

# 2Q 2022 Earnings Release

July 21, 2022



Next Material, POSCO CHEMICAL

소재의 미래를 향해 달립니다

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# 2Q 2022 Earnings Result

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- Business Performance (P/L)
- Financial Position

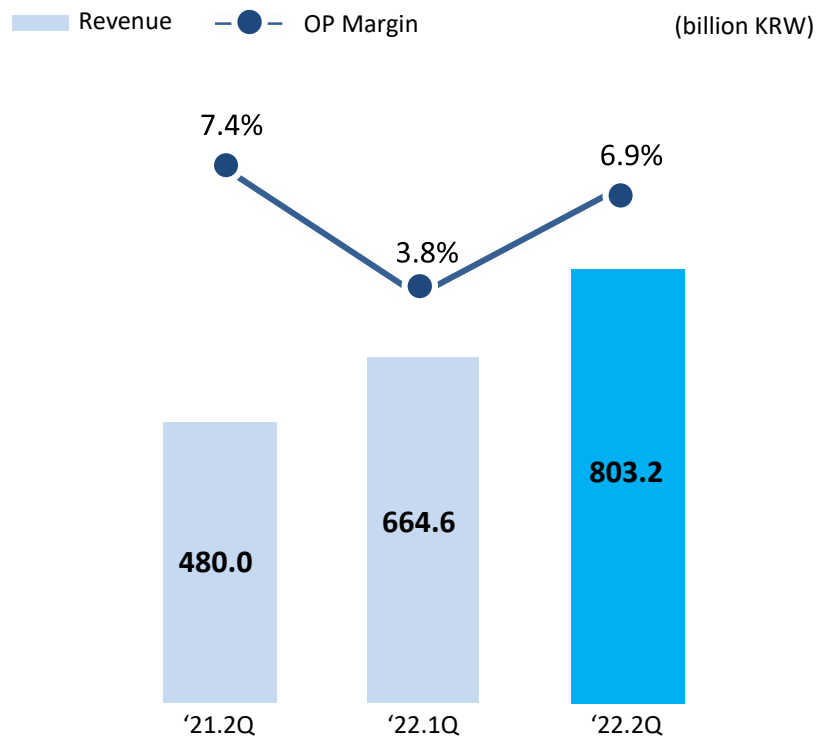
Achieved record high both in quarterly revenue with increased sales price of Cathode and chemical product, and OP with improved cathode profitability

## Business Performance

(billion KRW)	'21.2Q	'22.1Q	'22.2Q	QoQ
Revenue	480.0	664.6	803.2	+138.6
COGS	417.8	605.8	709.6	+103.8
Operating Profit	35.6	25.6	55.2	+29.6
(OP Margin)	7.4%	3.8%	6.9%	+3.1%p
Non-Operating Profit	3.9	13.4	3.9	△9.5
Equity Method Gain	4.4	9.2	8.6	△0.6
Net Profit	33.9	36.0	46.4	+10.4
(Net Margin)	7.1%	5.4%	5.8%	+0.4%p
EBITDA	50.7	46.3	77.7	+31.4

\* Zhejiang POSCO-HUAYOU consolidated incorporation(4.1)

## Revenue / Margin

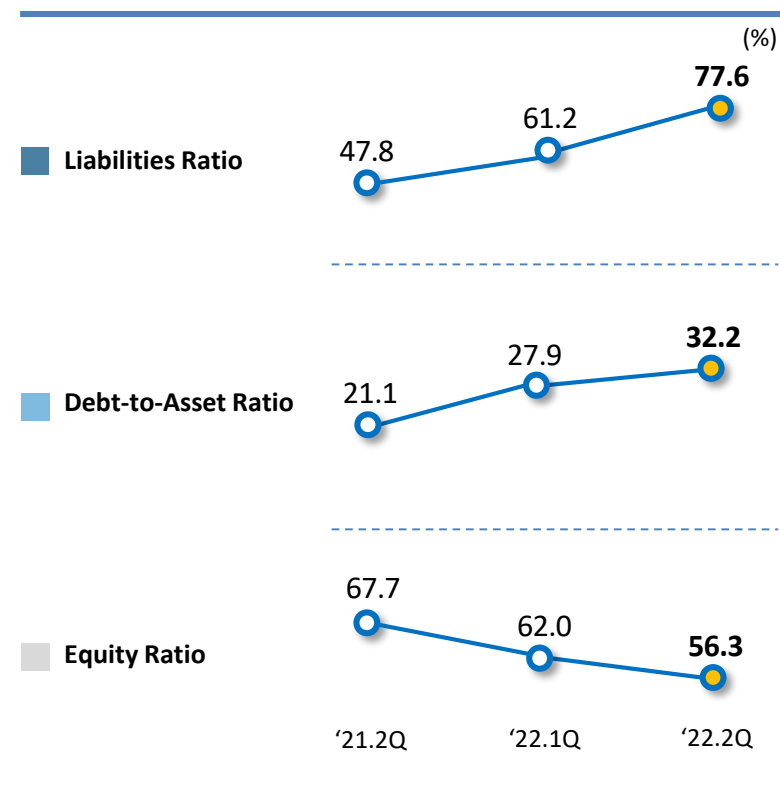


Debt increased with issuing ESG bond\*,  
Current assets rose by increased inventory for securing raw material

## Consolidated Balance Sheet

(billion KRW)	'21.2Q	'22.1Q	'22.2Q	QoQ
<b>Assets</b>	3,496.0	3,970.2	<b>4,649.2</b>	+679.0
Current	2,014.3	1,909.0	<b>2,441.9</b>	+532.9
Cash Balance	1,421.3	952.1	<b>1,139.7</b>	+187.6
Non-Current	1,481.7	2,061.2	<b>2,207.3</b>	+146.1
Tangible Assets	1,234.3	1,664.4	<b>1,858.9</b>	+194.5
<b>Liabilities</b>	1,130.1	1,507.3	<b>2,031.9</b>	+524.6
Interest-bearing Debt	739.1	1,107.7	<b>1,496.7</b>	+389.0
Net-Debt	-682.2	155.6	<b>357.0</b>	+201.4
<b>Equity</b>	2,365.9	2,462.9	<b>2,617.3</b>	+154.4

## Financial Ratio



\* Issued 300 bn KRW ESG bonds (4.14)

# Earnings by Business Division

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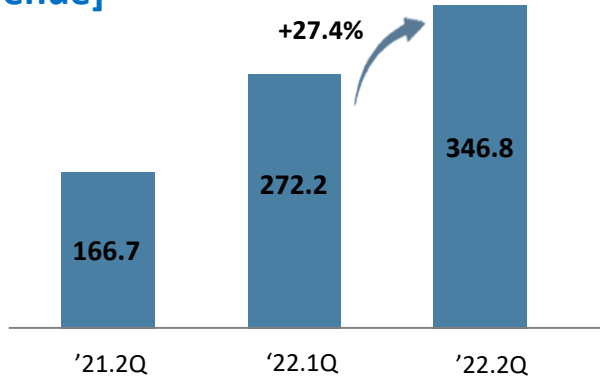
- Business Performance by Division
- PMCTech

# Business Performance by Division

## Cathode

### [Revenue]

(billion KRW)



- Revenue hiked on higher sales price(QoQ +40%) increased by strong lithium and metal prices, and OP surged with rising exchange rate, etc.  
\* 1,155 → 1,260 KRW/US\$
- Establishment of Joint Venture of Cathode plant with GM(May 27)  
\* 30kt per annum, Supply to Ultium Cells confirmed
- Pohang Cathode Line #4(30kt) construction finished(June 30)

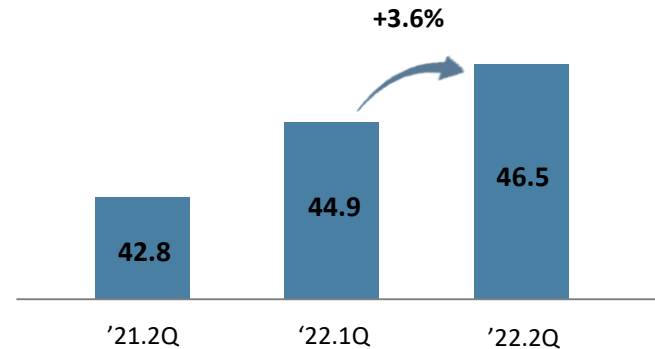
### [Sales by application]

(Billion KRW)		'21.2Q	'22.1Q	'22.2Q	QoQ
Cathode Revenue		167.7	272.2	346.8	<b>+74.6 (+27.4%)</b>
USE	IT/Power tool	9%	10%	9%	<b>-1%p</b>
	EV	91%	90%	91%	<b>+1%p</b>

## Anode

### [Revenue]

(billion KRW)



- Volume fell slightly due to a shortage in semi-conductors in EV industry and a decreased battery production from customer, but revenue increased with rising exchange rate
- OP decreased due to higher unit price of raw materials and higher fixed costs with lowered production volume
- Price increase applied from 3<sup>rd</sup> quarter thru negotiation with battery makers

### [Sales by application]

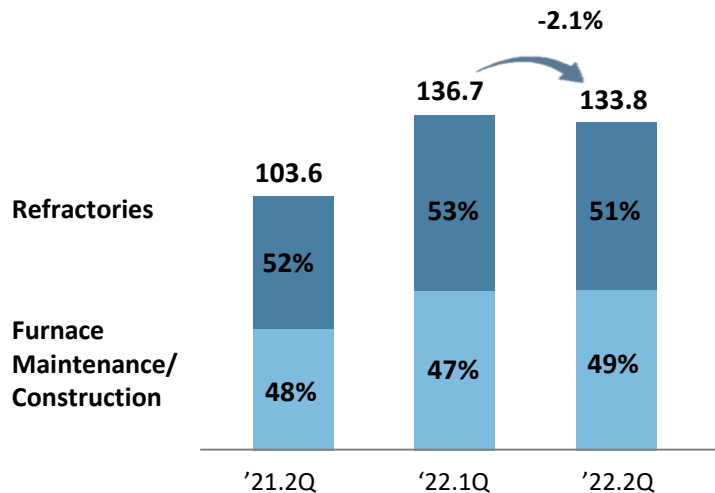
(Billion KRW)		'21.2Q	'22.1Q	'22.2Q	QoQ
Anode Revenue		42.8	44.9	46.5	<b>+1.6 (+3.6%)</b>
USE	IT/Power tool	24%	30%	33%	<b>+3%p</b>
	EV	62%	45%	40%	<b>-5%p</b>
	ESS	14%	25%	27%	<b>+2%P</b>

# Business Performance by Division

## Refractories, Furnace Maintenance/Construction

### [Revenue]

(billion KRW)



- **Refractories** : Changed schedule of repairing converter and EAF made revenue to decrease and rising raw material price\* led OP to drop  
\* CFM +18%, DBM +26%

※ Profitability is expected to improve with rising sales price in 2H

- **Furnace Maintenance/Construction** : Revenue went up with increased repair volume and earlier-than-scheduled repairment of Hot-Rolled steel, but OP decreased due to increased outsourcing fee

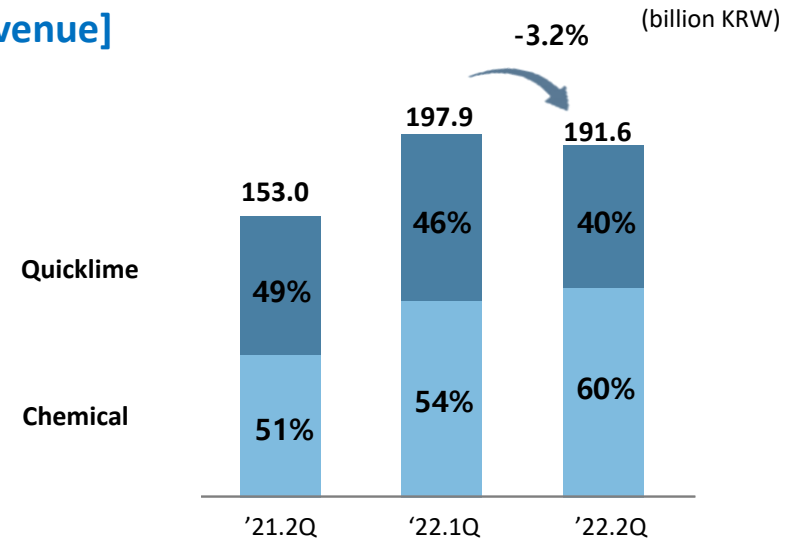
### [Major activities]

- Adoption of refractories made with non-phenol based eco-friendly binders → Reducing odors and harmful gas

## Quicklime / Chemical

### [Revenue]

(billion KRW)



- **Quicklime** : Although the unit price has risen slightly, decrease of sales volume due to the revamping of #4 blast furnace in Gwangyang (Feb 11~ Jun 10) led revenue and OP to diminish

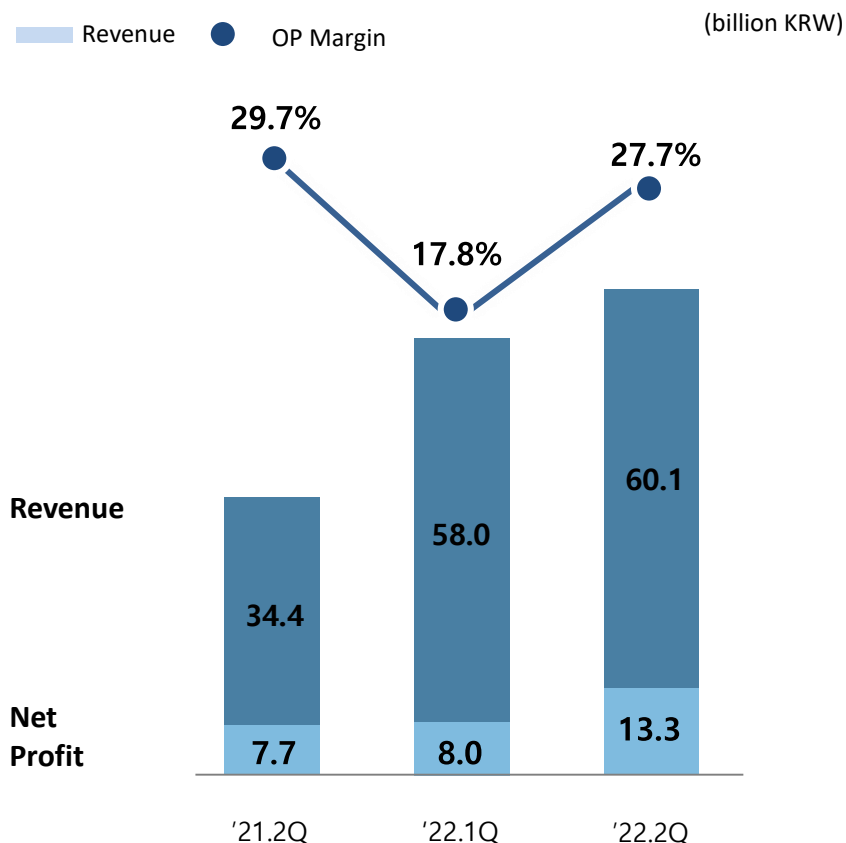
- **Chemical** : Revenue and OP hiked with rising tar product sales price reflecting increased oil price

\* Coal tar price : +32%, BTX price : +24%

### [Major activities]

- Enhanced robustness of facilities integrated during the revamping of #4 blast furnace in Gwangyang
  - P.H cleaning of 2RK(4.8~5.2),
  - performance improvement activities of 3RK(5.1~6.6)

## Revenue / Margin



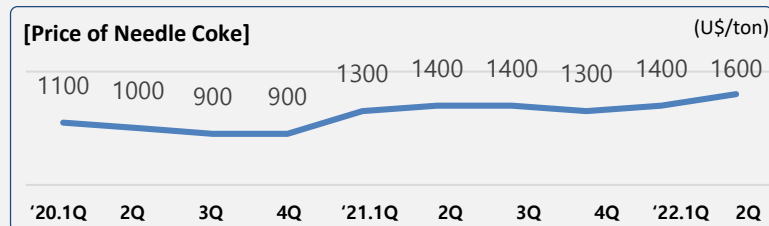
## Business Performance & Outlook

### 2Q 2022 Performance

- Production and sales volume decreased with 1 month maintenance on 2Q
- Revenue and OP gained with rising needle coke and oil price even with decreased sales volume
- ※ Needle coke : Rising EAF utilization rate and product price inflation
- ※ Oil product : Price increase with rising oil price

### Needle coke market outlook

- Recovery of EAF utilization rate is delaying despite China's economic stimulus measures due to COVID shut down, rising scrap prices and heavy rain etc.
- Long-term outlook is positive on the accelerated transition to EAF in China such as environmental regulations, increased supply of scraps, and demand of needle coke for synthetic graphite
- Uncertainties also linger such as lockdown policies in China due to the COVID-19 and destocking of electrode rode makers



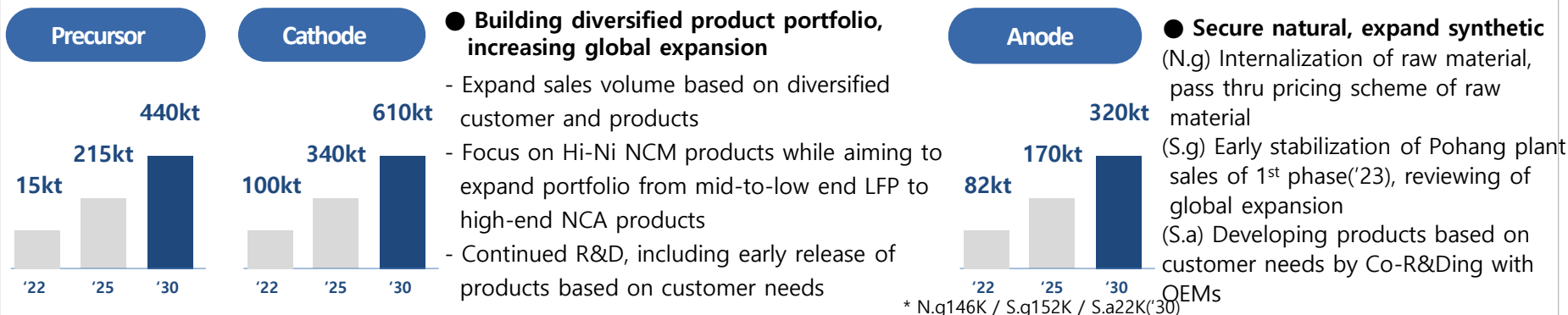
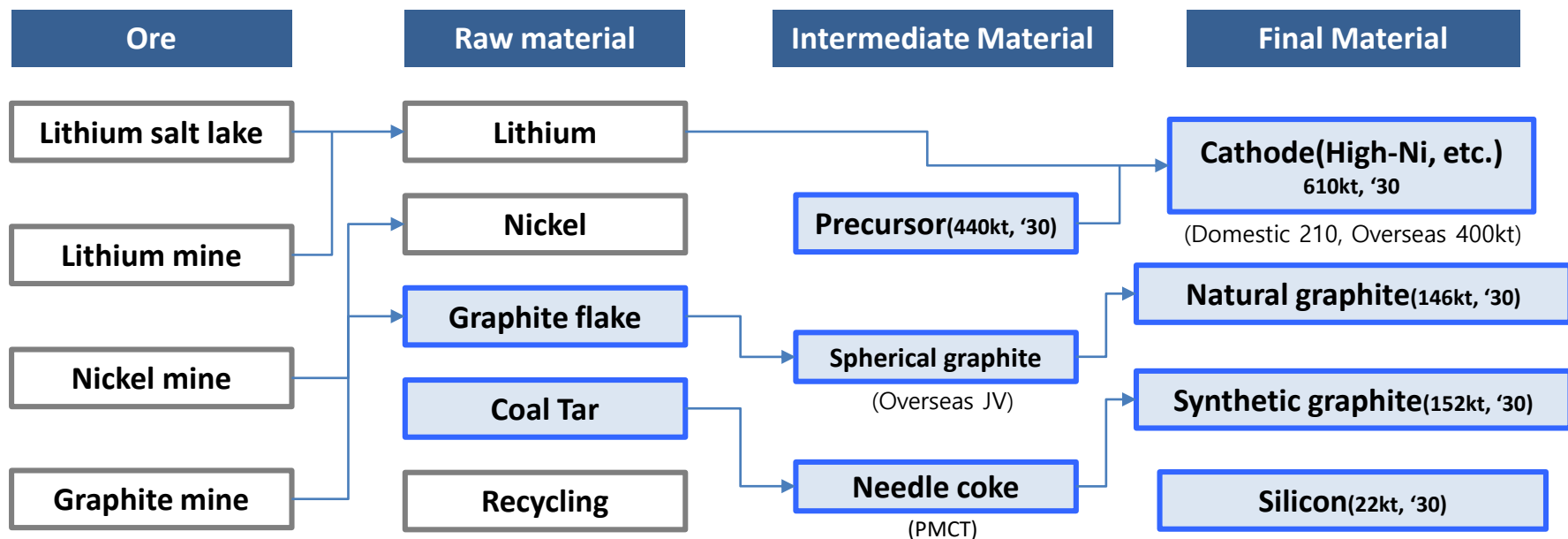
\*Based on average sales price of coal based needle coke in China (Source : ICCSINO)

# Energy Material Business

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- Energy Material Full Value Chain

## POSCO GROUP full value chain for secondary battery raw materials



# Summarized Consolidated F/S

## ■ Consolidated P/L

(billion KRW)	2020					2021					2022		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	
Revenue	387.4	340.2	388.7	449.9	1,566.2	467.2	480.0	505.0	537.3	1,989.5	664.6	803.2	1,467.8
Operating Profit	16.0	4.1	19.4	20.8	60.3	34.1	35.6	31.5	20.5	121.7	25.6	55.2	80.8
OP Margin	<b>4.1%</b>	<b>1.2%</b>	<b>5.0%</b>	<b>4.6%</b>	<b>3.9%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>6.2%</b>	<b>3.8%</b>	<b>6.1%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>5.5%</b>
Net Profit	14.2	-7.2	6.9	15.8	29.7	39.8	33.9	40.9	19.2	133.8	36.0	46.4	82.4

## ■ Consolidated B/S

(billion KRW)	2020				2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Assets	1,680.1	2,122.7	2,063.3	2,088.1	3,448.3	3,496.0	<b>3,767.1</b>	<b>3,922.5</b>	<b>3,970.2</b>	<b>4,649.2</b>
Current	549.3	959.0	906.1	810.6	2,100.3	2,014.3	<b>2,141.4</b>	2,084.2	1,909.0	2,441.9
Cash Balance	67.5	501.9	423.8	126.6	1,527.0	1,421.3	<b>1,489.4</b>	1,351.2	952.1	1,139.7
Non-Current	1,130.8	1,163.7	1,157.2	1,277.5	1,348.0	1,481.7	<b>1,625.7</b>	1,838.3	2,061.2	2,207.3
Liabilities	682.3	1,133.2	1,053.4	1,064.5	1,114.6	1,130.1	<b>1,355.8</b>	<b>1,484.1</b>	<b>1,507.3</b>	<b>2,031.9</b>
Current	215.1	163.4	183.5	220.7	272.9	295.7	<b>314.6</b>	634.7	627.4	1,095.4
Non-Current	467.2	969.8	869.9	843.8	841.7	834.4	<b>1,041.2</b>	849.4	879.9	936.5
Equity	997.7	989.5	1,009.9	1,023.6	2,333.7	2,365.9	<b>2,411.3</b>	<b>2,438.4</b>	<b>2,462.9</b>	<b>2,617.3</b>
Interest-bearing Debt	415.7	921.2	817.1	736.6	740.7	739.1	<b>959.6</b>	1,014.6	1,107.7	1,496.7
Liabilities ratio	68.4%	114.5%	104.3%	104.0%	47.8%	47.8%	<b>56.2%</b>	60.9%	61.2%	77.6%
Net- Debt ratio	34.9%	42.4%	38.9%	60.1%	- 33.7%	- 28.8%	<b>-22.0%</b>	-13.8%	6.3%	13.6%

\* Cash Balance : Cash and cash equivalents + Short-term financial products