

DONGKUK STEEL 2022 EARNINGS RELEASE

2023.2

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This material is prepared as the reference for investment decision of investors, and the Company does not provide any kind of guarantees or shoulder any responsibilities regarding its accuracy or completion level explicitly/implicitly.

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01

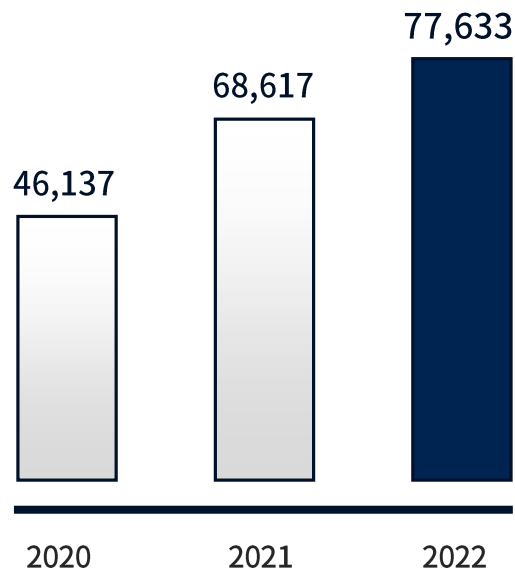
2022 Business Performance

Realize operating income of KRW663B, net income for the period of KRW153.8B

Decrease in net profit due to non-operating expenses i.e. CSP impairment loss and foreign currency related loss, etc.

Revenue

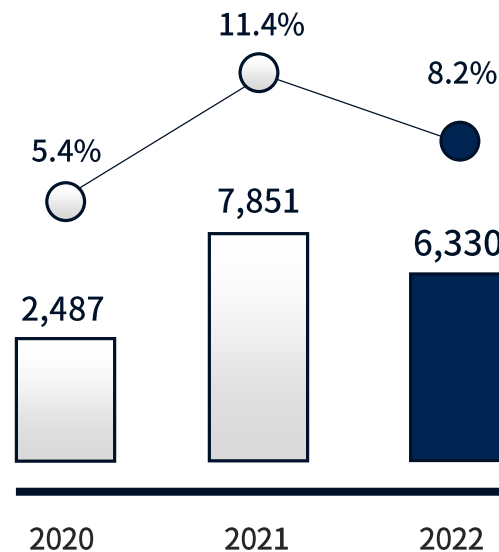
7,763.3 billion



Operation Income

633 billion

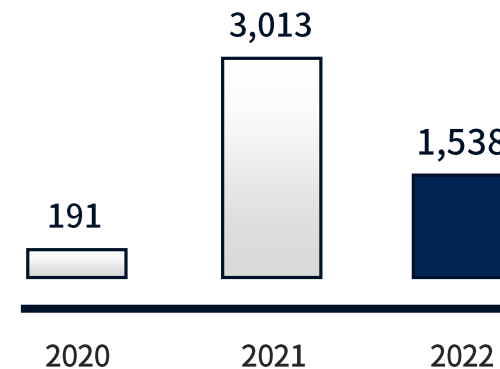
*Operating margin



Net income

153.8 billion

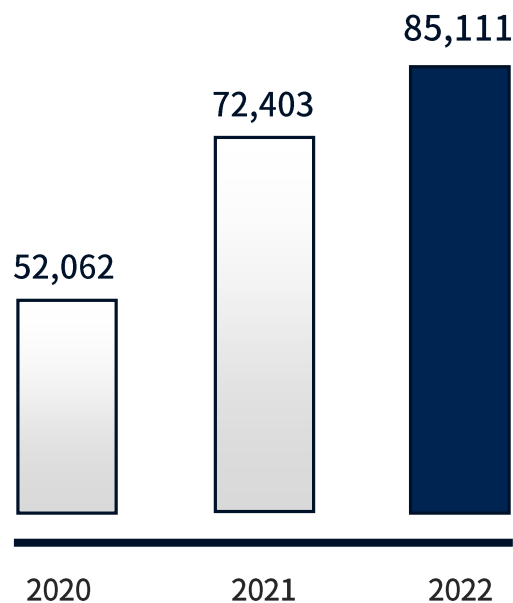
[one hundred million KRW]



Realize operating income of KRW743.5B, net income for the period KRW425.5B for 3 consecutive years with performance improvement of major subsidiaries (Intergis, DKI, Ferrum Infra, etc.)

Revenue

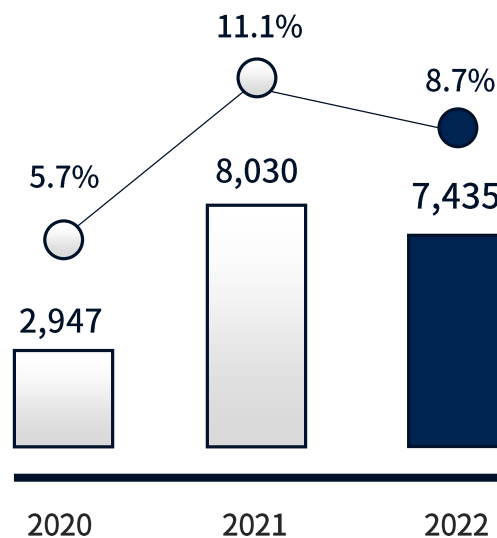
8,511.1 billion



Operation Income

743.5 billion

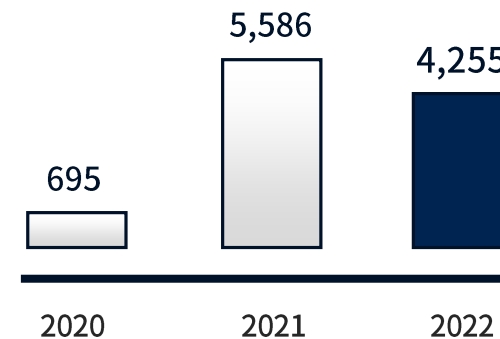
*Operating margin



Net income

425.5 billion

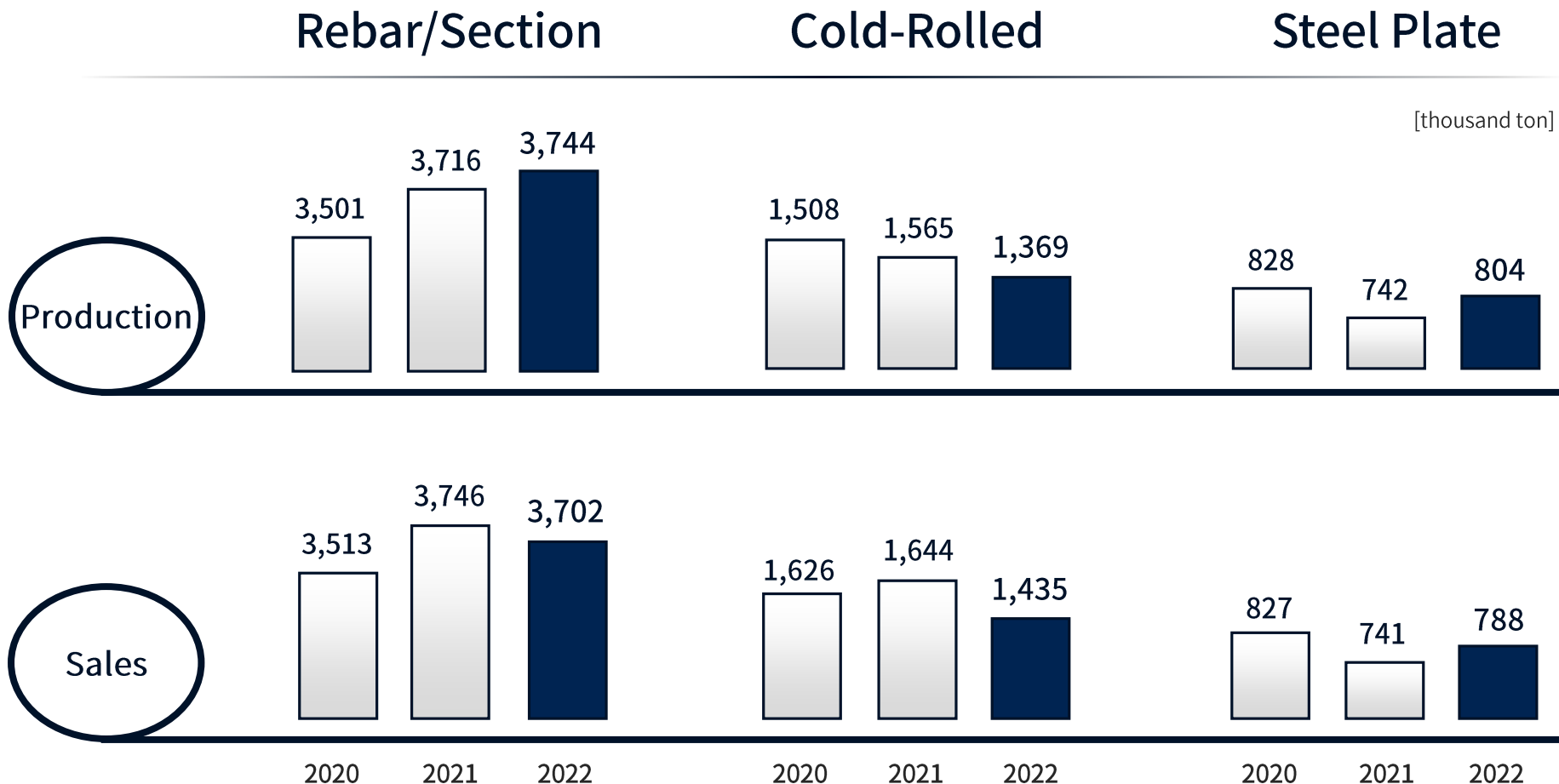
[one hundred million KRW]



Re-bar & Section, Steady sales quantity by strengthen sales activities despite of poor construction market conditions

Cold-roll, Decrease in sales quantity by demand shrink about electronics replacement

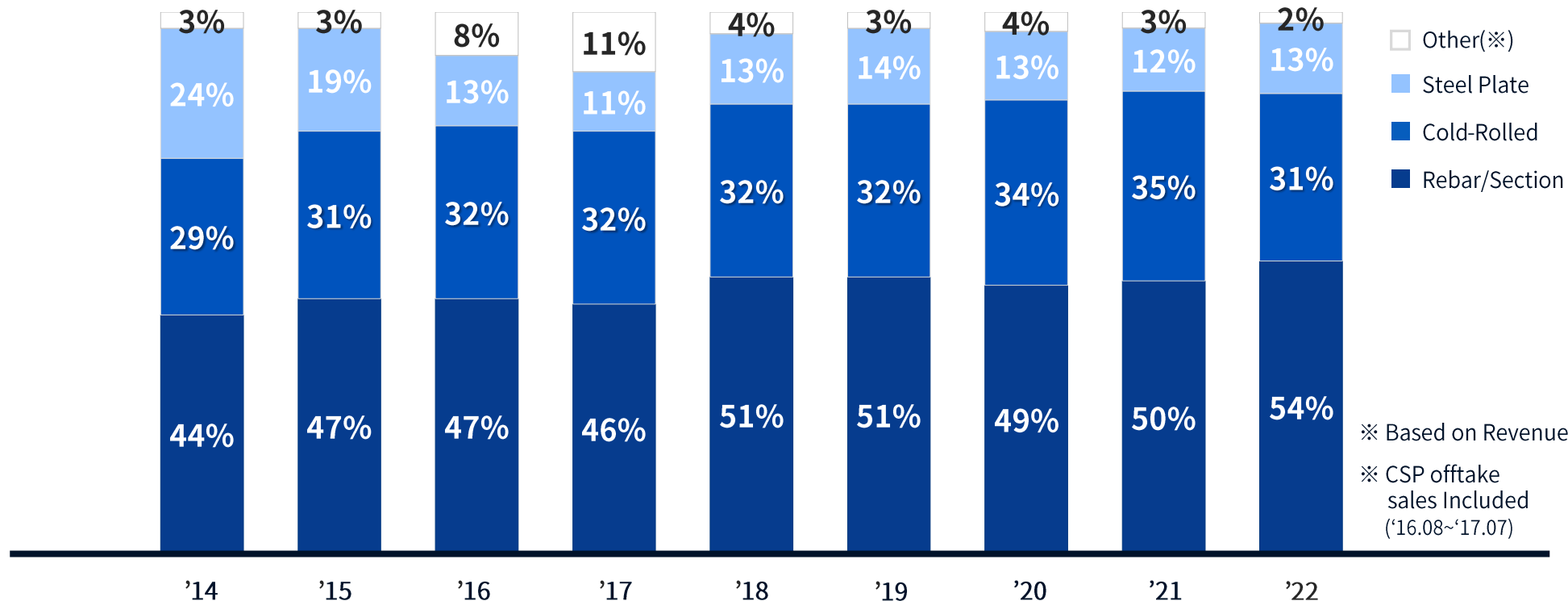
Plate, Increase in sales quantity by demand increase with favorable downstream industry



※ product+merchandise basis

Establish profitability focused sales portfolio accompanying foster industry market (construction, shipbuilding, electronics, construction materials) environment

Proportion of total sales revenue by product

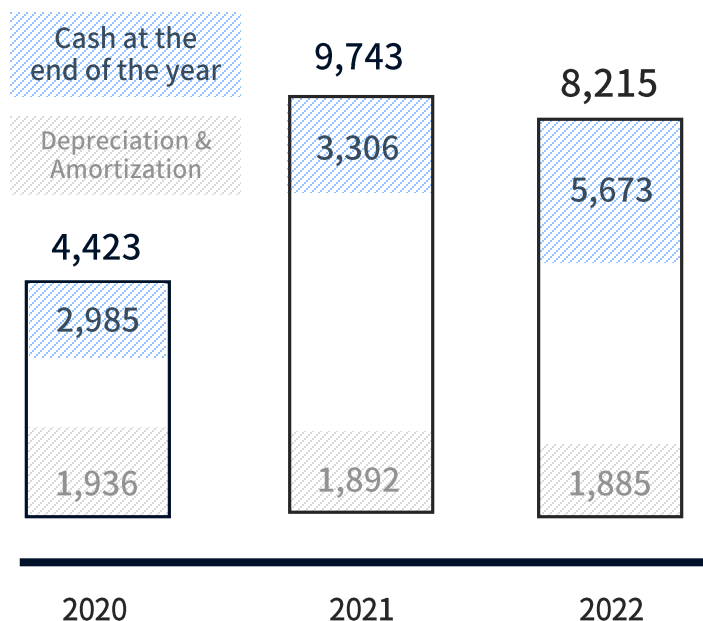


EBITDA realize KRW 821.5B with operating income decrease compared to the previous year (↓ KRW 152.8B compared to the previous year)
 Record debt-to-equity ratio of 97.1% reducing trade payables, borrowings, etc. with cash in operating activities (↓ 21.3% compared to the previous year)

EBITDA

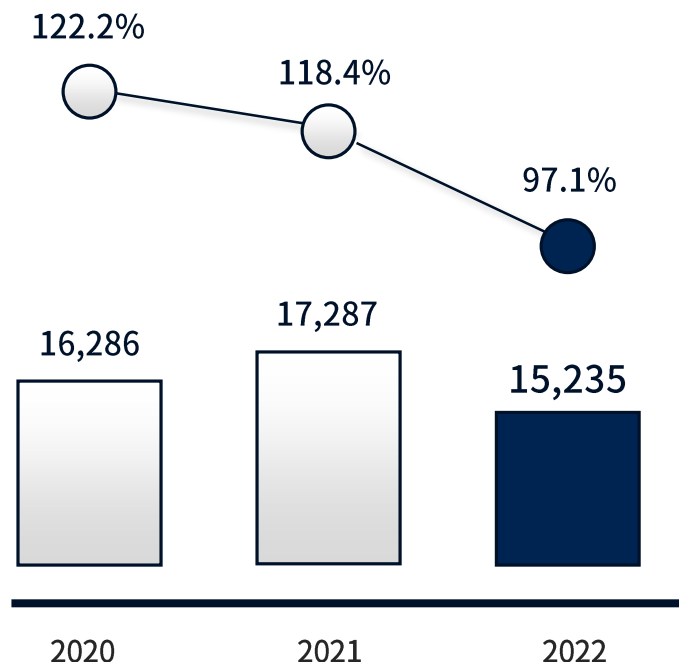
[one hundred million KRW]

821.5 billion



Debt to equity ratio / Borrowings

[one hundred million KRW]



02

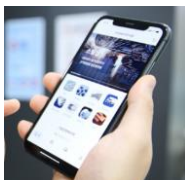
Major Business Activities

Strengthen sales competitiveness of re-bar, section through an online platform and establish base for ‘Steel for Green’

Strengthen competitiveness of re-bar, section sales

➤ Strengthen the online platform, ‘steelshop’

- Expand sales quantity continuously after selling re-bar, section trial products in 1Q
- Perform online sales of coil rebar (DKOIL) for the first time in Korea from April
- Rebar, Expand online sales from SD500, SD600 to seismic steel grade
- Section shape steel, Expand to sales items to the Company produced H/general section shape steels by adding ‘direct sales platform’ after ‘stock share platform’
- Strengthen customer convenience by releasing ‘steelshop’ mobile app
- Operate ‘steelshop’ experience booth from ‘2022 TECH INSIDE SHOW’



➤ Re-bar, section, Strengthen domestic/foreign marketing and sales activities

- H-Section, Acquire Thailand TISI Certification (*22.02.14)
- Pattern H section shape steel (DK Deck), Complete development of new size (H192x198x6/8)
- Coil rebar (DKOIL), Promote overseas export continuously

Steel for Green

➤ Promote eco-friendly business site establishment

- Section shape steel goods, Acquire 3 more GR* new certified items
- ※ GR : Good Recycled Product

Certification standard	Certification name	Steel grade
GR D 0019	H section shape steel piles using steel scrap	SHP275
GR D 0020	Hot-rolled section shape steel for construction structure using steel scrap	SHN275, SHN355
GR D 0022	Hot-rolled section shape steel for welding structure using steel scrap	SM275A/B, SM355A/B

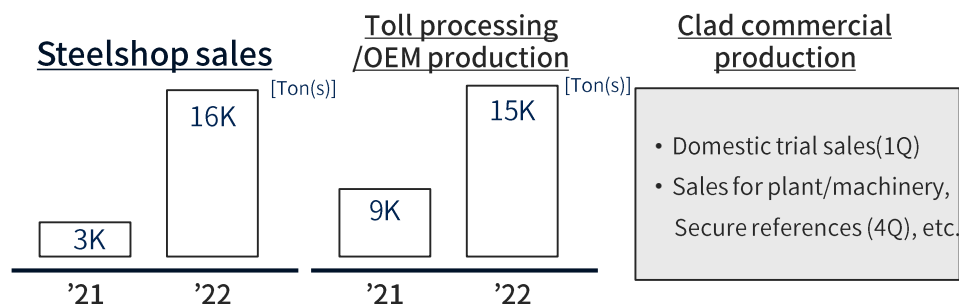
- Pohang Works, Achieve Mill Scale recirculating resource quality standard for 1st time in domestic steel industry
- Pohang Works, Acquire energy management international standard ISO50001 certificate
- Incheon Works, Install and operate safe environment integrated control center
- 33 cooperatives, Acquire Korean occupational health and safety management system (KOHS MS)

Plate, Perform new business model activation and special steel plate/development activities positively Cold-roll, Strengthen profitability focused activities and mid/long-term eco-friendly strategy 'Steel for Green'

■ Promotion activities focusing plate segment

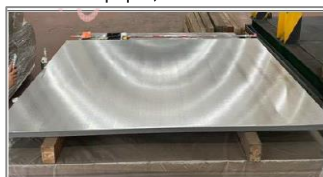
➤ Activate new business model

- Steelshop, Expand steel grade and diversify delivery period → Expand satisfaction of customer needs, and sales
- Expand toll processing/OEM sales : 15K tons in '22 (↑ 6K ton compared to '21)
- Expand commercial production of clad plate



➤ Clad government project and promotion activities

- Complete government project, Clad development project
 - Successful performance for 3 years ('20~'22)
 - Ni-based Clad plate development for steel pipe, etc.
- Perform Clad plate promotion activities
 - TECH INSIDE SHOW (11/2~4)
 - Parts & Materials Show (11/15~18)



■ Promotion activities focusing cold-rolled segment

➤ Promote profitability focused operating activities and color super gap strategy continuously

- Expand domestic sales by sales mix between domestic↔export according to KRW-USD exchange rate fall in 4Q (Domestic sales share of 47% in 4Q, promote flexible operation by exchange-rate fluctuation)
- Complete operation of facilities in Mexico #2 Coil Center to expand overseas offices

➤ Promote 'STEEL MEETS ART' project

- Promote marketing by designer cooperation using Luxteel digital printing
- Continue differentiated marketing from B2B, which was a custom of the steel industry, to B2D (Business to Designer)

➤ Strengthen 'Steel for Green' eco-friendly strategy activities

- Develop high-content biomass color steel plate for the first time in Korea
 - Carbon release reduction effect to replace petroleum based raw material to recyclable eco-friendly raw material
 - Expand content of previous eco-friendly raw material twice (30% → 63%)
- Acquire International Environmental Product Declaration
 - Acquire European international certification to respond to global demand of eco-friendly color steel plate and plated steel sheet
 - Certify environment effect measurement display goods for entire procedures from raw materials to production, distribution, discard, etc.
 - Purpose of providing accurate eco-friendly information

03

Business Strategy (Transition of Holding Company)

The Company had improved financial performance and financial structure by the continuous business structure reorganization after the merger in 2015, and plans to promote conversion to holding company system based on such.



Merger with UNION STEEL

Poor finance by global economic depression and supply surplus after 2009 financial crisis
 → Merger to stabilize financial structure and strengthen competitiveness by business joint operation



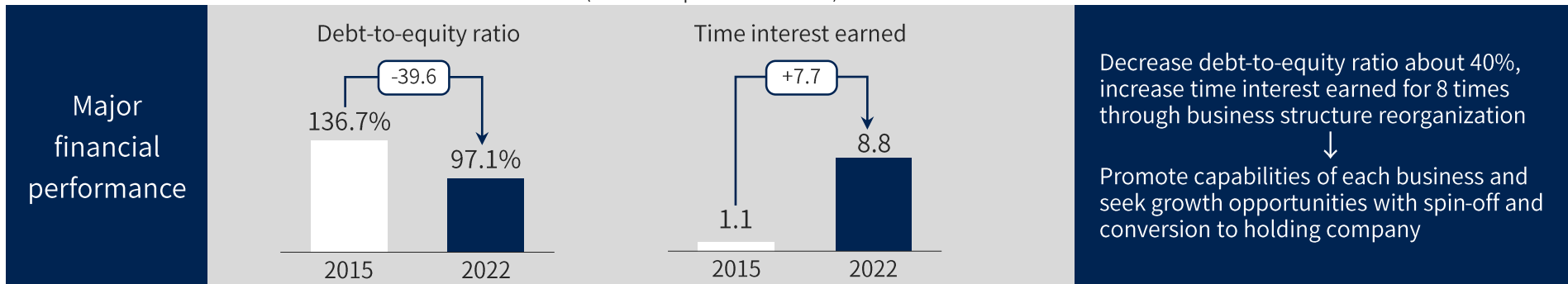
Reorganize business structure and strengthen internal stability

Sell equity interests and assets of affiliated companies, reorganize plate business (Sell 2 plate facility)
 Establish portfolio focusing on profitability, Reorganize overseas business (China corporate and CSP)

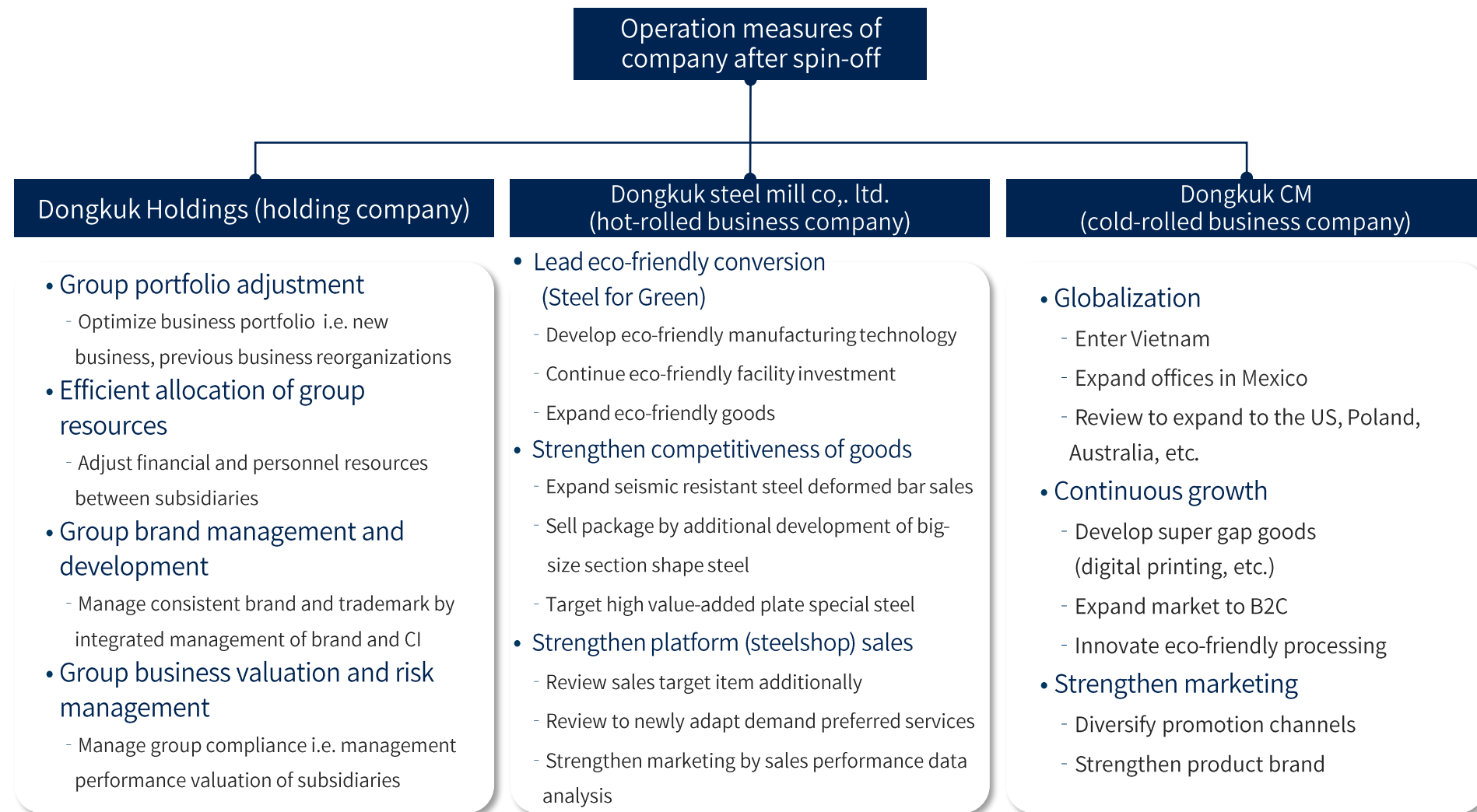


Spin-off and convert to holding company

Professionalize each business, promote enhancement business capability and seek growth opportunities
 Promote shareholder value with management efficiency improvement



Each company after spin-off is planning to promote growth and operate focusing on core businesses.



04

Appendix

Financial Summary _ P/L

■ Non-Consolidated

[one hundred million KRW]

	2021	2022	YoY
Revenues	68,617	77,633	9,016
Cost of Sales	57,851	67,793	9,942
Gross Profit	10,766	9,840	-926
SG&A	2,915	3,510	595
Operation Profit	7,851	6,330	-1,521
Other income	585	1,626	1,041
Other expenses	868	2,147	1,279
Financial income	245	529	284
Financial expenses	996	1,335	339
Impairment loss on investment in subsidiaries and associates	-2,624	-2,640	-16
Profit before income	4,193	2,363	-1,830
Income tax expenses(benefits)	1,180	825	-355
Profit for the period	3,013	1,538	-1,475

■ Consolidated

[one hundred million KRW]

	2021	2022	YoY
Revenues	72,403	85,111	12,708
Cost of Sales	60,792	73,421	12,629
Gross Profit	11,611	11,690	79
SG&A	3,581	4,255	674
Operation Profit	8,030	7,435	-595
Other income	757	2,059	1,302
Other expenses	1,489	4,754	3,265
Financial income	422	963	541
Financial expenses	1,202	1,779	577
Impairment loss on investment in subsidiaries and associates	355	1,553	1,198
Profit before income	6,873	5,477	-1,396
Income tax expenses(benefits)	1,287	1,222	-65
Profit for the period	5,586	4,255	-1,331

Financial Summary _ B/S

■ Non-Consolidated

[one hundred million KRW]

	2021	2022	YoY
Assets	59,528	57,173	-2,355
Current Assets	23,135	22,955	-180
(Cash and Cash equivalent ¹⁾)	3,306	5,673	2,367
(Trade receivables)	8,514	7,631	-883
Non-Current Assets	36,393	34,218	-2,175
(PP&E)	29,679	30,079	400
Liabilities	32,271	28,171	-4,100
Current Liabilities	28,250	25,245	-3,005
(Borrowings)	15,733	14,303	-1,430
Non-Current Liabilitie	4,020	2,926	-1,094
(Borrowings)	1,554	932	-622
Equity	27,257	29,002	1,745

■ Consolidated

[one hundred million KRW]

	2021	2022	YoY
Assets	63,341	64,522	1,181
Current Assets	26,828	27,753	925
(Cash and Cash equivalent ¹⁾)	4,284	6,876	2,592
(Trade receivables)	8,166	7,910	-256
Non-Current Assets	36,513	36,769	256
(PP&E)	33,666	34,643	977
Liabilities	35,517	31,656	-3,861
Current Liabilities	31,192	28,251	-2,941
(Borrowings)	20,094	18,215	-1,879
Non-Current Liabilities	4,325	3,405	-920
(Borrowings)	1,797	995	-802
Equity	27,824	32,866	5,042

1) Including deposits from financial institutions

Thank you