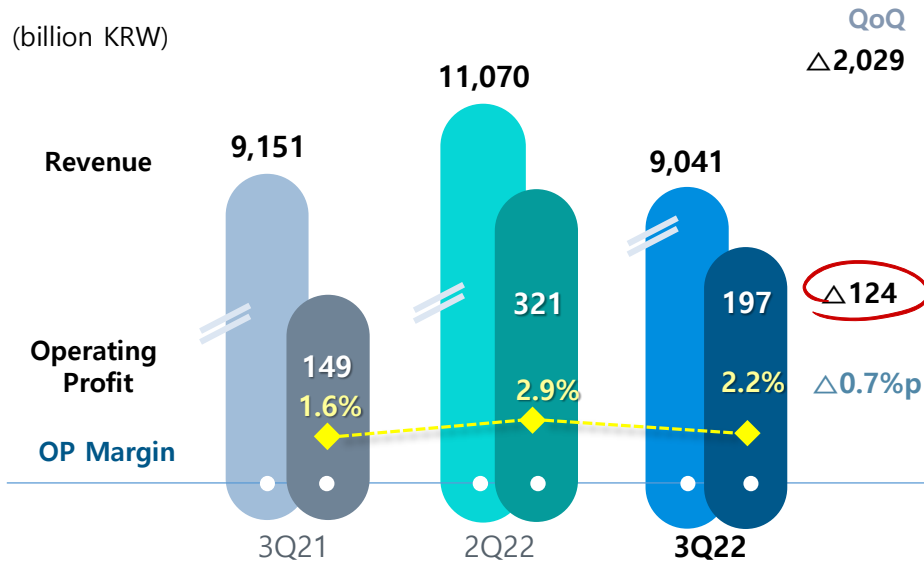
- Sales volume (k tons) : 2Q) 108 → 3Q) 90 (Δ 18)

- Product price (QoQ) : Δ 11.7%

POSCO International_Performance

Income

* Earning result under consolidated basis



【Revenue by Business】

(bil KRW)	3Q21	2Q22	3Q22	QoQ
Steel	8,390	10,047	7,968	Δ2,079
Energy	335	322	349	+27
Investment Co., etc.	426	701	724	+23

Major Activities

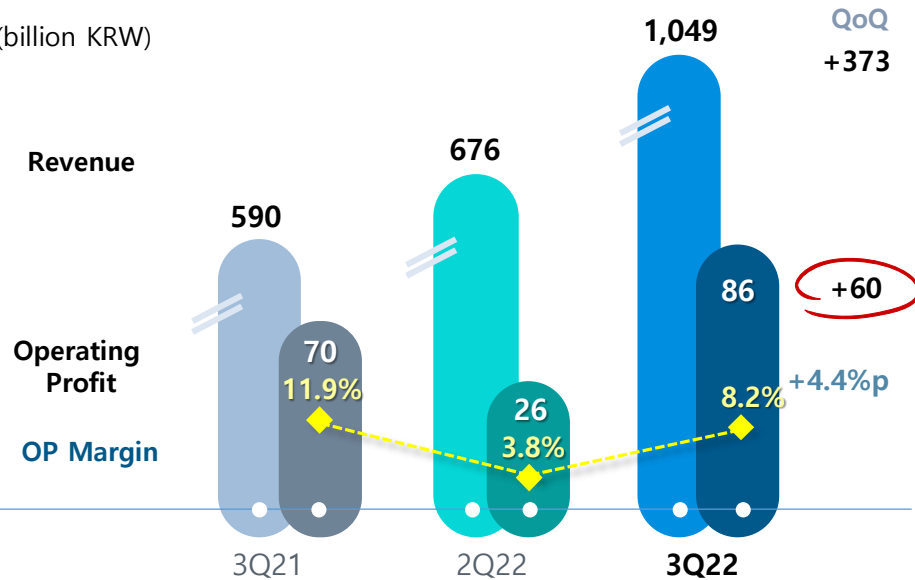
- Trading
 - **Steel : Product and raw materials volume dropped due to weak steel demand**
 - Sales volume(QoQ) : Steel product Δ3%, Raw materials Δ45%
 - **Agri./Materials : Domestic/overseas demand on feeds declined and sales volume fell as crop sales halted in UKR**
 - Sales volume (QoQ) : Corn Δ23%, Soybean Δ53%
- Energy
 - **Revenue went up as Myanmar gas sales increased, OP dropped as cost recovery rate reduced**
 - Gas sales volume (bil ft³) : 2Q) 45.5 → 3Q) 49.7
 - Operating profit (bil KRW) : 2Q) 104 → 3Q) 93.8
- Investment companies
 - **Senex : Revenue went up as gas sales volume and price increased**
 - Senex Energy sales volume(bil ft³) : 2Q) 5.3 → 3Q) 6.1
 - **P-MS : Motor core sales volume dropped as demand from China weakened**
- Flood impact : OP Impact from steel trading, Δ4.7 bil KRW

POSCO Energy_Performance

Income

* Earning result under consolidated basis

(billion KRW)



【Revenue by Business】

(bil KRW)	3Q21	2Q22	3Q22	QoQ
Power Generation	495	620	977	+357
Terminal	71	28	47	+19
Fuel Cell, etc.	24	28	25	△3

Major Activities

○ Power generation : Electricity demand and utilization rate went up, lifting up profit

- Both revenue and operating profit increased as capacity payment(CP) climbed up as entering to the electricity peak season, along with utilization rate normalized after the revamping of No.3 and 7 generator completed in 2Q

【Market Index】

	3Q21	2Q22	3Q22	QoQ
Power demand (GW)	80	71	81	+10
SMP (KRW/kWh)	93	156	194	+38

○ Terminal: Profitability improved due to stable tank lease operation, increased margin of terminal-related businesses

- Secured stable profit base by leasing Tank (to SK, S-OIL)
- Profit upturned as orders and margin improved on commission businesses
- Gwangyang No.6 LNG Tank construction underway as scheduled (Target to be completed by May 2024)
 - Capacity : 200k kℓ (Current LNG Tank capacity : 730k kℓ)

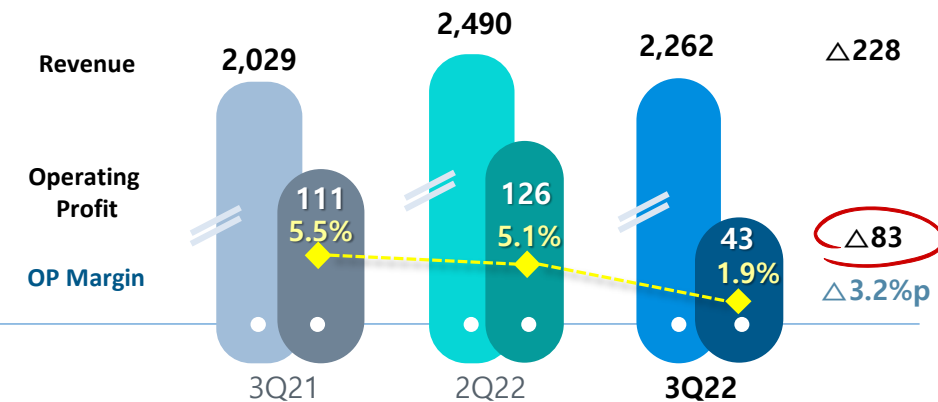
POSCO E&C_Performance

Income

* Earning result under consolidated basis

(billion KRW)

QoQ



【Revenue by Business】

(bil KRW)	3Q21	2Q22	3Q22	QoQ
Plant	475	592	568	Δ24
Infrastructure	224	397	356	Δ41
Building	1,033	1,170	990	Δ180
Consolidated subsidiaries	297	331	348	+17

Major Activities

○ Profit squeezed as additional cost occurred due to increase in materials cost

- Plant/Infra.: Profitability weakened due to materials cost hike
- Construction : Additional cost recognized as materials/outsourcing cost went up and showed lower profit due to levelling effect* from the 2Q
 - Operating Profit (bil KRW) : 2Q) 93.0 → 3Q) 31.5
 - * 2Q) Reversal of mater lease agreement of Parc 1 +8.5 bil, Jeju Health Care PJT +7.4 bil
- Consolidated : New orders won in major subsidiaries (O&M, A&C)

○ Steady order won led by plant projects (3Q 2.6 trl KRW)

- Plant(1.5 trl) : Dangjin LNG Terminal(0.4), Kumho ethylene rubber plant(0.2), etc.
- Infra.(0.2 trl) : Groundwork for Dangjin LNG LNG Terminal(0.1), etc.
- Construction(0.9 trl) : Remodeling order increased from the first planned city, etc. (QoQ+225%)

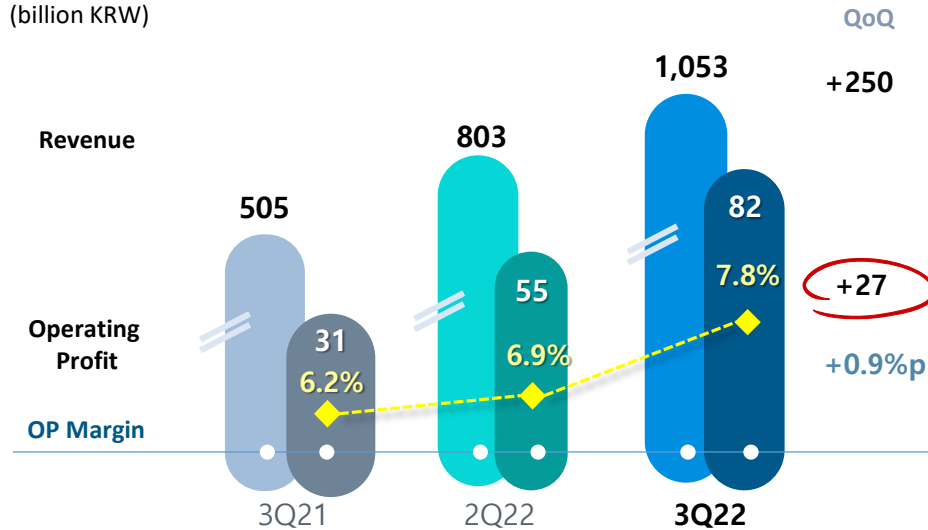
※Order trend by quarter in 2022(trl KRW) : 1Q) 2.7→ 2Q) 2.7

POSCO Chemical_Performance

Income

* Earning result under consolidated basis

(billion KRW)



【Revenue by Business】

(bil KRW)	3Q21	2Q22	3Q22	QoQ
Cathode materials	172	417	648	+231
Anode materials	43	47	68	+21
Refractories	111	139	120	△19
Quicklime/Chemical	179	200	217	+17

Major Activities

- **Cathode : Both revenue and profit improved as sales volume and N65 price went up**
 - Sales price climbed due to raw material hike (QoQ +27%)
 - Sales volume in total went up as volume to European EV increased and started to supply to domestic ESS (QoQ +25%)
- **Anode : Profitability improved as price went up and sales portion to EV increased**
 - Revenue and profit increased as product price went up
 - Sales portion to EV expanded (QoQ +16%p)
- **Refractories, Furnace Maintenance/Construction : Profitability slightly lowered due to one-off costs**
 - P&O Chemical speeded up its construction completion, as a result, recognizing initial fixed cost (August → June)
 - KPCC revenue went up as product price increased (+12% than initially planned)

* KPCC: PT.KRAKATAU POSCO CHEMICAL CALCINATION
- **Flood impact : Operating cost of 1.5 billion KRW, including repair cost on facilities**
 - Non-OP loss of 0.75 bil KRW, including impairment loss on tangible assets



● **Summarized Income Statement**

● **Summarized Balance Sheet**

Summarized F/S_Consolidated Income Statement

	3Q21	4Q21	1Q22	2Q22	3Q22	2022 Accumulated	(billion KRW) Accumulated YoY
Revenue	20,637	21,334	21,338	23,010	21,155	65,503	+10,505
Gross Profit	3,779	3,142	2,929	2,733	1,590	7,251	△1,489
(Gross margin)	(18.3%)	(14.7%)	(13.7%)	(11.9%)	(7.5%)	(11.1%)	△4.8%p
SG&A	662	773	671	635	670	1,976	+106
Operating Profit	3,117	2,369	2,258	2,098	920	5,275	△1,595
(Operating margin)	(15.1%)	(11.1%)	(10.6%)	(9.1%)	(4.3%)	(8.1%)	△4.4%p
Non-Operating	242	△270	206	240	△ 293	153	+163
Equity Income and Loss	287	97	248	194	△ 13	429	△124
Net interest expenses	28	61	△145	50	4	△90	+6
Profit before Income Tax	3,359	2,099	2,464	2,338	627	5,429	△1,888
Net Profit	2,628	1,622	1,907	1,799	592	4,298	△1,277
EBITDA	4,006	3,282	3,146	3,007	1,939	8,092	△1,444
(EBITDA Margin)	19.4%	15.4%	14.7%	13.1%	9.2%	12.4%	△5.0%p
EPS (KRW)	34,745	21,452	25,187	23,717	7,800	56,692	
No. of outstanding shrs	75,625,572	75,625,572	75,710,045	75,849,177	75,849,177	75,803,309	

Summarized F/S_Consolidated Balance Sheet

(billion KRW)

	3Q21	2Q22	3Q22	QoQ
Current Assets	45,706	52,147	53,769	+1,622
Cash & Cash Equivalents	18,567	17,939	20,942	+3,003
Accounts Receivable	10,468	12,394	11,209	△1,185
Inventories	13,810	17,962	17,430	△532
Non-Current Assets	44,429	49,723	51,463	+1,740
Tangible Asset	29,414	30,407	31,289	+882
Intangible Assets	4,305	5,222	5,366	+144
Other LT Financial Assets	2,396	2,300	2,640	+340
Total Assets	90,135	101,870	105,232	+3,362
Liabilities	36,614	43,121	45,040	+1,919
Current Liabilities	19,405	25,757	26,695	+938
Non-Current Liabilities	17,209	17,364	18,345	+981
Interest-bearing Debt	22,841	25,486	28,694	+3,208
Shareholders' Equity	53,521	58,749	60,192	+1,443
Owners of the Controlling Stake	49,171	53,256	54,710	+1,454
Net debt	4,274	7,547	7,752	+205
Net Debt to Equity (%)	8.0%	12.8%	12.9%	+0.1%p