

POSCO HOLDINGS INC.

**Condensed Separate Interim Financial Statements
(Unaudited)
June 30, 2023**

(With Independent Auditors' Review Report Thereon)

Table of Contents

	Page
Independent Auditors' Review Report	1
Condensed Separate Interim Financial Statements	
Condensed Separate Interim Statements of Financial Position	3
Condensed Separate Interim Statements of Comprehensive Income.....	5
Condensed Separate Interim Statements of Changes in Equity.....	6
Condensed Separate Interim Statements of Cash Flows	7
Notes to the Condensed Separate Interim Financial Statements	9

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO HOLDINGS INC.:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO HOLDINGS INC. (the "Company"), which comprise the condensed separate interim statement of financial position as of June 30, 2023, the condensed separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022, the condensed separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2023 and 2022, and notes, comprising a summary of material accounting policy information and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 1034 "Interim Financial Reporting," and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed separate interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No. 1034 "Interim Financial Reporting."

**Other matters**

The separate statement of financial position of the Company as of December 31, 2022, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 9, 2023, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2022, presented for comparative purposes, is consistent, is not different from that audited by us from which it was derived in all material respects.

The procedures and practices utilized in the Republic of Korea to review such condensed separate interim financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjony Accounting Corp.

Seoul, Korea
August 11, 2023

This report is effective as of August 11, 2023, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Financial Position
As of June 30, 2023 and December 31, 2022
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Assets			
Cash and cash equivalents	18	₩ 457,013	1,415,201
Trade accounts and notes receivable, net	4,18,22,29	200,376	128,991
Other receivables, net	5,18,29	39,912	40,288
Other short-term financial assets	6,18	3,629,989	2,515,375
Current income tax assets		11,122	203,263
Other current assets	11	<u>7,550</u>	<u>5,172</u>
Total current assets		<u>4,345,962</u>	<u>4,308,290</u>
Other receivables, net	5,18	229,564	209,057
Other long-term financial assets	6,18	1,176,020	1,062,530
Investments in subsidiaries, associates and joint ventures	7	45,577,149	45,187,627
Investment property, net	8	288,270	220,699
Property, plant and equipment, net	9	128,850	145,006
Intangible assets, net	10	16,618	15,902
Other non-current assets	11	<u>42</u>	<u>8</u>
Total non-current assets		<u>47,416,513</u>	<u>46,840,829</u>
Total assets		<u>₩ 51,762,475</u>	<u>51,149,119</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Financial Position, Continued
As of June 30, 2023 and December 31, 2022
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Liabilities			
Other payables	13,18,29	₩ 78,144	64,597
Other short-term financial liabilities	14,18	3,836	5,815
Provisions	15	11,688	45,388
Other current liabilities	17,22	4,549	3,193
Total current liabilities		<u>98,217</u>	<u>118,993</u>
Long-term borrowings, excluding current installments	12,18	1,562,392	1,359,587
Other long-term financial liabilities	14,18	4,682	3,668
Defined benefit liabilities, net	16	2,314	3,761
Deferred tax liabilities		2,438,722	2,480,379
Long-term provisions	15,30	6,863	10,868
Total non-current liabilities		<u>4,014,973</u>	<u>3,858,263</u>
Total liabilities		<u>4,113,190</u>	<u>3,977,256</u>
Equity			
Share capital	19	482,403	482,403
Capital surplus	19	1,362,943	1,360,894
Reserves	20	(110,071)	(188,801)
Treasury shares	21	(1,886,444)	(1,892,308)
Retained earnings		47,800,454	47,409,675
Total equity		<u>47,649,285</u>	<u>47,171,863</u>
Total liabilities and equity	₩	<u>51,762,475</u>	<u>51,149,119</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Comprehensive Income
For the three-month periods and six-month periods ended June 30, 2023 and 2022
(Unaudited)

(in millions of Won, except per share informations)

	Notes	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2023	2022	2023	2022
Operating revenue	22,29				
Revenue		₩ 231,840	142,386	794,827	7,921,663
Operating expenses	26,29				
Cost of sales		-	190	-	(6,465,070)
Other administrative expenses	23	(86,018)	(66,295)	(155,115)	(273,040)
Selling expenses	23	-	-	-	(37,594)
		<u>(86,018)</u>	<u>(66,105)</u>	<u>(155,115)</u>	<u>(6,775,704)</u>
Operating profit		145,822	76,281	639,712	1,145,959
Finance income and costs	18,24				
Finance income		44,068	136,600	205,197	306,913
Finance costs		(56,651)	(2,964)	(205,883)	(153,282)
Other non-operating income and expenses	29				
Impairment loss on other receivables		-	-	-	(128)
Other non-operating income	25	804	5,983	9,071	21,351
Other non-operating expenses	25,26	(533)	(450)	(1,438)	(27,207)
Profit before income tax		133,510	215,450	646,659	1,293,606
Income tax benefit (expense)	27	46,794	(36,372)	85,387	(2,518,755)
Profit (loss)		180,304	179,078	732,046	(1,225,149)
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	16	(68)	(36)	(213)	(80,047)
Net changes in fair value of equity investments at fair value through other comprehensive income	6,18,20	(43,084)	(180,783)	79,066	(86,320)
Total comprehensive income (loss)		₩ <u>137,152</u>	<u>(1,741)</u>	<u>810,899</u>	<u>(1,391,516)</u>
Earnings (loss) per share (in Won)	28				
Basic earnings (loss) per share (in Won)		2,376	2,361	9,650	(16,181)
Diluted earnings (loss) per share (in Won)		₩ <u>2,376</u>	<u>1,464</u>	<u>9,650</u>	<u>(16,408)</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2023 and 2022
(Unaudited)

(in millions of Won)

	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2022	₩ 482,403	1,339,289	199,384	(211,849)	(2,508,294)	49,734,492	49,035,425
Comprehensive income:							
Loss	-	-	-	-	-	(1,225,149)	(1,225,149)
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(80,047)	(80,047)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(87,840)	-	1,520	(86,320)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(378,128)	(378,128)
Interim dividends	-	-	-	-	-	(303,397)	(303,397)
Interest of hybrid bonds	-	-	-	-	-	(1,487)	(1,487)
Disposal of treasury shares	-	9,491	-	-	48,513	-	58,004
Changes from spin-off	-	-	(199,384)	-	-	-	(199,384)
Balance as of June 30, 2022	₩ 482,403	1,348,780	-	(299,689)	(2,459,781)	47,747,804	46,819,517
Balance as of January 1, 2023	₩ 482,403	1,360,894	-	(188,801)	(1,892,308)	47,409,675	47,171,863
Comprehensive income:							
Profit	-	-	-	-	-	732,046	732,046
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(213)	(213)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	78,730	-	336	79,066
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(151,698)	(151,698)
Interim dividends	-	-	-	-	-	(189,692)	(189,692)
Disposal of treasury shares	-	4,083	-	-	5,864	-	9,947
Share-based payment	-	(2,034)	-	-	-	-	(2,034)
Balance as of June 30, 2023	₩ 482,403	1,362,943	-	(110,071)	(1,886,444)	47,800,454	47,649,285

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Cash Flows
For the six-month periods ended June 30, 2023 and 2022
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash flows from operating activities			
Profit (loss)	₩	732,046	(1,225,149)
Adjustments for :			
Expenses related to post-employment benefit		3,807	18,904
Depreciation		5,455	387,645
Amortization		583	16,816
Impairment loss on other receivables		-	128
Finance income		(199,625)	(258,484)
Dividend income		(689,024)	(356,756)
Finance costs		203,255	110,868
Loss on valuation of inventories		-	1,722
Gain on disposal of property, plant and equipment		-	(5,443)
Loss on disposal of property, plant and equipment		-	18,281
Impairment loss on property, plant and equipment		-	3
Gain on disposal of investments in subsidiaries, associates and joint venture		-	(3,358)
Gain on disposal of assets held for sale		-	(2,706)
Loss on disposal of assets held for sale		102	-
Increase (decrease) to provisions		(7,629)	5,562
Income tax expense (benefit)		(85,387)	2,518,755
Employee benefits		-	61,603
Others		4,085	(954)
Changes in operating assets and liabilities	31	42,067	(723,180)
Interest received		18,750	62,434
Interest paid		-	(50,424)
Dividends received		574,343	343,866
Income taxes received (paid)		215,193	(1,805,338)
Net cash provided by (used in) operating activities	₩	<u>818,021</u>	<u>(885,205)</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Cash Flows, Continued
For the six-month periods ended June 30, 2023 and 2022
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash flows from investing activities			
Decrease in deposits	₩	-	450,017
Proceeds from disposal of short-term financial instruments		4,265,021	18,814,019
Proceeds from disposal of long-term financial instruments		-	5
Collection of short-term loans		-	1,416
Collection of long-term loans		2,000	-
Proceeds from disposal of debt securities		-	50,000
Proceeds from disposal of equity securities		-	3,229
Proceeds from disposal of other securities		-	19,439
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		30,055	9,396
Proceeds from disposal of assets held for sale		-	3,074
Increase in deposits		(1,090,000)	(550,571)
Acquisition of short-term financial instruments		(4,142,464)	(16,383,014)
Acquisition of long-term financial instruments		(2)	-
Increase in long-term loans		-	(3,618)
Acquisition of debt securities		-	(50,000)
Acquisition of equity securities		-	(63,849)
Acquisition of other securities		(8,983)	(22,625)
Acquisition of investment in subsidiaries, associates and joint ventures		(431,245)	(520,510)
Acquisition of investment properties		(54,783)	-
Acquisition of property, plant and equipment		(6,463)	(355,822)
Payment for disposal of property, plant and equipment		-	(14,485)
Acquisition of intangible assets		(1,542)	(8,667)
Cash outflow for spin-off		-	(1,910,211)
Net cash used in investing activities	₩	<u>(1,438,406)</u>	<u>(532,777)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	537,165
Increase in long-term financial liabilities		3,781	15,515
Repayment of borrowings		-	(232,976)
Decrease in long-term financial liabilities		-	(279)
Repayment of lease liabilities		-	(7,493)
Payment for disposal of derivatives		-	(7,103)
Payment of cash dividends		(341,584)	(681,534)
Net cash used in financing activities	₩	<u>(337,803)</u>	<u>(376,705)</u>
Effect of exchange rate fluctuation on cash held		-	3,918
Net decrease in cash and cash equivalents		(958,188)	(1,790,769)
Cash and cash equivalents at beginning of the period		<u>1,415,201</u>	<u>2,042,274</u>
Cash and cash equivalents at end of the period	₩	<u>457,013</u>	<u>251,505</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements
As of June 30, 2023
(Unaudited)

1. Reporting Entity

POSCO HOLDINGS INC. (the "Company") was established on April 1, 1968 under the Commercial Code of the Republic of Korea. The shares of the Company have been listed on the Korea Exchange since June 10, 1988. The Company operates an investment business that controls and manages through ownership of shares of subsidiaries etc.

On March 2, 2022, the Company established a new subsidiary, POSCO, by a vertical spin-off of its steel business (The surviving company owns 100% of shares) on March 1, 2022, and changed the name of the surviving company to POSCO HOLDINGS INC.. Meanwhile, operating revenue in the statements of comprehensive income for the six-month period ended June 30, 2022, includes sales of ₩7,542,729 million from the steel business before the vertical spin-off.

As of June 30, 2023, the shares of the Company are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchanges.

2. Statement of Compliance

Statement of compliance

The condensed separate interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the *Act on External Audit of Stock Companies, Etc.* in the Republic of Korea.

These condensed separate interim financial statements have been prepared in accordance with K-IFRS No. 1034 "Interim Financial Reporting" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2022. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No. 1027 "Separate Financial Statements" presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

The preparation of the condensed interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

(b) Measurement of fair value

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS including the level in the fair value hierarchy in which such valuation techniques should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. Summary of Material Accounting Policy Information

Except as described in K-IFRS No. 1034 “Interim Financial Reporting” and below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2022.

Changes in Accounting Policies

Except for the standards and amendments applied for the first time for the reporting period beginning on January 1, 2023 described below, the accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its financial statements as of and for the year ended December 31, 2022.

- (a) K-IFRS No. 1012 “Income Tax” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

From January 1, 2023, the Company has applied the amendments related to deferred tax arising from assets and liabilities in a single transaction under K-IFRS No. 1012 “Income Tax”. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. The amendment does not any impact on the statement of financial position.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

- (b) K-IFRS No. 1001 "Presentation of Financial Statements" – Disclosure of Accounting Policies

Material accounting policy information is defined as information that is expected to influence the decision-making of primary users of financial statements considering with other information included in the financial statements, and is required to be disclosed. The Company plans to selectively disclose material accounting policies in the annual financial statements for the year ending December 31, 2023.

- (c) K-IFRS No. 1008 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates

For accounting estimates defined as monetary amounts in the financial statements, a change in measurement methods or inputs are clarified as changes in accounting estimates unless they result from the correction of prior period errors. The amendment is applied prospectively to the changes in accounting estimates that occur after the effective date. The amendments did not have any impact on the financial statements.

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2023 and earlier application is permitted but the Company has not early adopted the new or amended standards in preparing these financial statements.

- (a) K-IFRS No. 1001 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current

The amendment clarifies that the classification of current and non-current liabilities is determined by the right to defer settlement of the liability for more than 12 months after the end of the reporting period, and in order for the debtor to have the "right to defer settlement of the liability", the condition of complying with the contract must be met at the end of the reporting period. In addition, the classification of liabilities is not affected by the possibility of exercising the right to defer settlement of the liability for more than 12 months after the end of the reporting period, and the amendment clarifies that settlement of a liability includes transferring a company's own equity instruments to the counterparty. The amendment is effective for annual periods beginning on or after January 1, 2024. Early application is permitted. The Company does not expect the effect of the amendments to the financial statements to be significant.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

(b) K-IFRS No. 1012 “Income Tax” – Global Minimum Top-Up Tax

The International Accounting Standards Board (IASB) issued amendments to IAS 12 “Income Tax” on May 23, 2023 that provided a temporary mandatory exception from accounting for deferred tax arising from legislation implementing the Pillar Two taxes and new disclosure requirements in the annual financial statements. The Korea Accounting Standards Board (KASB) is currently preparing an amendment to K-IFRS No. 1012 “Income Tax”. In 2022, the corporate income tax law in the Republic of Korea was amended to reflect the global minimum top-up tax of the Pillar Two Model Rules and will be effective for fiscal years starting on or after January 1, 2024. However, as of June 30, 2023, the enforcement decree of the related law has not yet been enacted. Therefore, it is determined that the related law has not been substantively enacted due to the insufficient legislation to calculate the global minimum top-up tax.

The Company is closely monitoring developments related to the implementation of the international tax reforms introducing the global minimum top-up tax. However, since none of the jurisdictions in which the Company operates has enacted or substantively enacted the tax legislation related to the top-up tax at the date when the accompanying interim financial statements were authorized for issue, there is no impact on the Company’s condensed interim financial statements. In light of the exception from the deferred tax accounting, the Company’s management is focusing its assessment on the potential current tax impacts of the top-up tax. Once changes to the tax laws in Republic of Korea in which the Company operates are substantively enacted, the Company may be subject to the top-up tax.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>		June 30, 2023	December 31, 2022
Current			
Trade accounts and notes receivable	₩	130,104	30,049
Unbilled receivables (contract assets)		70,272	98,942
	₩	<u>200,376</u>	<u>128,991</u>

5. Other Receivables

Other receivables as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>		June 30, 2023	December 31, 2022
Current			
Short-term loans	₩	1,249	-
Other accounts receivable		30,028	38,676
Others		8,635	1,612
	₩	<u>39,912</u>	<u>40,288</u>
Non-current			
Long-term loans	₩	221,251	205,379
Long-term other accounts receivable		8,303	3,668
Others		10	10
	₩	<u>229,564</u>	<u>209,057</u>

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

6. Other Financial Assets

(a) Other financial assets as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

	June 30, 2023	December 31, 2022
Current		
Deposit instruments	₩ 1,090,000	-
Short-term financial instruments	2,539,989	2,515,375
	₩ 3,629,989	2,515,375
Non-current		
Equity securities	₩ 988,171	885,942
Other securities	187,847	176,588
Deposit instruments	2	-
	₩ 1,176,020	1,062,530

(b) Equity securities as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

	June 30, 2023					December 31, 2022	
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value	Book value
Marketable equity securities							
Nippon Steel Corporation	15,698,500	1.65	₩ 473,962	427,712	(46,250)	427,712	342,963
KB Financial group Inc.	3,863,520	0.94	178,839	184,483	5,644	184,483	187,381
Woori Financial Group Inc.	20,280,000	2.79	244,447	239,101	(5,346)	239,101	234,234
CSN Mineracao S.A.	102,186,675	1.86	206,265	115,456	(90,809)	115,456	99,945
			1,103,513	966,752	(136,761)	966,752	864,523
Non-marketable equity securities							
POSCO PLANTEC Co., Ltd.	18,337,912	10.99	19,437	19,437	-	19,437	19,437
Intellectual Discovery Co., Ltd.	200,000	6.00	5,000	1,350	(3,650)	1,350	1,350
Pos-hyundai Steel Manufacturing India Private Limited	1,055,496	6.00	612	612	-	612	612
S&M MEDIA Co., Ltd.	2,000	2.67	20	20	-	20	20
XG Sciences	300,000	5.06	2,724	-	(2,724)	-	-
			27,793	21,419	(6,374)	21,419	21,419
			₩ 1,131,306	988,171	(143,135)	988,171	885,942

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

7. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying amounts as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 2023		December 31,
			Ownership (%)	Book value	2022
					Book value
[Domestic]					
POSCO	Korea	Steel, rolled products, and plates manufacturing and sales	100.00	₩ 29,699,590	29,699,590
POSCO INTERNATIONAL Corporation(*1)	Korea	Trading, power generation and natural resources exploration	70.71	3,740,110	3,081,933
POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)(*2)	Korea	Engineering and construction	52.80	1,014,314	1,014,314
POSCO ENERGY CO., LTD.(*1)	Korea	Power generation, fuel cell manufacturing and sales	-	-	658,176
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780
POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD.)(*3)	Korea	Refractory and anode/cathode material manufacturing and sales	59.72	895,707	895,707
POSCO WIDE Co., Ltd. (formerly, POSCO O&M Co., Ltd.)(*4,5)	Korea	Business facility maintenance	47.17	73,374	73,374
POSCO DX(formerly, POSCO ICT)(*6)	Korea	Computer hardware and software distribution	65.38	70,990	70,990
Busan E&E Co., Ltd.	Korea	Municipal solid waste fuel and power generation	70.00	30,148	30,148
POSOCO-Pilbara LITHIUM SOLUTION Co., Ltd.	Korea	Lithium manufacturing and sales	82.00	314,940	314,940
POSCO LITHIUM SOLUTION	Korea	Lithium hydroxide manufacturing and sales	100.00	287,550	287,550
QSONE Co.,Ltd.(*7)	Korea	Real estate rental and facility management	100.00	238,478	-
Others (12 companies)(*9)				516,894	455,893
				<u>36,985,875</u>	<u>36,686,395</u>
[Foreign]					
PT. KRAKATAU POSCO(*5)	Indonesia	Steel manufacturing and sales	50.00	633,421	633,421
POSCO WA PTY LTD.	Australia	Iron ore sales and mine development	100.00	646,574	646,574
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	722,569	722,569
POSCO Canada Ltd.	Canada	Coal sales	100.00	560,879	560,879
POSCO AUSTRALIA PTY LTD.	Australia	Iron ore sales and mine development	100.00	330,623	330,623
POSCO (Zhangjiagang) Stainless Steel Co.,Ltd.	China	Stainless steel manufacturing and sales	58.60	283,845	283,845
POSCO-China Holding Corp.	China	Holding company	100.00	593,841	593,841
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	83.28	180,072	180,072
POSCO America Corporation	USA	Researching and consulting	99.45	192,156	192,156
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65	144,573	144,573
POSCO Asia Co., Ltd.	Hong Kong	Activities Auxiliary to financial service	100.00	117,710	117,710
POSCO ASSAN TST STEEL INDUSTRY	Turkiye	Steel manufacturing and sales	60.00	71,707	71,707
POSCO JAPAN Co., Ltd.	Japan	Steel marketing, demand development and technology research	100.00	68,436	68,436
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	70.00	65,982	65,982
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	90.00	62,494	62,494
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	100.00	50,297	50,297
POSCO Argentina S.A.U.(*8)	Argentina	Mineral exploration, manufacturing and sales	100.00	898,808	715,414
Others (20 companies)(*10)				348,472	356,274
				<u>5,972,459</u>	<u>5,796,867</u>
				<u>₩ 42,958,334</u>	<u>42,483,262</u>

(*1) During the six-month period ended June 30, 2023, POSCO INTERNATIONAL Corporation merged with POSCO ENERGY CO., LTD..

(*2) During the six-month period ended June 30, 2023, POSCO ENGINEERING & CONSTRUCTION CO.,LTD. changed the name to POSCO Eco & Challenge Co., Ltd..

(*3) During the six-month period ended June 30, 2023, POSCO CHEMICAL CO., LTD. changed the name to POSCO FUTURE M CO., LTD..

(*4) During the six-month period ended June 30, 2023, POSCO O&M Co., Ltd. changed the name to POSCO WIDE Co., Ltd..

(*5) The Company classified POSCO WIDE Co., Ltd. (formerly, POSCO O&M Co., Ltd.) and PT. KRAKATAU POSCO as the investments in a subsidiary, considering

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

additional facts and circumstances, such as the relative size of the voting rights held by the Company, structure of its Board of Directors and the degree of diversification of other voting rights holders, although the Company holds less than half of the voting rights of POSCO WIDE Co., Ltd. (formerly, POSCO O&M Co., Ltd.) and PT. KRAKATAU POSCO.

- (*6) During the six-month period ended June 30, 2023, POSCO ICT changed the name to POSCO DX.
- (*7) During the six-month period ended June 30, 2023, the Company additionally acquired 50% of the shares held by external shareholders of QSONE Co.,Ltd., which was previously classified as an investment in associate, for ₩152,928 million. Meanwhile, ₩85,550 million previously classified as an investment in associate was reclassified as investments in subsidiaries.
- (*8) During the six-month period ended June 30, 2023, the Company acquired ₩183,394 million in additional subsidiary investment shares by participating in POSCO Argentina S.A.U.'s capital increase to invest in an Argentine brine lithium commercialization plant.
- (*9) During the six-month period ended June 30, 2023, the Company acquired ₩59,052 million in additional subsidiary investment shares by participating in POSCO Silicon Solution Co., Ltd.'s capital increase.
- (*10) During the six-month period ended June 30, 2023, the Company disposed of POSCO-Poland Wroclaw Processing Center Sp. z o.o. to POSCO, a subsidiary. Meanwhile, the Company recognized ₩14,898 million of gain on disposal from the transaction as dividend income.

(b) Details of associates and carrying amounts as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 2023		December 31,
			Ownership (%)	Book value	2022
					Book value
[Domestic]					
SNNC	Korea	STS material manufacturing and sales	49.00	₩ 100,655	100,655
QSONE Co.,Ltd.(*1)	Korea	Real estate rental and facility management	-	-	85,550
Others (6 companies)				37,916	37,916
				138,571	224,121
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
9404-5515 Quebec Inc.(*2)	Canada	Investments	12.61	156,194	156,194
FQM Australia Holdings Pty Ltd	Australia	Non ferrous metal mining	30.00	109,568	109,568
Others (4 companies)				37,133	37,133
				492,092	492,092
				₩ 630,663	716,213

- (*1) During the six-month period ended June 30, 2023, the Company additionally acquired 50% of the shares held by external shareholders and reclassified as investments in subsidiaries.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

(*2) As of June 30, 2023, it was classified as an associate even though the Company's ownership percentage is less than 20% since the Company has significant influence over the investee when considering the structure of its Board of Directors and others.

(c) Details of joint ventures and carrying amounts as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 2023		December 31,
			Ownership (%)	Book value	2022
					Book value
Roy Hill Holdings Pty Ltd(*1)	Australia	Natural resources exploration	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem(*2)	Brazil	Steel manufacturing and sales	20.00	-	-
POSCO-NPS Niobium LLC	USA	Foreign investments in mining	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
HBIS-POSCO Automotive Steel Co., Ltd	China	Steel manufacturing and sales	50.00	235,251	235,251
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	China	Steel manufacturing and sales	25.00	63,866	63,866
				₩ 1,988,152	1,988,152

(*1) As of June 30, 2023 and December 31, 2022, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to revolving loan of Roy Hill Holdings Pty Ltd.

(*2) During the year ended December 31, 2022, the Company decided to dispose of CSP - Companhia Siderurgica do Pecem and recognized full impairment loss of ₩175,990 million, which is the difference between carrying amount and recoverable amount. The Company reclassified the investment to assets held for sale. Meanwhile, during the six-month period ended June 30, 2023, the Company disposed of CSP - Companhia Siderurgica do Pecem, and recognized ₩102 million of loss on disposal of assets held for sale.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

8. Investment Property, Net

Changes in the carrying amount of investment property for the six-month period ended June 30, 2023 and the year ended December 31, 2022 were as follows:

(a) For the six-month period ended June 30, 2023

<i>(in millions of Won)</i>		Beginning	Acquisitions	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	131,069	54,834	-	-	185,903
Buildings		83,528	-	(3,244)	12,913	93,197
Structures		6,102	-	(249)	3,317	9,170
	₩	<u>220,699</u>	<u>54,834</u>	<u>(3,493)</u>	<u>16,230</u>	<u>288,270</u>

(*1) The useful life and depreciation method of investment property are identical to those of property, plant and equipment.

(*2) Mainly includes assets transferred from property, plant and equipment in relation to changes in rental ratio and the purpose of use.

(b) For the year ended December 31, 2022

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Spin-off	Transfer(*2)	Ending
Land	₩	87,568	-	(3,639)	47,140	131,069
Buildings		48,989	(5,823)	(4,990)	45,352	83,528
Structures		7,583	(395)	(4,304)	3,218	6,102
	₩	<u>144,140</u>	<u>(6,218)</u>	<u>(12,933)</u>	<u>95,710</u>	<u>220,699</u>

(*1) The useful life and depreciation method of investment property are identical to those of property, plant and equipment.

(*2) Mainly includes assets transferred from property, plant and equipment in relation to changes in rental ratio and the purpose of use.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2023 (Unaudited)

9. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2023 and the year ended December 31, 2022 were as follows:

(a) For the six-month period ended June 30, 2023

<i>(in millions of Won)</i>		<u>Beginning</u>	<u>Acquisitions</u>	<u>Depreciation</u>	<u>Others(*1)</u>	<u>Ending</u>
Land	₩	51,310	-	-	-	51,310
Buildings		39,277	139	(936)	(11,848)	26,632
Structures		6,036	-	(72)	(3,317)	2,647
Machinery and equipment		10,504	-	(477)	-	10,027
Vehicles		11	-	(4)	-	7
Furniture and fixtures		12,573	26	(473)	-	12,126
Construction-in-progress		25,295	1,871	-	(1,065)	26,101
	₩	<u>145,006</u>	<u>2,036</u>	<u>(1,962)</u>	<u>(16,230)</u>	<u>128,850</u>

(*1) Represents assets transferred from construction-in-progress to other property, plant and equipment, assets transferred to investment properties.

(b) For the year ended December 31, 2022

<i>(in millions of Won)</i>		<u>Beginning</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Spin-off</u>	<u>Others(*1)</u>	<u>Ending</u>
Land	₩	1,349,266	-	-	-	(1,250,818)	(47,138)	51,310
Buildings		2,175,291	-	(2,964)	(36,112)	(2,079,343)	(17,595)	39,277
Structures		2,096,662	-	(117)	(31,656)	(2,075,346)	16,493	6,036
Machinery and equipment		12,299,612	2,178	(1,110)	(302,940)	(12,046,595)	59,359	10,504
Vehicles		18,357	622	(17)	(1,548)	(17,410)	7	11
Tools		24,891	102	-	(1,923)	(23,763)	693	-
Furniture and fixtures		88,524	16	(1)	(5,122)	(72,237)	1,393	12,573
Lease assets		448,328	966	-	(7,602)	(440,464)	(1,228)	-
Construction-in-progress		1,271,368	271,769	-	-	(1,403,761)	(114,081)	25,295
	₩	<u>19,772,299</u>	<u>275,653</u>	<u>(4,209)</u>	<u>(386,903)</u>	<u>(19,409,737)</u>	<u>(102,097)</u>	<u>145,006</u>

(*1) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, assets transferred from investment properties, and others.

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

(c) Information on lease agreements for which the Company is a lessee is as follows:

1) Right-of-use assets

- ① During the six-month period ended June 30, 2023, there are no right-of-use assets listed as property, plant and equipment.
- ② Changes in the carrying amount of right-of-use assets presented as property, plant and equipment for the year ended December 31, 2022 were as follows.

(in millions of Won)

	Beginning	Acquisitions	Depreciation	Spin-off	Others	Ending
Land	₩ 8,402	-	(49)	(7,874)	(479)	-
Buildings	67,658	-	(1,207)	(66,451)	-	-
Structures	54,009	-	(869)	(53,140)	-	-
Machinery and equipment	83,290	-	(1,592)	(81,698)	-	-
Vehicles	5,755	-	(83)	(5,672)	-	-
Ships	210,058	-	(2,781)	(207,277)	-	-
Furniture and fixtures	19,156	966	(1,021)	(18,352)	(749)	-
	₩ <u>448,328</u>	<u>966</u>	<u>(7,602)</u>	<u>(440,464)</u>	<u>(1,228)</u>	<u>-</u>

2) Amount recognized in profit or loss

The amounts recognized in profit or loss related to leases for the three-month and the six-month periods ended June 30, 2023 and 2022 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	₩ -	-	-	1,969
Expenses related to short-term leases	47	116	105	680
Expenses related to leases of low-value assets	673	307	1,147	1,504
	₩ <u>720</u>	<u>423</u>	<u>1,252</u>	<u>4,153</u>

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

10. Intangible Assets, Net

Changes in the carrying amount of intangible assets for the six-month period ended June 30, 2023 and the year ended December 31, 2022 were as follows:

(a) For the six-month period ended June 30, 2023

<i>(in millions of Won)</i>		Beginning	Acquisitions	Amortization	Others(*2)	Ending
Intellectual property rights	₩	504	-	(74)	69	499
Membership(*1)		11,618	-	-	-	11,618
Development expense		1,400	-	(393)	949	1,956
Construction-in-progress		1,476	1,306	-	(1,025)	1,757
Other intangible assets		904	-	(116)	-	788
	₩	<u>15,902</u>	<u>1,306</u>	<u>(583)</u>	<u>(7)</u>	<u>16,618</u>

(*1) Economic useful life of membership is indefinite.

(*2) Represents assets transferred from construction-in-progress to intangible assets and assets transferred to costs.

(b) For the year ended December 31, 2022

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Impairment	Spin-off	Others(*2)	Ending
Intellectual property rights	₩	22,846	-	(525)	(1,262)	-	(24,180)	3,625	504
Membership(*1)		84,758	-	-	-	828	(73,968)	-	11,618
Development expense		176,812	-	-	(12,892)	-	(164,135)	1,615	1,400
Port facilities usage rights		212,808	-	-	(2,476)	-	(210,332)	-	-
Construction-in-progress		32,392	9,835	-	-	-	(33,497)	(7,254)	1,476
Other intangible assets		21,794	726	-	(550)	-	(21,288)	222	904
	₩	<u>551,410</u>	<u>10,561</u>	<u>(525)</u>	<u>(17,180)</u>	<u>828</u>	<u>(527,400)</u>	<u>(1,792)</u>	<u>15,902</u>

(*1) Economic useful life of membership is indefinite.

(*2) Represents assets transferred from construction-in-progress to intangible assets and assets transferred from property, plant and equipment, and others.

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

11. Other Assets

Other assets as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>		June 30, 2023	December 31, 2022
Current			
Advance payments	₩	6,374	5,165
Prepaid expenses		1,176	7
	₩	<u>7,550</u>	<u>5,172</u>
Non-current			
Long-term prepaid expenses	₩	34	-
Others		8	8
	₩	<u>42</u>	<u>8</u>

12. Borrowings

(a) Borrowings as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>		June 30, 2023	December 31, 2022
Long-term borrowings			
Long-term borrowings	₩	1,340	1,293
Debentures		1,561,052	1,358,294
	₩	<u>1,562,392</u>	<u>1,359,587</u>

(b) Long-term borrowings and others excluding current portion, as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>	Lenders	Issuance date	Maturity date	Annual interest rate (%)		June 30, 2023	December 31, 2022
Foreign borrowings	KOREA ENERGY AGENCY	2011.12.27.	2026.12.26.	3 year Government bond	₩	1,340	1,293
Exchangeable bonds(*1)	Foreign currency exchangeable bonds	2021.09.01.	2026.09.01.	-		1,561,052	1,358,294
					₩	<u>1,562,392</u>	<u>1,359,587</u>

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

(*1) The issuance conditions of the exchangeable bonds issued by the Company are as follows:

	Foreign currency exchangeable bonds
Type of bond	Exchangeable bonds
Aggregate principal amount	EUR 1,065,900,000
Interest rate	- Coupon rate : - - Yield to maturity : (0.78%)
Maturity date	September 1, 2026
Redemption	- Redemption at maturity : Outstanding bond principal, which is not repaid early or which call option is not exercised on, is repaid at maturity as a lump sum - Prepayment : The issuer has call option and the bondholders have put option
Exchange rate	100%
Exchange price (Won/share)	456,470(*)
Underlying shares	Registered common shares(treasury shares)
Exchange period	From October 12, 2021 to August 22, 2026
Adjustments for exchange price	Adjusting the exchange price according to the terms and conditions of the bond in the events of reason for adjusting the exchange price such as, bonus issue, share split, share consolidation, change of share type, issuance of options or warranties to shareholders, share dividend, cash dividend, issuance of new shares under the market price.
Put option by bondholders	- 3 years(September 1, 2024) from the closing date - In the event of a change of control of the Company - Where the shares issued by the Company are delisted (or suspended for more than 30 consecutive trading days)
Call option by the issuer	- Share price(based on closing price) is higher than 130% of exchange price for more than 20 trading days during 30 consecutive trading days in a row, after 3 years (September 1, 2024) from the closing day to 30 business days before the maturity of bonds - When the outstanding balance of outstanding bonds is less than 10% of the total issuance (Clean Up Call) - Where additional reasons for tax burden arise due to the amendment of relevant laws and regulations, etc

(*) The exchange price has changed due to cash dividends during the six-month period ended June 30, 2023.

The Company has designated exchangeable bonds listed on the Singapore Stock Exchange as financial liabilities measured at fair value through profit or loss. The quoted transaction price is used in fair value measurement, and changes in fair value are recognized in profit or loss.

13. Other Payables

Other payables as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>		June 30, 2023	December 31, 2022
Current			
Accounts payable	₩	19,759	23,033
Accrued expenses		25,539	12,304
Dividend payable		2,884	3,079
Withholdings		29,962	26,181
	₩	<u>78,144</u>	<u>64,597</u>

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

14. Other Financial Liabilities

Other financial liabilities as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current			
Financial guarantee liabilities	₩	3,836	5,815
Non-current			
Financial guarantee liabilities	₩	4,682	3,668

15. Provisions

(a) Provisions as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

		<u>June 30, 2023</u>		<u>December 31, 2022</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Provision for bonus payments(*1)	₩	5,803	-	5,667	-
Provision for restoration(*2)		5,885	6,863	4,997	10,868
Others(*3)		-	-	34,724	-
	₩	<u>11,688</u>	<u>6,863</u>	<u>45,388</u>	<u>10,868</u>

(*1) Represents the provision for bonuses limited to 100% of annual salaries for executives.

(*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province, the Company recognized present values of estimated costs for recovery as provisions for restoration as of June 30, 2023. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied discount rates of 4.33% to assess present value of these costs.

(*3) During the year ended December 31, 2022, the Company decided to dispose of CSP – Companhia Siderurgica do Pecem, an investment in joint venture and recognized the expected repayment of borrowings to be borne by disposal as a provision. Meanwhile, the disposal of CSP – Companhia Siderurgica do Pecem has been completed during the six-month period ended June 30, 2023, resulting in a final payment of ₩26,566 million. The Company recognized ₩8,158 million, which is the difference between the final payment and previously recognized provision, as a reversal of other provisions.

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

(b) Changes in provisions for the six-month period ended June 30, 2023 and the year ended December 31, 2022 were as follows:

1) For the six-month period ended June 30, 2023

(in millions of Won)

	<u>Beginning</u>	<u>Increase</u>	<u>Reversal</u>	<u>Utilization</u>	<u>Ending</u>
Provision for bonus payments	₩ 5,667	5,233	-	(5,097)	5,803
Provision for restoration	15,865	529	-	(3,646)	12,748
Others	34,724	-	(8,158)	(26,566)	-
₩	<u>56,256</u>	<u>5,762</u>	<u>(8,158)</u>	<u>(35,309)</u>	<u>18,551</u>

2) For the year ended December 31, 2022

(in millions of Won)

	<u>Beginning</u>	<u>Increase</u>	<u>Reversal</u>	<u>Utilization</u>	<u>Spin-off</u>	<u>Ending</u>
Provision for bonus payments	₩ 46,520	24,770	(579)	(33,431)	(31,613)	5,667
Provision for restoration	12,503	16,054	(489)	(3,359)	(8,844)	15,865
Provision for legal contingencies and claims	-	417	-	-	(417)	-
Emission liabilities	34,059	1,510	-	-	(35,569)	-
Provision for product warranties	28,082	2,980	-	-	(31,062)	-
Others	-	39,600	(4,876)	-	-	34,724
₩	<u>121,164</u>	<u>85,331</u>	<u>(5,944)</u>	<u>(36,790)</u>	<u>(107,505)</u>	<u>56,256</u>

16. Employee Benefits

(a) Defined contribution plans

The expense related to post-employment benefit plans under defined contribution plans for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

(in millions of Won)

	<u>For the three-month periods</u>		<u>For the six-month periods</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expense related to post-employment benefit plans under defined contribution plans	₩ 14	10	84	6,144

(b) Defined benefit plans

1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of June 30, 2023 and December 31, 2022 are as follows:

(in millions of Won)

		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Present value of funded obligations	₩	32,193	27,503
Fair value of plan assets		(29,879)	(23,742)
Net defined benefit liabilities	₩	<u>2,314</u>	<u>3,761</u>

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

- 2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2023 and the year ended December 31, 2022 were as follows:

<i>(in millions of Won)</i>		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Defined benefit obligation at the beginning of period	₩	27,503	1,330,938
Current service costs		4,016	23,366
Interest costs		399	5,882
Remeasurement		-	104,564
Amount transferred from associate		7,905	730
Benefits paid		(7,630)	(59,335)
Spin-off		-	(1,378,642)
Defined benefit obligation at the end of period	₩	<u>32,193</u>	<u>27,503</u>

- 3) Changes in the fair value of plan assets for the six-month period ended June 30, 2023 and the year ended December 31, 2022 were as follows:

<i>(in millions of Won)</i>		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Fair value of plan assets at the beginning of period	₩	23,742	1,543,469
Interest on plan assets		608	7,166
Remeasurement of plan assets		(273)	(3,100)
Contributions to plan assets		-	2,000
Amount transferred from associate		7,905	3,515
Benefits paid		(2,103)	(52,346)
Spin-off		-	(1,476,962)
Fair value of plan assets at the end of period	₩	<u>29,879</u>	<u>23,742</u>

- 4) The amounts recognized in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

	<i>(in millions of Won)</i>				
	<u>For the three-month periods</u>		<u>For the six-month periods</u>		
	<u>ended June 30</u>		<u>ended June 30</u>		
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Current service costs	₩	1,371	1,415	4,016	20,156
Net interest costs		(104)	(16)	(209)	(1,252)
	₩	<u>1,267</u>	<u>1,399</u>	<u>3,807</u>	<u>18,904</u>

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

17. Other Liabilities

Other liabilities as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current		
Advances received	₩ 61	379
Withholdings	2,612	1,028
Unearned revenue	1,876	1,786
	<u>₩ 4,549</u>	<u>3,193</u>

18. Financial Instruments

(a) Classification and fair value of financial instruments

1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of June 30, 2023 and December 31, 2022 are as follows:

① June 30, 2023

<i>(in millions of Won)</i>	<u>Book value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets					
Fair value through profit or loss					
Short term financial instruments	₩ 2,539,989	-	2,539,989	-	2,539,989
Other securities	187,847	-	-	187,847	187,847
Fair value through other comprehensive income					
Equity securities	988,171	966,752	-	21,419	988,171
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	457,013	-	-	-	-
Trade accounts and notes receivable	130,104	-	-	-	-
Other receivables	264,791	-	-	-	-
Deposit instruments	1,090,002	-	-	-	-
	<u>₩ 5,657,917</u>	<u>966,752</u>	<u>2,539,989</u>	<u>209,266</u>	<u>3,716,007</u>
Financial liabilities					
Fair value through profit or loss					
Borrowings	₩ 1,561,052	1,561,052	-	-	1,561,052
Financial liabilities measured at amortized cost(*1)					
Borrowings	1,340	-	1,340	-	1,340
Financial guarantee liabilities	8,518	-	-	-	-
Others	54,401	-	-	-	-
	<u>₩ 1,625,311</u>	<u>1,561,052</u>	<u>1,340</u>	<u>-</u>	<u>1,562,392</u>

(*1) Fair value of financial assets and liabilities measured at amortized cost approximates their carrying amounts.

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

② December 31, 2022

(in millions of Won)

	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Fair value through profit or loss					
Short term financial instruments	₩ 2,515,375	-	2,515,375	-	2,515,375
Other securities	176,588	-	-	176,588	176,588
Other receivables	2,000	-	-	2,000	2,000
Fair value through other comprehensive income					
Equity securities	885,942	864,523	-	21,419	885,942
Financial assets measured at amortized cost(*1)					
Cash and cash Equivalents	1,415,201	-	-	-	-
Trade accounts and notes receivable	30,049	-	-	-	-
Other receivables	243,273	-	-	-	-
₩	<u>5,268,428</u>	<u>864,523</u>	<u>2,515,375</u>	<u>200,007</u>	<u>3,579,905</u>
Financial liabilities					
Fair value through profit or loss					
Borrowings	₩ 1,358,294	1,358,294	-	-	1,358,294
Financial liabilities measured at amortized cost(*1)					
Borrowings	1,293	-	1,293	-	1,293
Financial guarantee liabilities	9,483	-	-	-	-
Others	63,245	-	-	-	-
₩	<u>1,432,315</u>	<u>1,358,294</u>	<u>1,293</u>	<u>-</u>	<u>1,359,587</u>

(* 1) Fair value of financial assets and liabilities measured at amortized cost approximates their carrying amounts.

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

2) Financial liabilities were recognized in connection with financial guarantee contracts as of June 30, 2023. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount		
		Foreign currency	Won equivalent	Foreign currency	Won equivalent	
Subsidiaries						
POSCO Maharashtra	BNP	USD	30,000,000	39,384	17,122,990	22,479
Steel Private Limited	CITI	USD	20,000,000	26,256	11,415,327	14,986
	DBS	USD	35,000,000	45,948	19,976,821	26,226
	SC	USD	19,784,000	25,972	11,292,041	14,824
	SMBC	USD	35,000,000	45,948	19,976,821	26,226
POSCO ASSAN TST	BNP	USD	22,074,750	28,980	22,074,750	28,980
STEEL INDUSTRY	CITI	USD	36,000,000	47,261	36,000,000	47,261
	ING	USD	36,000,000	47,261	36,000,000	47,261
	SOCIETE GENERALE	USD	37,800,000	49,624	37,800,000	49,624
POSCO Asia Co., Ltd.	Credit Agricole	USD	50,000,000	65,640	-	-
	ING	USD	55,000,000	72,204	-	-
	Mizuho	USD	50,000,000	65,640	-	-
	Shinhan	USD	50,000,000	65,640	-	-
PT. KRAKATAU POSCO	ANZ	USD	103,500,000	135,875	51,750,217	67,938
	BOA	USD	105,000,000	137,844	80,043,478	105,081
	BTMU	USD	119,000,000	156,223	34,147,826	44,829
	Credit Suisse	USD	91,000,000	119,465	26,113,043	34,281
	HSBC	USD	221,000,000	290,129	156,113,043	204,945
	Export-Import Bank of Korea	USD	795,000,000	1,043,676	350,120,362	459,638
	Mizuho	USD	165,000,000	216,612	90,130,435	118,323
	MUFG	USD	60,000,000	78,768	60,000,000	78,768
	SC	USD	110,000,000	144,408	110,000,000	144,408
	SCB	USD	107,800,000	141,520	31,592,826	41,475
	SMBC	USD	290,000,000	380,712	190,832,826	250,525
	The Tokyo Star Bank	USD	21,000,000	27,569	6,026,087	7,911
POSCO Argentina S.A.U.	BNP	USD	20,000,000	26,256	5,389,658	7,076
	CITI	USD	97,975,000	128,622	26,402,586	34,661
	Credit Agricole	USD	97,975,000	128,622	26,402,586	34,661
	HSBC	USD	97,975,000	128,622	26,402,586	34,661
	JPM	USD	97,975,000	128,622	26,402,586	34,661
Associates						
Nickel Mining Company SAS	SMBC	EUR	46,000,000	65,621	46,000,000	65,621
		USD	3,076,858,750	4,039,303	1,509,528,895	1,981,709
		EUR	46,000,000	65,621	46,000,000	65,621

3) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2023 and 2022 were as follows:

① For the six-month period ended June 30, 2023

(in millions of Won)

	Finance income and costs						Other comprehensive income
	Interest income	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ -	2,275	33,160	114,862	-	150,297	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	79,066
Financial assets measured at amortized cost	33,632	15,326	-	-	-	48,958	-
Financial liabilities at fair value through profit or loss	-	(82,455)	-	(120,304)	-	(202,759)	-
Financial liabilities measured at amortized cost	-	(334)	-	-	3,151	2,817	-
	₩ 33,632	(65,188)	33,160	(5,442)	3,151	(687)	79,066

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

② For the six-month period ended June 30, 2022

(in millions of Won)

	Finance income and costs						Other comprehensive loss
	Interest income (expense)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ 66,906	-	204	19,774	-	86,884	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(86,320)
Financial assets measured at amortized cost	11,946	74,440	-	-	-	86,386	-
Financial liabilities at fair value through profit or loss	-	(7,648)	(4,188)	97,376	-	85,540	-
Financial liabilities measured at amortized cost	(24,469)	(85,656)	-	-	4,946	(105,179)	-
₩	54,383	(18,864)	(3,984)	117,150	4,946	153,631	(86,320)

4) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2023 and 2022 were as follows:

① For the three-month period ended June 30, 2023

(in millions of Won)

	Finance income and costs						Other comprehensive loss
	Interest income	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ -	450	5,647	14,636	-	20,733	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(43,084)
Financial assets measured at amortized cost	17,463	3,262	-	-	-	20,725	-
Financial liabilities at fair value through profit or loss	-	(7,975)	-	(47,672)	-	(55,647)	-
Financial liabilities measured at amortized cost	-	(47)	-	-	1,654	1,607	-
₩	17,463	(4,310)	5,647	(33,036)	1,654	(12,582)	(43,084)

② For the three-month period ended June 30, 2022

(in millions of Won)

	Finance income and costs						Other comprehensive loss
	Interest income	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ 25,556	-	-	-	-	25,556	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(180,783)
Financial assets measured at amortized cost	4,118	15,643	-	-	-	19,761	-
Financial liabilities at fair value through profit or loss	-	1,653	-	86,018	-	87,671	-
Financial liabilities measured at amortized cost	-	(1,729)	-	-	2,377	648	-
₩	29,674	15,567	-	86,018	2,377	133,636	(180,783)

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the separate financial statements as of and for the year ended December 31, 2022.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

19. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2023 and December 31, 2022 are as follows:

<i>(share, in Won)</i>		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Authorized shares		200,000,000	200,000,000
Par value	₩	5,000	5,000
Issued shares(*1)		84,571,230	84,571,230
Shared capital(*2)	₩	482,403,125,000	482,403,125,000

(*1) As of June 30, 2023, total shares of ADRs of 21,084,140 are equivalent to 5,271,035 shares of common stock.

(*2) As of June 30, 2023, the difference between the ending balance of common stock and the par value of issued common stock is ₩59,547 million due to retirement of 11,909,395 treasury shares.

(b) Capital surplus as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Share premium	₩	463,825	463,825
Gain on disposal of treasury shares		810,197	806,114
Gain from merger		80,627	80,627
Loss on disposal of hybrid bonds		(1,787)	(1,787)
Share-based payment		10,081	12,115
	₩	<u>1,362,943</u>	<u>1,360,894</u>

20. Reserves

Reserves as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Changes in fair value of equity investments at fair value through other comprehensive income	₩	(110,071)	(188,801)

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

21. Treasury Shares

Based on the Board of Directors' resolution, the Company holds treasury shares for business purposes including price stabilization. Changes in treasury shares for the six-month period ended June 30, 2023 and the year ended December 31, 2022 were as follows:

<i>(shares, in millions of Won)</i>	June 30, 2023		December 31, 2022	
	Number of shares	Amount	Number of shares	Amount
Beginning	8,722,053	₩ 1,892,308	11,561,263	₩ 2,508,294
Disposal of treasury shares	(27,030)	(5,864)	(223,605)	(48,513)
Retirement of treasury shares	-	-	(2,615,605)	(567,473)
Ending	<u>8,695,023</u>	<u>₩ 1,886,444</u>	<u>8,722,053</u>	<u>₩ 1,892,308</u>

22. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

<i>(in millions of Won)</i>	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Types of revenue				
Sales of steel product	₩ -	-	-	7,262,347
Transportation services	-	-	-	241,733
Dividend income	168,850	124,165	689,024	356,756
Others	62,990	18,221	105,803	60,827
	<u>₩ 231,840</u>	<u>142,386</u>	<u>794,827</u>	<u>7,921,663</u>
Timing of revenue recognition				
Revenue recognized at a point in time	₩ 169,084	124,252	689,031	7,637,907
Revenue recognized over time	62,756	18,134	105,796	283,756
	<u>₩ 231,840</u>	<u>142,386</u>	<u>794,827</u>	<u>7,921,663</u>

(b) Details of contract assets and liabilities from contracts with customers as of June 30, 2023 and December 31, 2022 are as follows:

<i>(in millions of Won)</i>	June 30, 2023	December 31, 2022
Receivables		
Account receivables	₩ 130,104	30,049
Contract assets		
Account receivables	70,272	98,942
Contract liabilities		
Advance received	61	379
Unearned income	1,876	1,786

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

23. Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

<i>(in millions of Won)</i>	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
	₩			
Wages and salaries	17,751	12,832	35,470	80,327
Expenses related to post-employment benefits	1,327	1,462	4,452	8,278
Other employee benefits	2,803	1,652	5,802	19,306
Travel	1,266	784	2,274	2,569
Depreciation	2,529	2,584	5,073	9,945
Amortization	297	163	583	5,324
Rental	720	414	1,252	12,888
Repairs	94	1	221	1,109
Advertising	5,982	5,943	10,653	20,506
Research & development	19,857	17,600	42,386	37,524
Service fees	17,934	8,565	29,362	42,519
Supplies	123	25	172	162
Vehicles maintenance	684	328	1,209	1,189
Industry association fee	486	463	1,492	1,875
Training	289	156	353	968
Taxes and public dues	13,172	12,265	13,306	21,876
Others	704	1,058	1,055	6,675
₩	<u>86,018</u>	<u>66,295</u>	<u>155,115</u>	<u>273,040</u>

(b) Selling expenses

Selling expenses for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

<i>(in millions of Won)</i>	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
	₩			
Freight and custody	-	-	-	20,724
Operating expenses for distribution center	-	-	-	935
Sales commissions	-	-	-	14,486
Sales advertising	-	-	-	29
Sales promotion	-	-	-	201
Sample	-	-	-	133
Sales insurance premium	-	-	-	1,086
₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,594</u>

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

24. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
<i>(in millions of Won)</i>				
Finance income				
Interest income(*1)	₩ 17,463	29,674	33,632	78,852
Gain on foreign currency transactions	2,461	3,673	5,572	48,236
Gain on foreign currency translations	1,953	14,542	14,410	51,812
Gain on valuation of derivatives	-	-	-	21,631
Gain on transactions of derivatives	-	-	-	194
Gain on disposals of financial assets at fair value through profit or loss	5,808	-	33,321	-
Gain on valuations of financial assets at fair value through profit or loss	14,636	-	114,862	-
Others	1,747	88,711	3,400	106,188
	₩ <u>44,068</u>	<u>136,600</u>	<u>205,197</u>	<u>306,913</u>
Finance costs				
Interest expenses	₩ -	-	-	24,469
Loss on foreign currency transactions	516	1,725	2,218	41,577
Loss on foreign currency translations	8,208	922	82,952	77,335
Loss on disposals of financial assets at fair value through profit or loss	161	-	161	-
Loss on valuations of financial liabilities at fair value through profit or loss	47,672	-	120,304	-
Others	94	317	248	9,901
	₩ <u>56,651</u>	<u>2,964</u>	<u>205,883</u>	<u>153,282</u>

(*1) Interest income calculated using the effective interest method for the six-month periods ended June 30, 2023 and 2022 were ₩33,632 million and ₩11,946 million, respectively.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2023 (Unaudited)

25. Other Non-Operating income and expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
<i>(in millions of Won)</i>				
Other non-operating income				
Gain on disposals of property, plant and equipment	₩ -	-	-	5,443
Gain on disposals of subsidiaries, associates and joint ventures	-	3,358	-	3,358
Gain on disposals of assets held for sale	-	-	-	2,706
Premium income	-	-	-	8
Reversal of other provisions	-	489	8,158	489
Others	804	2,136	913	9,347
₩	804	5,983	9,071	21,351
Other non-operating expenses				
Loss on disposals of property, plant and equipment	₩ -	-	-	18,281
Impairment loss on property, plant and equipment	-	-	-	3
Donations	-	-	-	19
Loss on disposals of assets held for sale	-	-	102	-
Increase of other provisions	104	-	529	-
Others	429	450	807	8,904
₩	533	450	1,438	27,207

26. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, and other non-operating expenses in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows (excluding finance costs and income tax expenses):

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
<i>(in millions of Won)</i>				
Changes in inventories(*1)	₩ -	-	-	(3,222)
Raw materials and consumables used	-	-	-	4,881,888
Employee benefits expenses	21,061	15,490	43,870	365,606
Outsourced processing cost	-	-	-	429,841
Depreciation(*2)	2,720	2,759	5,455	387,645
Amortization	297	163	583	16,816
Electricity and water expenses	1	-	1	80,909
Service fees	17,982	8,565	29,472	51,401
Rental	846	414	1,475	19,684
Advertising	5,982	5,942	10,653	20,506
Freight and custody expenses	-	-	-	207,320
Sales commissions	-	-	-	14,486
Loss on disposals of property, plant and equipment	-	-	-	18,281
Research & development	17,405	22,505	37,810	57,217
Other expenses	20,997	10,717	29,387	254,661
₩	87,291	66,555	158,706	6,803,039

(*1) Changes in inventories are the changes in product, semi-finished products and by-products.

(*2) Includes depreciation of investment property.

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

27. Income taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2023 and 2022 were 0% and 194.71%, respectively.

The Company's vertical spin-off during the year ended December 31, 2022 meets the requirements for qualified spin-off under the Corporate Tax Act. Accordingly, transfer gains of ₩8,452,339 million under the Corporate Tax Act were incurred for the net asset transferred to the newly established company (POSCO), and the Company simultaneously set a Corporate Tax Act based provision for accelerated depreciation on the transfer gains and recognized deferred tax liabilities of ₩2,284,103 million.

Deductible temporary differences related to the investment in newly established company (POSCO) which is caused by transfer gains under the Corporate Tax Act were not recognized as deferred tax assets, since it is not probable they will reverse through disposal or liquidation. The effect of our estimation and accounting for the recoverability of temporary differences on the increase in corporate tax costs for the year ended December 31, 2022 is ₩2,284,103 million.

28. Earnings per Share

(a) Basic earnings (loss) per share for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows:

(in Won, except share information)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Profit (loss) for the period	₩ 180,304,455,340	179,077,627,009	732,045,744,824	(1,225,149,405,107)
Interests of hybrid bonds, net of tax	-	-	-	(1,078,164,383)
Weighted-average number of common shares outstanding(* 1)	75,876,207	75,849,177	75,862,767	75,779,995
Basic earnings(loss) per share	₩ 2,376	2,361	9,650	(16,181)

(*1) The weighted-average number of common shares used to calculate basic earnings (loss) per share are as follows:

(shares)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Total number of common shares issued	84,571,230	87,186,835	84,571,230	87,186,835
Weighted-average number of treasury shares	(8,695,023)	(11,337,658)	(8,708,463)	(11,406,840)
Weighted-average number of common shares outstanding	75,876,207	75,849,177	75,862,767	75,779,995

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

(b) The Company has potentially issuable common shares due to its exchangeable bonds as of June 30, 2023 and 2022 and Stock Grant program as of June 30, 2023. Diluted earnings (loss) per share is equal to basic earnings per share for the three-month and six-month periods ended June 30, 2023 due to anti-dilutive effect. Meanwhile, diluted earnings (loss) per share for the three-month and six-month periods ended June 30, 2022 were as follows:

<i>(shares, in Won)</i>		For the three-month period ended June 30, 2022	For the six-month period ended June 30, 2022
Profit (loss) for the period	₩	179,077,627,009	(1,225,149,405,107)
Interests of hybrid bonds, net of tax		-	(1,078,164,383)
Loss from exchange rate on and revaluation of exchangeable bonds		(63,561,697,501)	(67,241,564,423)
Adjusted weighted-average number of common shares(* 1)		78,924,274	78,833,968
Diluted earnings(loss) per share	₩	1,464	(16,408)

(* 1) The weighted-average number of common shares used to calculate diluted earnings (loss) per share are as follows:

<i>(shares)</i>		For the three-month period ended June 30, 2022	For the six-month period ended June 30, 2022
Weighted-average number of common shares outstanding		75,849,177	75,779,995
Weighted-average number of potential common shares		3,075,097	3,053,973
Adjusted weighted-average number of common shares		<u>78,924,274</u>	<u>78,833,968</u>

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

29. Related Party Transactions

(a) Significant transactions with related companies for the six-month periods ended June 30, 2023 and 2022 were as follows:

1) For the six-month period ended June 30, 2023

(in millions of Won)

	Sales and others(*1)			Purchase and others	
	Sales	Dividends	Others	Purchase of fixed assets	Others
Subsidiaries(*2)					
POSCO	₩ 79,246	325,043	-	-	7,275
POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)	4,319	11,037	440	1,777	3,710
POSCO STEELEON CO., Ltd	934	-	-	-	43
POSCO DX(formerly, POSCO ICT)	1,647	7,455	-	1,799	3,694
eNtoB Corporation	-	-	40	26	463
POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD)	1,778	13,878	-	-	-
POSCO MOBILITY SOLUTION	510	-	55	-	-
POSCO INTERNATIONAL Corporation	5,153	77,616	-	-	32
POSCO Maharashtra Steel Private Limited	692	-	266	-	-
POSCO ASSAN TST STEEL INDUSTRY	17	-	285	-	-
Others	5,853	6,021	3,355	857	18,303
	<u>100,149</u>	<u>441,050</u>	<u>4,441</u>	<u>4,459</u>	<u>33,520</u>
Associates and joint ventures(*2)					
SNNC	563	-	55	-	-
Roy Hill Holdings Pty Ltd	-	136,939	-	-	-
Others	172	43,672	3,813	-	90
	<u>735</u>	<u>180,611</u>	<u>3,868</u>	<u>-</u>	<u>90</u>
₩	<u>100,884</u>	<u>621,661</u>	<u>8,309</u>	<u>4,459</u>	<u>33,610</u>

(*1) Sales and others mainly consist of trademark usage income, rental income, and dividend income to subsidiaries, associates and joint ventures.

(*2) As of June 30, 2023, the Company provided guarantees to related companies (Note 18)

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

2) For the six-month period ended June 30, 2022

(in millions of Won)

	Sales and others(*1)			Purchase and others(*2)			
	Sales	Dividends	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries							
POSCO ₩	8,167	-	-	-	-	-	567
POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)	2,365	16,555	7	-	85,302	-	10,282
POSCO STEELEON CO., Ltd	131,991	-	215	-	-	7,656	6
POSCO DX(formerly, POSCO ICT)(*3)	496	4,970	18	-	38,091	10,190	32,403
eNtoB Corporation	2	24	-	60,649	9,698	32	3,207
POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD)	81,504	13,878	44	84,301	4,757	56,325	908
POSCO ENERGY CO., LTD.	762	-	-	6,682	-	-	3,925
POSCO MOBILITY SOLUTION	175,955	-	-	-	-	8,802	28
POSCO INTERNATIONAL Corporation	2,099,890	62,093	-	244,230	-	788	1,049
POSCO Thainox Public Company Limited	49,085	22,372	-	-	-	-	1
POSCO Canada Ltd.	-	-	139	77,703	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	32,534	-	-	-	-	-	-
POSCO JAPAN Co., Ltd.	28,790	-	-	835	-	-	16
POSCO-VIETNAM Co., Ltd.	44,617	-	283	-	-	-	-
POSCO MEXICO S.A. DE C.V.	102,635	-	203	-	-	-	-
POSCO Maharashtra Steel Private Limited	171,287	-	284	-	-	-	120
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	42,320	-	-	-	-	-	15
POSCO VST CO., LTD.	28,212	-	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	47,180	-	417	380,061	-	-	-
POSCO ASSAN TST STEEL INDUSTRY	-	-	268	-	-	-	8
Others	194,327	1,716	3,527	61,471	13,042	53,139	205,528
	3,242,119	121,608	5,405	915,932	150,890	136,912	258,063
Associates and joint ventures							
SNNC	3,129	5,348	8	148,239	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	25,614	-	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	125,984	-	210,455	-	-	-
Others	77,244	32,440	8,041	16,485	-	-	301
	105,987	163,772	8,049	375,179	-	-	301
₩	3,348,106	285,380	13,454	1,291,111	150,890	136,912	258,364

(*1) Sales and others mainly consist of sales of steel products (before spin-off), trademark usage income, rental income and dividend income to subsidiaries, associates and joint ventures.

(*2) Purchase and others mainly consist of subsidiaries' purchases of construction services and purchases of raw materials to manufacture steel products.

(*3) Others (purchase) mainly consist of service fees related to maintenance and repair of ERP System.

(b) Significant transactions with related companies for the three-month periods ended June 30, 2023 and 2022 were as follows:

1) For the three-month period ended June 30, 2023

(in millions of Won)

	Sales and others			Purchase and others	
	Sales	Dividends	Others	Purchase of fixed assets	Others
Subsidiaries					
POSCO ₩	47,850	-	-	-	1,622
POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)	2,228	-	440	1,690	2,874
POSCO STEELEON CO., Ltd	406	-	-	-	20
POSCO DX(formerly, POSCO ICT)	996	-	-	770	1,877
eNtoB Corporation	-	-	40	26	278
POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD)	604	-	-	-	-
POSCO MOBILITY SOLUTION	287	-	55	-	-
POSCO INTERNATIONAL Corporation	2,642	-	-	-	32
POSCO Maharashtra Steel Private Limited	692	-	120	-	-
POSCO ASSAN TST STEEL INDUSTRY	17	-	143	-	-
Others	3,376	895	1,936	755	11,143
	59,098	895	2,734	3,241	17,846
Associates and joint ventures					
SNNC	522	-	55	-	-
Roy Hill Holdings Pty Ltd	-	104,496	-	-	-
Others	124	36,471	99	-	-
	646	140,967	154	-	-
₩	59,744	141,862	2,888	3,241	17,846

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

2) For the three-month period ended June 30, 2022

(in millions of Won)

	Sales and others			Purchase and others	
	Sales	Dividends	Others	Purchase of fixed assets	Others
Subsidiaries					
POSCO	₩ 6,700	-	-	-	564
POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)	860	-	-	-	571
POSCO STEELEON CO., Ltd	479	-	-	-	-
POSCO DX(formerly, POSCO ICT)	160	-	-	13,976	-
eNtoB Corporation	-	-	-	-	10
POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD)	922	-	-	-	-
POSCO MOBILITY SOLUTION	217	-	-	-	-
POSCO INTERNATIONAL Corporation	433	-	-	-	-
POSCO Thainox Public Company Limited	406	22,372	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	111	-	-	-	-
POSCO-VIETNAM Co., Ltd.	848	-	230	-	-
POSCO MEXICO S.A. DE C.V.	207	-	187	-	-
POSCO Maharashtra Steel Private Limited	616	-	218	-	-
POSCO VST CO., LTD.	306	-	-	-	-
POSCO ASSAN TST STEEL INDUSTRY	162	-	208	-	-
Others	4,754	753	2,353	-	6,044
	<u>17,181</u>	<u>23,125</u>	<u>3,196</u>	<u>13,976</u>	<u>7,189</u>
Associates and joint ventures					
SNNC	7	-	-	-	-
Roy Hill Holdings Pty Ltd	-	35,596	-	-	-
Others	521	23,823	4,668	-	-
	<u>528</u>	<u>59,419</u>	<u>4,668</u>	<u>-</u>	<u>-</u>
₩	<u>17,709</u>	<u>82,544</u>	<u>7,864</u>	<u>13,976</u>	<u>7,189</u>

(c) The related account balances of significant transactions with related companies as of June 30, 2023 and December 31, 2022 are as follows:

1) June 30, 2023

(in millions of Won)

	Receivables			Payables		
	Trade accounts and notes receivable	Others	Total	Accounts payable	Others	Total
Subsidiaries						
POSCO	₩ 57,428	6,048	63,476	-	21,071	21,071
POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)	4,227	534	4,761	-	1,857	1,857
POSCO STEELEON CO., Ltd	621	-	621	8	-	8
POSCO DX(formerly, POSCO ICT)	638	12	650	759	1,509	2,268
eNtoB Corporation	-	-	-	71	-	71
POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD)	7,545	28	7,573	-	751	751
POSCO MOBILITY SOLUTION	457	-	457	-	-	-
POSCO INTERNATIONAL Corporation	3,348	22	3,370	-	2,499	2,499
POSCO Maharashtra Steel Private Limited	-	419	419	-	-	-
POSCO ASSAN TST STEEL INDUSTRY	-	531	531	-	-	-
PT. KRAKATAU POSCO	-	8,329	8,329	-	-	-
Others	2,655	6,369	9,024	2,809	3,933	6,742
	<u>76,919</u>	<u>22,292</u>	<u>99,211</u>	<u>3,647</u>	<u>31,620</u>	<u>35,267</u>
Associates and joint ventures						
SNNC	267	-	267	-	-	-
Roy Hill Holdings Pty Ltd	104,496	-	104,496	-	-	-
FQM Australia Holdings Pty Ltd(*1)	-	218,900	218,900	-	-	-
Others	18,338	575	18,913	-	-	-
	<u>123,101</u>	<u>219,475</u>	<u>342,576</u>	<u>-</u>	<u>-</u>	<u>-</u>
₩	<u>200,020</u>	<u>241,767</u>	<u>441,787</u>	<u>3,647</u>	<u>31,620</u>	<u>35,267</u>

(*1) FQM Australia Holdings Pty Ltd's other receivable consists of long-term loans. During the six-month period ended June 30, 2023, the Company provided additional loan to its associates by ₩6,448 million

POSCO HOLDINGS INC.
Notes to the Condensed Separate Interim Financial Statements, Continued
As of June 30, 2023
(Unaudited)

2) December 31, 2022

(in millions of Won)

	Receivables			Payables		
	Trade accounts and notes receivable	Others	Total	Accounts payable	Others	Total
Subsidiaries						
POSCO	₩ 75,343	6,600	81,943	5,678	14,663	20,341
POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)	3,808	660	4,468	-	-	-
POSCO STEELEON CO., Ltd	818	-	818	-	-	-
POSCO DX(formerly, POSCO ICT)	687	-	687	859	705	1,564
POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD)	8,550	-	8,550	-	5,086	5,086
POSCO MOBILITY SOLUTION	489	-	489	-	-	-
POSCO INTERNATIONAL Corporation	2,002	-	2,002	-	502	502
Qingdao Pohang Stainless Steel Co., Ltd.	-	-	-	122	-	122
POSCO Maharashtra Steel Private Limited	-	466	466	486	-	486
POSCO ASSAN TST STEEL INDUSTRY	-	513	513	104	-	104
PT. KRAKATAU POSCO	-	8,967	8,967	391	-	391
Others	5,318	6,080	11,398	11,874	4,928	16,802
	<u>97,015</u>	<u>23,286</u>	<u>120,301</u>	<u>19,514</u>	<u>25,884</u>	<u>45,398</u>
Associates and joint ventures						
SNNC	94	-	94	-	-	-
Roy Hill Holdings Pty Ltd	23,400	-	23,400	-	-	-
FQM Australia Holdings Pty Ltd(*1)	-	202,562	202,562	-	-	-
Others	190	761	951	74	-	74
	<u>23,684</u>	<u>203,323</u>	<u>227,007</u>	<u>74</u>	<u>-</u>	<u>74</u>
₩	<u>120,699</u>	<u>226,609</u>	<u>347,308</u>	<u>19,588</u>	<u>25,884</u>	<u>45,472</u>

(*1) FQM Australia Holdings Pty Ltd's other receivable consists of long-term loans. During the year ended December 31, 2022, the Company provided additional loan to its associates by ₩12,116 million.

(d) For the six-month periods ended June 30, 2023 and 2022, details of compensation to key management officers were as follows:

(in millions of Won)

	June 30, 2023	June 30, 2022
Short-term benefits	₩ 17,233	32,995
Retirement benefits	3,520	3,978
	<u>₩ 20,753</u>	<u>36,973</u>

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations.

30. Commitments and Contingencies

(a) Commitments

- As of June 30, 2023, the Company entered into commitments with KOREA ENERGY AGENCY for long-term foreign currency borrowing, which is limited up to the amount of USD 1.05 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowing depends on the success of the project. The Company is not liable for the repayment of full or part of the money borrowed if the respective project fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of June 30, 2023, the ending balance of the borrowing amounts to

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

USD 1.02 million.

- 2) The Company has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to the construction of new power plant by POSCO INTERNATIONAL Corporation.
 - 3) The Company has deposited 3,176,474 treasury shares for exchange with the Korea Securities Depository in relation to foreign currency exchangeable bonds as of June 30, 2023.
- (b) As of June 30, 2023, the Company has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.
- (c) Litigation in progress

The Company is involved in 3 lawsuits for compensatory for damages amounted to ₩9.9 billion as defendant as of June 30, 2023. However, the Company has not recognized any provisions for the lawsuit since the Company does not believe it has a present obligation as of June 30, 2023.

- (d) The company has a joint obligation with the company newly established through spin-off, POSCO, to discharge all liabilities (including financial guarantee contracts) incurred prior to the spin-off date.

POSCO HOLDINGS INC.

Notes to the Condensed Separate Interim Financial Statements, Continued

As of June 30, 2023

(Unaudited)

31. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the six-month periods ended June 30, 2023 and 2022 were as follows:

<i>(in millions of Won)</i>		<u>June 30, 2023</u>	<u>June 30, 2022</u>
Trade accounts and notes receivable, net	₩	28,529	(439,323)
Other accounts receivable		11,453	(3,517)
Accrued revenues		-	(2,129)
Inventories		-	354,262
Prepaid expenses		(1,204)	(41,207)
Other current assets		(1,208)	(3,616)
Short-term guarantee deposits		(66)	-
Long-term guarantee deposits		-	17
Derivative assets		-	5,781
Other non-current assets		-	129
Trade accounts and notes payable		-	(417,714)
Other accounts payable		1,200	(88,071)
Accrued expenses		13,234	(58,100)
Advances received		(318)	(3,192)
Withholdings		(607)	(5,972)
Unearned revenue		90	(2,392)
Other current liabilities		(3,509)	(10,902)
Payments of severance benefits		(7,631)	(58,317)
Plan assets		2,104	51,373
Other non-current liabilities		-	(290)
	₩	<u>42,067</u>	<u>(723,180)</u>

32. Events after the reporting period

- (a) Pursuant to the resolution of the Board of Directors on August 8, 2023, the Company decided to pay interim cash dividends of ₩2,500 per common share (total dividend: ₩189.7 billion).
- (b) Pursuant to the resolution of the Board of Directors on August 8, 2023, the Company decided to dispose of 4 subsidiaries including PT. KRAKATAU POSCO to the subsidiary POSCO.