

POSCO HOLDINGS INC. and Subsidiaries

Consolidated Financial Statements
December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO HOLDINGS INC.:

Opinion

We have audited the consolidated financial statements of POSCO HOLDINGS INC. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising summary of material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the Company's internal control over financial reporting ("ICFR") for consolidation purposes as of December 31, 2023 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 13, 2024 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting for consolidation purposes.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



(a) POSCO Eco & Challenge CO., LTD (formerly, POSCO ENGINEERING & CONSTRUCTION CO., LTD) - Estimation of percentage-of-completion by the input method

As described in notes 3 ("Revenue from contracts with customers"), 29 and 30 to the consolidated financial statements, revenue from construction contract amounted to ₩8,201,881 million, which was approximately 10.6% of consolidated revenue for the year ended December 31, 2023. Such revenue is primarily related to POSCO Eco & Challenge CO., LTD (formerly, POSCO ENGINEERING & CONSTRUCTION CO., LTD), a subsidiary of the Company. In connection with the Company's production-to-order revenue transactions, when the outcome of a construction contract can be estimated reliably, the Company recognizes contract revenues and contract costs over time based on the percentage-of-completion method. The percentage-of-completion is calculated based on the ratio of contract costs incurred for work performed to date excluding costs incurred that do not contribute to the progress in satisfying the Company's performance obligation over the estimated total contract costs.

Construction contracts generally have a long-term duration, and the total contract costs are estimated based on estimated future expenditures for materials, labor, outsourcing costs and others which are expected to be incurred during the construction period. Considering the impact on revenue recognition from the uncertainty in connection with the long-term contracts and changes in estimated costs, we identified estimation of percentage-of-completion by the input method related to POSCO Eco & Challenge CO., LTD (formerly, POSCO ENGINEERING & CONSTRUCTION CO., LTD) as a key audit matter.

The primary procedures we performed to address this key audit matter included the following:

- Testing certain internal controls over the Company's estimation and review on the estimated total contract costs, and review on cost allocation among projects;
- Inspecting the documents prepared by the person in charge of construction field regarding rationale and reliability of the estimated total contract costs for major construction projects;
- Inquiring and inspecting the documents regarding rationale and reliability of the estimates such as material costs, labor costs and outsourcing costs included in the estimated total contract costs on major new construction projects;
- For contracts with significant changes in total contract costs during the current year, inquiring the person in charge of construction field and inspecting documents as to the cause of such changes;
- Inquiring the person in charge of construction field and inspecting documents as to the cause of significant differences between estimated total cost and the actual total cost for projects completed during the current year; and
- For selected samples, testing the existence of contract costs incurred during the year, and whether they were aggregated or allocated to the corresponding projects for calculating percentage-of-completion through inspection of supporting documentation.



(b) Cut-off of export sales

Export sales represent a significant portion of the consolidated revenues for the Company's products and merchandise which, are shipped to other countries via vessels and other logistics. The timing of revenue recognition for export sales may vary in accordance with the "International Commercial Terms". Due to the extended period of time between shipment to and arrival of products and merchandise at their destination, there is a high risk of misstatement of the timing of revenue recognition due to fraud.

Considering the inherent risks and significance of export sales of individual subsidiaries to consolidated revenue, we have identified the appropriateness of the recognition period for export sales of POSCO, POSCO International Corporation, and POSCO FUTURE M CO., LTD (formerly, POSCO Chemical CO., LTD) as a key audit matter.

The primary procedures we performed to address this key audit matter included the following:

- Understanding the Company's policies, processes, and internal controls related to export sales;
- Assessing the Company's internal controls related to verification of the appropriateness of timing of revenue recognition;
- Inspecting the supporting documentation to assess the adequacy of timing of recognition for each type of transactions based on the terms of trade; and
- For selected samples for sales transactions during the periods close to and after year-end, inspecting the supporting documentation to assess the appropriateness of timing of revenue recognition.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Jae Nam Hwang.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 13, 2024

This report is effective as of March 13, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any

POSCO HOLDINGS INC. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2023 and 2022

| <i>(in millions of Won)</i> | <u>Notes</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|---------------|------------------------------|------------------------------|
| Assets | | | |
| Cash and cash equivalents | 4,5,23 ₩ | 6,670,879 | 8,053,108 |
| Trade accounts and notes receivable, net | 6,17,23,30,38 | 11,015,303 | 9,769,553 |
| Other receivables, net | 7,23,38 | 1,947,529 | 2,112,697 |
| Other short-term financial assets | 8,23 | 11,403,166 | 10,909,920 |
| Inventories | 9 | 13,825,514 | 15,472,417 |
| Current income tax assets | 36 | 101,979 | 243,829 |
| Assets held for sale | 10 | 406,945 | 12,003 |
| Other current assets | 16 | 840,984 | 1,075,939 |
| Total current assets | | <u>46,212,299</u> | <u>47,649,466</u> |
| Long-term trade accounts and notes receivable, r | 6,23 | 42,516 | 24,033 |
| Other receivables, net | 7,23,38 | 1,452,445 | 1,520,331 |
| Other long-term financial assets | 8,23 | 2,708,325 | 2,332,538 |
| Investments in associates and joint ventures | 11 | 5,020,264 | 4,996,551 |
| Investment property, net | 13 | 1,616,294 | 1,074,031 |
| Property, plant and equipment, net | 14 | 35,206,248 | 31,781,195 |
| Intangible assets, net | 15 | 4,714,784 | 4,838,451 |
| Defined benefit assets, net | 21 | 464,758 | 520,659 |
| Deferred tax assets | 36 | 3,334,266 | 3,502,152 |
| Other non-current assets | 16 | 173,195 | 167,374 |
| Total non-current assets | | <u>54,733,095</u> | <u>50,757,315</u> |
| Total assets | | <u>₩ 100,945,394</u> | <u>98,406,781</u> |

See accompanying notes to the consolidated financial statements.

POSCO HOLDINGS INC. and Subsidiaries
Consolidated Statements of Financial Position, Continued
As of December 31, 2023 and 2022

| <i>(in millions of Won)</i> | <u>Notes</u> | <u>December 31, 2023</u> | <u>December 31, 2021</u> |
|---|--------------|--------------------------|--------------------------|
| Liabilities | | | |
| Trade accounts and notes payable | 23,38 | ₩ 5,782,825 | 5,520,807 |
| Short-term borrowings and current installments of long-term borrowings | 4,17,23 | 10,959,217 | 11,915,994 |
| Other payables | 18,23,38 | 2,737,478 | 2,865,868 |
| Other short-term financial liabilities | 19,23 | 163,626 | 106,527 |
| Current income tax liabilities | 36 | 319,096 | 502,685 |
| Liabilities directly associated with the assets held for sale | | 141,890 | 5 |
| Provisions | 20 | 419,744 | 515,988 |
| Other current liabilities | 22,29 | 1,337,642 | 1,760,316 |
| Total current liabilities | | <u>21,861,518</u> | <u>23,188,190</u> |
| Long-term trade accounts and notes payable | 23,38 | - | 15 |
| Long-term borrowings, excluding current installments | 4,17,23 | 15,011,163 | 12,389,667 |
| Other payables | 18,23 | 873,565 | 790,402 |
| Other long-term financial liabilities | 19,23 | 153,782 | 87,052 |
| Defined benefit liabilities, net | 21 | 38,754 | 37,707 |
| Deferred tax liabilities | 36 | 2,760,234 | 2,924,552 |
| Long-term provisions | 20 | 468,009 | 579,918 |
| Other non-current liabilities | 22 | 114,472 | 151,877 |
| Total non-current liabilities | | <u>19,419,979</u> | <u>16,961,190</u> |
| Total liabilities | | <u>41,281,497</u> | <u>40,149,380</u> |
| Equity | | | |
| Share capital | 24 | 482,403 | 482,403 |
| Capital surplus | 24,28 | 1,663,334 | 1,400,832 |
| Reserves | 26 | 67,256 | (443,990) |
| Treasury shares | 27 | (1,889,658) | (1,892,308) |
| Retained earnings | | 53,857,514 | 52,965,179 |
| Equity attributable to owners of the controlling company | | 54,180,849 | 52,512,116 |
| Non-controlling interests | 25 | 5,483,048 | 5,745,285 |
| Total equity | | <u>59,663,897</u> | <u>58,257,401</u> |
| Total liabilities and equity | | <u>₩ 100,945,394</u> | <u>98,406,781</u> |

See accompanying notes to the consolidated financial statements.

POSCO HOLDINGS INC. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022

(in millions of Won, except per share information)

| | Notes | 2023 | 2022 |
|--|--------------|---------------------|---------------------|
| Revenue | 29,30,38 | ₩ 77,127,197 | 84,750,204 |
| Cost of sales | 30,32,35,38 | <u>(70,710,293)</u> | <u>(77,100,912)</u> |
| Gross profit | | 6,416,904 | 7,649,292 |
| Selling and administrative expenses | 31,35 | | |
| Impairment loss on (reversal of) trade accounts and notes receivable | 23 | 17,785 | (24,791) |
| Other administrative expenses | 28,32 | (2,669,687) | (2,479,966) |
| Selling expenses | | <u>(233,579)</u> | <u>(294,482)</u> |
| Operating profit | | 3,531,423 | 4,850,053 |
| Share of profit of equity-accounted investees, net | 11 | 269,678 | 676,260 |
| Finance income and costs | 23,33 | | |
| Finance income | | 3,830,746 | 4,834,011 |
| Finance costs | | (4,202,996) | (5,804,466) |
| Other non-operating income and expenses | 34 | | |
| Impairment loss on other receivables | 23 | (283,699) | (9,824) |
| Other non-operating income | | 394,346 | 592,017 |
| Other non-operating expenses | 35 | <u>(904,343)</u> | <u>(1,123,685)</u> |
| Profit before income tax | | 2,635,155 | 4,014,366 |
| Income tax expense | 36 | <u>(789,305)</u> | <u>(453,882)</u> |
| Profit | | 1,845,850 | 3,560,484 |
| Other comprehensive income (loss) | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Capital adjustment arising from investments in equity-accounted investees | | 28,745 | 946 |
| Foreign currency translation differences | | 76,433 | (48,702) |
| Remeasurements of defined benefit plans | 21 | (118,548) | 105,769 |
| Net changes in fair value of equity investments at fair value through other comprehensive income | 23 | 257,725 | (10,076) |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Capital adjustment arising from investments in equity-accounted investees | | 207,860 | 132,188 |
| Foreign currency translation differences | | 34,118 | 52,726 |
| Gains or losses on valuation of derivatives | 23 | <u>(1,292)</u> | <u>1,023</u> |
| Other comprehensive income, net of tax | | <u>485,041</u> | <u>233,874</u> |
| Total comprehensive income | | ₩ <u>2,330,891</u> | <u>3,794,358</u> |
| Profit attributable to: | | | |
| Owners of the controlling company | | ₩ 1,698,092 | 3,144,087 |
| Non-controlling interests | | <u>147,758</u> | <u>416,397</u> |
| Profit | | ₩ <u>1,845,850</u> | <u>3,560,484</u> |
| Total comprehensive income attributable to : | | | |
| Owners of the controlling company | | ₩ 2,131,737 | 3,380,649 |
| Non-controlling interests | | <u>199,154</u> | <u>413,709</u> |
| Total comprehensive income | | ₩ <u>2,330,891</u> | <u>3,794,358</u> |
| Earnings per share (in Won) | 37 | | |
| Basic earnings per share (in Won) | | 22,382 | 41,456 |
| Diluted earnings per share (in Won) | | ₩ <u>22,382</u> | <u>39,126</u> |

See accompanying notes to the consolidated financial statements.

POSCO HOLDINGS INC. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022

(in millions of Won)

| | Attributable to owners of the controlling company | | | | | | Non-controlling interests | Total |
|--|---|-----------------|--------------|-----------|-----------------|-------------------|---------------------------|------------|
| | Share capital | Capital surplus | Hybrid bonds | Reserves | Treasury shares | Retained earnings | | |
| Balance as of January 1, 2022 | ₩ 482,403 | 1,387,960 | 199,384 | (666,985) | (2,508,294) | 51,532,887 | 50,427,355 | 54,804,943 |
| Comprehensive income: | | | | | | | | |
| Profit | - | - | - | - | - | 3,144,087 | 3,144,087 | 3,560,484 |
| Other comprehensive income | | | | | | | | |
| Remeasurements of defined benefit plans, net of tax | - | - | - | - | - | 67,167 | 67,167 | 105,769 |
| Capital adjustment arising from investments in equity-accounted investees, net of tax | - | - | - | 126,278 | - | - | 126,278 | 133,134 |
| Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax | - | - | - | 49,516 | - | (59,576) | (10,060) | (10,076) |
| Foreign currency translation differences, net of tax | - | - | - | 52,725 | - | - | 52,725 | 4,024 |
| Gains or losses on valuation of derivatives, net of tax | - | - | - | 452 | - | - | 452 | 1,023 |
| Total comprehensive income | - | - | - | 228,971 | - | 3,151,678 | 3,380,649 | 3,794,358 |
| Transactions with owners of the controlling company, recognized directly in equity: | | | | | | | | |
| Year-end dividends | - | - | - | - | - | (378,128) | (378,128) | (460,238) |
| Interim dividends | - | - | - | - | - | (758,492) | (758,492) | (758,492) |
| Changes in subsidiaries | - | - | - | - | - | - | - | 422,424 |
| Changes in ownership interest in subsidiaries | - | (7,827) | - | - | - | - | (7,827) | 425,871 |
| Interest of hybrid bonds | - | - | - | - | - | (1,487) | (1,487) | (16,494) |
| Variation due to split | - | - | (199,384) | - | - | - | (199,384) | 199,384 |
| Disposal of treasury stock | - | 9,491 | - | - | 48,512 | - | 58,003 | 58,003 |
| Retirement of treasury stock | - | - | - | - | 567,474 | (583,485) | (16,011) | (16,011) |
| Share-based payment | - | 12,115 | - | - | - | - | 12,115 | 12,115 |
| Others | - | (907) | - | (5,976) | - | 2,206 | (4,677) | (1,251) |
| Total transactions with owners of the controlling company | - | 12,872 | (199,384) | (5,976) | 615,986 | (1,719,386) | (1,295,888) | (341,900) |
| Balance as of December 31, 2022 | ₩ 482,403 | 1,400,832 | - | (443,990) | (1,892,308) | 52,965,179 | 52,512,116 | 58,257,401 |

See accompanying notes to the consolidated financial statements.

POSCO HOLDINGS INC. and Subsidiaries
Consolidated Statements of Changes in Equity, Continued
For the years ended December 31, 2023 and 2022

(in millions of Won)

| | Attributable to owners of the controlling company | | | | | Non-controlling interests | Total |
|--|---|-----------------|-----------|-----------------|-------------------|---------------------------|------------|
| | Share capital | Capital surplus | Reserves | Treasury shares | Retained earnings | | |
| Balance as of January 1, 2023 | ₩ 482,403 | 1,400,832 | (443,990) | (1,892,308) | 52,965,179 | 52,512,116 | 58,257,401 |
| Comprehensive income: | | | | | | | |
| Profit | - | - | - | - | 1,698,092 | 1,698,092 | 1,845,850 |
| Other comprehensive income | | | | | | | |
| Remeasurements of defined benefit plans, net of tax | - | - | - | - | (83,148) | (83,148) | (118,548) |
| Capital adjustment arising from investments in equity-accounted investees, net of tax | - | - | 225,591 | - | - | 225,591 | 236,605 |
| Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax | - | - | 257,122 | - | 603 | 257,725 | 257,725 |
| Foreign currency translation differences, net of tax | - | - | 34,118 | - | - | 34,118 | 110,551 |
| Gains or losses on valuation of derivatives, net of tax | - | - | (641) | - | - | (641) | (1,292) |
| Total comprehensive income | - | - | 516,190 | - | 1,615,547 | 2,131,737 | 2,330,891 |
| Transactions with owners of the controlling company, recognized directly in equity: | | | | | | | |
| Year-end dividends | - | - | - | - | (151,698) | (151,698) | (246,388) |
| Interim dividends | - | - | - | - | (569,072) | (569,072) | (569,072) |
| Changes in subsidiaries | - | - | - | - | - | - | 5,805 |
| Changes in ownership interest in subsidiaries | - | 250,363 | - | - | - | 250,363 | 262,746 |
| Interest of hybrid bonds | - | - | - | - | - | - | (8,925) |
| Repayment of hybrid bonds | - | - | - | - | - | - | (339,837) |
| Disposal of treasury stock | - | 2,880 | - | 2,650 | - | 5,530 | 5,530 |
| Share-based payment | - | 6,783 | - | - | - | 6,783 | 24,107 |
| Others | - | 2,476 | (4,944) | - | (2,442) | (4,910) | (58,361) |
| Total transactions with owners of the controlling company | - | 262,502 | (4,944) | 2,650 | (723,212) | (463,004) | (924,395) |
| Balance as of December 31, 2023 | ₩ 482,403 | 1,663,334 | 67,256 | (1,889,658) | 53,857,514 | 54,180,849 | 59,663,897 |

See accompanying notes to the consolidated financial statements.

POSCO HOLDINGS INC. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

| <i>(in millions of Won)</i> | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|---|--------------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit | ₩ | 1,845,850 | 3,560,484 |
| Adjustments for: | | | |
| Depreciation | | 3,346,461 | 3,204,744 |
| Amortization | | 498,193 | 488,835 |
| Finance income | | (1,850,756) | (1,943,661) |
| Finance costs | | 2,179,233 | 2,532,735 |
| Income tax expense | | 789,305 | 453,883 |
| Impairment loss on property, plant and equipment | | 275,846 | 213,183 |
| Gain on disposal of property, plant and equipment | | (9,387) | (18,502) |
| Loss on disposal of property, plant and equipment | | 125,823 | 111,082 |
| Impairment loss on goodwill and other intangible assets | | 129,907 | 370,663 |
| Gain on disposal of investments | | | |
| in subsidiaries, associates and joint ventures | | (197,088) | (13,904) |
| Loss on disposal of investments | | | |
| in subsidiaries, associates and joint ventures | | 18,843 | 12,400 |
| Share of profit of equity-accounted investees | | (269,678) | (676,260) |
| Gain on disposal of assets held for sale | | (1,312) | (55,262) |
| Loss on disposal of assets held for sale | | 103,366 | 3,964 |
| Expenses related to post-employment benefit | | 206,614 | 228,611 |
| Impairment loss on trade and other receivables | | 265,914 | 34,615 |
| Loss on valuation of inventories | | 309,317 | 259,678 |
| Increase to provisions | | 160,880 | 289,915 |
| Gain on insurance claim | | (7,682) | (236,344) |
| Others, net | | (43,817) | 28,382 |
| | | <u>6,029,982</u> | <u>5,288,757</u> |
| Changes in operating assets and liabilities | 40 | (1,087,257) | (335,364) |
| Interest received | | 447,621 | 249,751 |
| Interest paid | | (1,038,005) | (560,766) |
| Dividends received | | 696,941 | 757,502 |
| Income taxes paid | | (727,437) | (2,773,599) |
| Net cash provided by operating activities | ₩ | <u>6,167,695</u> | <u>6,186,765</u> |

See accompanying notes to the consolidated financial statements.

POSCO HOLDINGS INC. and Subsidiaries
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2023 and 2022

(in millions of Won)

| | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|--|--------------|--------------------|--------------------|
| Cash flows from investing activities | | | |
| Acquisitions of short-term financial instruments | ₩ | (39,830,719) | (89,327,182) |
| Proceeds from disposal of short-term financial instruments | | 40,174,440 | 91,539,884 |
| Increase in loans | | (1,238,668) | (1,087,409) |
| Collection of loans | | 1,369,763 | 1,086,964 |
| Acquisitions of securities | | (380,744) | (493,054) |
| Proceeds from disposal of securities | | 142,791 | 332,724 |
| Acquisitions of long-term financial instruments | | (5,362) | (21,638) |
| Acquisitions of investment | | | |
| in associates and joint ventures | | (417,603) | (518,158) |
| Proceeds from disposal of | | | |
| investment in associates and joint ventures | | 142,316 | 169,365 |
| Acquisitions of investment property | | (56,043) | (1,561) |
| Proceeds from disposal of investment property | | 707 | 23,401 |
| Acquisitions of property, plant and equipment | | (6,733,289) | (4,927,586) |
| Proceeds from disposal of property, plant and equipment | | (11,895) | 864 |
| Acquisitions of intangible assets | | (481,882) | (492,873) |
| Proceeds from disposal of intangible assets | | 30,328 | 7,748 |
| Proceeds from disposal of assets held for sale | | 4,850 | 111,488 |
| Collection of lease receivables | | 52,657 | 54,614 |
| Cash outflows due to business combinations, net of cash acquired | | (150,201) | (901,223) |
| Cash inflow from insurance claim | | 7,682 | 236,344 |
| Others, net | | (7,352) | (12,583) |
| | | <u>(7,388,224)</u> | <u>(4,219,871)</u> |
| Net cash used in investing activities | ₩ | | |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 7,817,217 | 4,553,746 |
| Repayment of borrowings | | (4,461,114) | (4,138,054) |
| Proceeds from (repayment of) short-term borrowings, net | | (2,524,077) | 1,764,569 |
| Capital contribution from non-controlling interests | | 299,342 | 577,330 |
| Payment of cash dividends | | (815,451) | (1,218,405) |
| Repayment of hybrid bonds | | (340,000) | - |
| Payment of interest of hybrid bonds | | (10,043) | (16,494) |
| Repayment of lease liabilities | | (222,829) | (268,082) |
| Others, net | | 78,362 | 64,798 |
| | | <u>(178,593)</u> | <u>1,319,408</u> |
| Net cash provided by (used in) financing activities | 40 ₩ | | |
| Effect of exchange rate fluctuation on cash held | | <u>16,719</u> | <u>(8,740)</u> |
| Net increase(decrease) in cash and cash equivalents | | (1,382,403) | 3,277,562 |
| Cash and cash equivalents at beginning of the period | 5,10 | <u>8,053,282</u> | <u>4,775,720</u> |
| Cash and cash equivalents at end of the period | 5,10 ₩ | <u>6,670,879</u> | <u>8,053,282</u> |

See accompanying notes to the consolidated financial statements.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information

General information about POSCO HOLDINGS INC., its 52 domestic subsidiaries including POSCO, 139 foreign subsidiaries including POSCO America Corporation (collectively “the Company”) and its 119 associates and joint ventures are as follows:

(a) The controlling company

POSCO HOLDINGS INC., the controlling 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..

As of December 31, 2023, POSCO HOLDINGS INC.’s shareholders are as follows:

| <u>Shareholder's name</u> | <u>Number of shares</u> | <u>Ownership (%)</u> |
|---|--------------------------|----------------------|
| National Pension Service | 5,393,999 | 6.38 |
| BlackRock Fund Advisors(*1) | 4,206,522 | 4.97 |
| Nippon Steel Corporation | 2,894,712 | 3.42 |
| Pohang University of Science and Technology | 1,981,047 | 2.34 |
| The Government of Singapore(GIC) | 1,759,571 | 2.08 |
| Others | <u>68,335,379</u> | <u>80.81</u> |
| | <u><u>84,571,230</u></u> | <u><u>100.00</u></u> |

(*1) Includes shares held by subsidiaries and others.

As of December 31, 2023, the shares of POSCO HOLDINGS INC. are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchange.

POSCO HOLDINGS INC. and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2023 and 2022

| Principal operations | Ownership (%) | | | | | | Region |
|--|-------------------|--------------|--------|-------------------|--------------|--------|--------------|
| | December 31, 2023 | | | December 31, 2022 | | | |
| | POSCO HOLDINGS | Subsidiaries | Total | POSCO HOLDINGS | Subsidiaries | Total | |
| [Foreign] | | | | | | | |
| POSCO-VIETNAM Co., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Vietnam |
| POSCO MEXICO S.A. DE C.V. | - | 98.16 | 98.16 | 83.28 | 14.88 | 98.16 | Mexico |
| POSCO-Poland Wroclaw Processing Center Sp. z o.o. | - | 60.00 | 60.00 | 60.00 | - | 60.00 | Poland |
| POS-NP PTY LTD | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| DAEWOO INTERNATIONAL SHANGHAI WAIGAOQIAO CO., LTD | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| PT. Bio Inti Agrindo | - | 85.00 | 85.00 | - | 85.00 | 85.00 | Indonesia |
| POSCO ENGINEERING AND CONSTRUCTION AUSTRALIA (POSCO E&C AUSTRALIA) PTY LTD | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POSCO-TISCO (JILINI) PROCESSING CENTER Co., Ltd. | 50.00 | 10.00 | 60.00 | 50.00 | 10.00 | 60.00 | China |
| POSCO Trainox Public Company Limited HUNCHUN POSCO HMM INTERNATIONAL LOGISTICS CO., LTD. | - | 74.56 | 74.56 | - | 74.56 | 74.56 | Thailand |
| POSCO INTERNATIONAL VIETNAM CO., LTD | - | 81.55 | 81.55 | - | 81.55 | 81.55 | China |
| POSCO(Chongqing) Automotive Processing Center Co., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Vietnam |
| SUZHOU POSCO-CORE TECHNOLOGY CO., LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| PT.KRAKATAU POSCO FUTUREM (formerly, PT. Krakatau Posco Chemical Calcination) | - | 80.00 | 80.00 | - | 80.00 | 80.00 | China |
| POSCO AFRICA (PROPRIETARY) LIMITED | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Indonesia |
| POSCO DX BRASIL | - | - | - | - | 100.00 | 100.00 | South Africa |
| POSCO Center Beijing | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Brazil |
| POSCO-Malaysia SDN. BHD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| PT KRAKATAU BLUE WATER | - | 95.42 | 95.42 | - | 95.42 | 95.42 | Malaysia |
| POSCO INTERNATIONAL MYANMAR CO.,LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Indonesia |
| POSCO-Italy Processing Center Myanmar POSCO C&C Company, Limited. | 88.89 | 11.11 | 100.00 | 88.89 | 11.11 | 100.00 | Myanmar |
| POSCO DX VIETNAM | - | 70.00 | 70.00 | - | 70.00 | 70.00 | Italy |
| POSCO INTERNATIONAL GLOBAL DEVELOPMENT PTE.LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Myanmar |
| Myanmar POSCO Engineering & Construction Company, Limited. | - | 75.00 | 75.00 | - | 75.00 | 75.00 | Vietnam |
| POS-Minerals Corporation | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Singapore |
| POSCO(Wuhu) Automotive Processing Center Co., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | USA |
| POSCO Engineering and Construction India Private Limited | 68.57 | 31.43 | 100.00 | 68.57 | 31.43 | 100.00 | Myanmar |
| POSCO COATED STEEL (THAILAND) CO., LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | USA |
| POSCO INTERNATIONAL AMARA Co., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Myanmar |
| POSCO WIDE-CHINA CO., LTD | - | 85.00 | 85.00 | - | 85.00 | 85.00 | Thailand |
| POSCO-Mexico Villagran Wire-rod Processing Center | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Myanmar |
| POSCO ChengDu Processing Center | - | 66.75 | 66.75 | 56.75 | 10.00 | 66.75 | China |
| POSCO(Suzhou) Steel Processing Center CO., LTD. | - | 43.00 | 43.00 | - | 43.00 | 43.00 | Mexico |
| POSCO E&C SMART S DE RL DE CV | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO Philippine Manila Processing Center, Inc. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Mexico |
| POSCO E&C HOLDINGS CO.,Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO INTERNATIONAL POWER (PNG)AEL LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Philippines |
| PT KRAKATAU POSCO SOCIAL ENTERPRISE SERVICES INDONESIA | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Thailand |
| Ventanas Philippines Construction Inc SANPU TRADING Co., Ltd. | - | 99.91 | 99.91 | - | 100.00 | 100.00 | Indonesia |
| Zhangjiagang BLZ Pohang International Trading | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Philippines |
| POSCO RU Limited Liability Company | - | 70.04 | 70.04 | - | 70.04 | 70.04 | China |
| GOLDEN LACE POSCO INTERNATIONAL CO., LTD. | 100.00 | - | 100.00 | 100.00 | - | 100.00 | China |
| POSCO DX China CO.,LTD | - | 60.00 | 60.00 | - | 60.00 | 60.00 | Russia |
| Pos-Sea Pte Ltd | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Myanmar |
| POSCO Europe Steel Distribution Center | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO ENGINEERING (THAILAND) CO., LTD. | - | 70.00 | 70.00 | - | 70.00 | 70.00 | China |
| POSCO VST CO., LTD. | 95.65 | - | 95.65 | 95.65 | - | 95.65 | China |
| POSCO INTERNATIONAL UKRAINE, LLC. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Slovenia |
| Zhangjiagang Pohang Refractories Co., Ltd. | - | 51.00 | 51.00 | - | 51.00 | 51.00 | Thailand |
| POSCO Maharashtra Steel Private Limited | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Vietnam |
| POSCO INDIA PROCESSING CENTER PRIVATE LIMITED | 93.34 | 1.98 | 95.32 | 93.34 | 1.98 | 95.32 | Ukraine |
| POSCO TNPC Otomotiv Celik San. Ve Tic. A.S | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO Vietnam Processing Center Joint Stock Company | 84.04 | 15.96 | 100.00 | 94.05 | 5.95 | 100.00 | India |
| POSCO(Laoning) Automotive Processing Center Co., Ltd. | 90.00 | 10.00 | 100.00 | 90.00 | 10.00 | 100.00 | Turkiye |
| POSCO-Indonesia Jakarta Processing Center | - | 92.20 | 92.20 | 70.51 | 21.69 | 92.20 | Vietnam |
| PT.MOTTA RESOURCES INDONESIA | 65.00 | - | 65.00 | 65.00 | - | 65.00 | China |
| POSCO TMC INDIA PRIVATE LIMITED | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Indonesia |
| POSCO AMERICA ALABAMA PROCESSING CENTER CO., LTD. | - | 97.80 | 97.80 | - | 97.80 | 97.80 | India |
| POSCO(Yantai) Automotive Processing Center Co., Ltd. | 90.00 | 10.00 | 100.00 | 90.00 | 10.00 | 100.00 | USA |
| POSCO India Steel Distribution Center Private Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO YAMATO VINA STEEL JOINT STOCK COMPANY | - | 51.00 | 51.00 | - | 51.00 | 51.00 | India |
| PT.POSCO DX INDONESIA | - | 66.99 | 66.99 | - | 66.99 | 66.99 | Indonesia |
| POSCO NCR Coal Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Vietnam |
| POSCO WA PTY LTD | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Canada |
| POSCO AUSTRALIA GP PTY LIMITED | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

| Principal operations | Ownership (%) | | | | | | Region |
|--|-------------------|--------------|-------|-------------------|--------------|-------|-------------|
| | December 31, 2023 | | | December 31, 2022 | | | |
| | POSCO HOLDINGS | Subsidiaries | Total | POSCO HOLDINGS | Subsidiaries | Total | |
| (Foreign) | | | | | | | |
| PT. KRAKATAU POSCO ENERGY | | | | | | | Indonesia |
| POSCO INTERNATIONAL AMERICA CORP. | | | | | | | USA |
| POSCO INTERNATIONAL Deutschland GMBH | | | | | | | Germany |
| POSCO INTERNATIONAL JAPAN CORP. | | | | | | | Japan |
| POSCO INTERNATIONAL SINGAPORE PTE. LTD. | | | | | | | Singapore |
| POSCO INTERNATIONAL ITALIA S.R.L. | | | | | | | Italy |
| POSCO INTERNATIONAL (CHINA) CO., LTD | | | | | | | China |
| POSCO INTERNATIONAL TEXTILE LLC. | | | | | | | Uzbekistan |
| POSCO INTERNATIONAL AUSTRALIA HOLDINGS PTY. LTD. | | | | | | | Australia |
| POSCO MAURITIUS LIMITED | | | | | | | Mauritius |
| PT. KRAKATAU POSCO | | | | | | | Indonesia |
| POSCO INTERNATIONAL MEXICO, S.A de C.V.. | | | | | | | Mexico |
| POSCO INTERNATIONAL MALAYSIA SDN BHD | | | | | | | Malaysia |
| PT POSCO INDONESIA INTI | | | | | | | Indonesia |
| POSCO INTERNATIONAL SHANGHAI CO., LTD. | | | | | | | China |
| PGSF, L.P. | | | | | | | USA |
| POSCO INTERNATIONAL INDIA PVT., LTD | | | | | | | India |
| POSCO(Dalian) IT Center Development Co., Ltd. | | | | | | | China |
| PT. POSCO E&C INDONESIA | | | | | | | Indonesia |
| HUME COAL PTY LTD | | | | | | | Australia |
| Brazil Sao Paulo Steel Processing Center | | | | | | | Brazil |
| POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA. | | | | | | | Brazil |
| POSCO ASSAN TST STEEL INDUSTRY Inc | | | | | | | Turkiye |
| HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd. | | | | | | | Hongkong |
| JB CLARK HILLS | | | | | | | Philippines |
| POS-LT Pty Ltd | | | | | | | Australia |
| ZHEJIANG POSCO-HUAYOU ESM CO., LTD | | | | | | | China |
| POSCO Argentina S.A.U. | | | | | | | Argentina |
| GRAIN TERMINAL HOLDING PTE. LTD. | | | | | | | Singapore |
| Mykolajiv Milling Works PJSC | | | | | | | Ukraine |
| Yuzhnaya Stevedoring Company Limited LLC. | | | | | | | Ukraine |
| Posco International (Thailand) Co., Ltd. | | | | | | | Thailand |
| PT POSCO INTERNATIONAL INDONESIA | | | | | | | Indonesia |
| PEC POWERCON SDN. BHD. | | | | | | | Malaysia |
| Poland Legnica Spacing Center Sp. z o.o | | | | | | | Poland |
| POSCO INTERNATIONAL E&P MALAYSIA SDN. BHD. | | | | | | | Malaysia |
| AGPA PTE. LTD. | | | | | | | Singapore |
| Senex Holdings PTY LTD(*2) | | | | | | | Australia |
| Posco International Mexico e-Mobility S.A DE C.V. | | | | | | | Mexico |
| Posco Future Materials Canada Inc. | | | | | | | Canada |
| (formerly, POSCO CHEMICAL CANADA INC) | | | | | | | Canada |
| ULTIUM CAM GP INC. | | | | | | | Canada |
| ULTIUM CAM LIMITED PARTNERSHIP | | | | | | | Canada |
| POSCO(Wuhan) Automotive Processing Center Co., Ltd | | | | | | | China |
| POSCO BRAZIL LTDA | | | | | | | Brazil |
| Port Hedland Green Steel Pty Ltd | | | | | | | Australia |
| PT AGPA REFINERY COMPLEX | | | | | | | Indonesia |
| POSCO MOBILITY SOLUTION POLAND Sp. z o.o. | | | | | | | Poland |
| PT POSCO INTERNATIONAL ENP INDONESIA | | | | | | | Indonesia |
| POSCO INTERNATIONAL E&P USA Inc. | | | | | | | USA |
| POSCO FLOW CANADA INC. | | | | | | | Canada |
| POSCO FLOW (Shanghai) Co.,Ltd | | | | | | | China |

(*1) POSCO ENERGY CO., LTD. was merged into POSCO INTERNATIONAL Corporation as of January 1, 2023.

(*2) Senex Holdings PTY LTD includes 22 subsidiaries including Senex Energy Limited.

(*3) During the year ended December 31, 2023, the Company acquired an additional 50% of the shares held by external shareholders of QSONE Co.,Ltd., which was previously classified as investment in associate. Accordingly, the entity was newly included in consolidated subsidiary due to obtaining control of the entity

The controlling company's interests in the subsidiaries increased by ₩250,363 million (POSCO INTERNATIONAL Corporation and others) and decreased ₩7,827 million (POSCO FUTURE M CO.,LTD. and others) in 2023 and 2022, respectively, as a result of changes in the Company's ownership investment in subsidiaries that did not result in a loss of control.

POSCO HOLDINGS INC. received dividends of ₩441,113 million and ₩122,838 million from its subsidiaries in aggregate in 2023 and 2022, respectively.

As of December 31, 2023, there are no restrictions on the ability of subsidiaries to transfer funds to the controlling company, such as in the form of cash dividends, repayment of loans or payment of advances.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(c) Summarized financial information of principal subsidiaries as of and for the years ended December 31, 2023 and 2022 are as follows:

1) December 31, 2023

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|---|------------|-------------|------------|------------|-------------------|
| [Domestic] | | | | | |
| POSCO | 45,825,529 | 12,716,600 | 33,108,929 | 38,971,567 | 1,179,665 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | 7,861,704 | 4,455,205 | 3,406,499 | 9,534,592 | 198,203 |
| POSCO STEELEON Co., Ltd. | 529,525 | 174,724 | 354,801 | 1,132,510 | 32,276 |
| POSCO DX (formerly, POSCO ICT) | 871,343 | 418,446 | 452,897 | 1,445,326 | 88,527 |
| eNtoB Corporation | 164,228 | 97,127 | 67,101 | 1,110,222 | 8,491 |
| POSCO FUTURE M CO.,LTD. (formerly, POSCO CHEMICAL CO., LTD.) | 5,756,556 | 3,327,874 | 2,428,682 | 4,457,201 | 32,140 |
| POSCO M-TECH | 154,927 | 39,170 | 115,757 | 341,410 | 4,868 |
| POSCO INTERNATIONAL Corporation | 12,565,027 | 7,170,143 | 5,394,884 | 28,536,917 | 632,519 |
| POSCO MOBILITY SOLUTION | 1,036,342 | 448,319 | 588,023 | 1,432,416 | (24,265) |
| POSCO-Pilbara LITHIUM SOLUTION Co., Ltd. | 898,301 | 558,449 | 339,852 | 4,673 | (34,198) |
| QSONE Co.,Ltd.(*1) | 232,848 | 53,646 | 179,202 | 18,044 | 6,037 |

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|---|-----------|-------------|-----------|-----------|-------------------|
| [Foreign] | | | | | |
| POSCO America Corporation | 153,900 | 7,980 | 145,920 | 12,231 | 16,690 |
| POSCO AUSTRALIA PTY LTD(*2) | 1,322,381 | 133,612 | 1,188,769 | 224,985 | 152,896 |
| POSCO Asia Co., Ltd. | 1,130,637 | 862,642 | 267,995 | 83,539 | 16,275 |
| POSCO-CTPC Co., Ltd. | 113,805 | 59,166 | 54,639 | 250,167 | 1,093 |
| POSCO (Zhangjiagang) Stainless Steel Co.,Ltd. | 936,933 | 459,269 | 477,664 | 3,359,087 | (169,873) |
| POSCO (Thailand) Company Limited | 185,280 | 82,456 | 102,824 | 440,532 | (3,621) |
| Qingdao Pohang Stainless Steel Co., Ltd. | 128,820 | 23,453 | 105,367 | 296,883 | (13,362) |
| POSCO (Suzhou) Automotive Processing Center Co., Ltd. | 371,734 | 198,451 | 173,283 | 729,700 | 6,364 |
| POSCO-China Holding Corp. | 986,501 | 515,610 | 470,891 | 31,329 | (22,326) |
| POSCO JAPAN Co., Ltd. | 201,184 | 5,300 | 195,884 | 16,453 | 3,705 |
| POSCO-India Pune Processing Center. Pvt. Ltd. | 222,439 | 175,594 | 46,845 | 436,248 | 1,576 |
| POSCO Japan PC Co.,LTD | 335,780 | 254,557 | 81,223 | 623,375 | 9,079 |
| POSCO-CFPC Co., Ltd. | 296,489 | 229,961 | 66,528 | 843,934 | 1,900 |
| POSCO MPPC S.A. de C.V. | 521,303 | 415,819 | 105,484 | 934,346 | (278) |
| POSCO-VIETNAM Co., Ltd. | 309,476 | 299,054 | 10,422 | 737,530 | (5,594) |
| POSCO MEXICO S.A. DE C.V. | 726,121 | 500,597 | 225,524 | 846,600 | (8,530) |
| POSCO Thainox Public Company Limited | 433,638 | 100,506 | 333,132 | 551,000 | (4,170) |
| POSCO Center Beijing | 427,898 | 246,190 | 181,708 | 37,028 | 5,623 |
| POSCO COATED STEEL (THAILAND) CO., LTD. | 307,619 | 220,259 | 87,360 | 386,992 | 1,459 |
| POSCO INTERNATIONAL AMARA Co., Ltd. | 306,105 | 400,124 | (94,019) | 33,288 | (21,723) |
| POSCO VST Co., LTD. | 251,525 | 196,382 | 55,143 | 547,889 | (36,723) |
| POSCO Maharashtra Steel Private Limited | 1,319,232 | 791,431 | 527,801 | 1,763,374 | 58,669 |
| POSCO INDIA PROCESSING CENTER PRIVATE LIMITED | 344,678 | 251,870 | 92,808 | 896,860 | 13,268 |
| POSCO Vietnam Processing Center Joint Stock Company | 238,694 | 127,038 | 111,656 | 577,064 | 7,003 |
| POSCO(Liaoning) Automotive Processing Center Co., Ltd. | 99,186 | 48,858 | 50,328 | 229,524 | 3,718 |
| POSCO YAMATO VINA STEEL JOINT STOCK COMPANY | 434,496 | 127,087 | 307,409 | 395,261 | 8,993 |
| PT. KRAKATAU POSCO ENERGY | 263,986 | 94,202 | 169,784 | 34,158 | 13,895 |
| POSCO INTERNATIONAL AMERICA CORP. | 629,533 | 473,572 | 155,961 | 2,282,133 | 29,445 |
| POSCO INTERNATIONAL Deutschland GMBH | 400,762 | 384,113 | 16,649 | 946,974 | 3,413 |
| POSCO INTERNATIONAL JAPAN CORP. | 895,043 | 744,065 | 150,978 | 2,939,318 | 27,022 |
| POSCO INTERNATIONAL SINGAPORE PTE. LTD. | 294,527 | 280,090 | 14,437 | 3,025,822 | 7,452 |
| POSCO INTERNATIONAL ITALIA S.R.L. | 226,148 | 209,374 | 16,774 | 777,756 | 1,498 |
| PT. KRAKATAU POSCO | 3,475,929 | 2,747,948 | 727,981 | 3,130,551 | 65,827 |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|---|-----------|-------------|-----------|---------|-------------------|
| [Foreign] | | | | | |
| POSCO ASSAN TST STEEL INDUSTRY Inc | 471,071 | 456,913 | 14,158 | 416,096 | (73,032) |
| POSCO AMERICA ALABAMA PROCESSING CENTER CO., LTD. | 152,896 | 135,087 | 17,809 | 251,884 | (3,025) |
| POSCO Argentina S.A.U. | 1,658,879 | 542,525 | 1,116,354 | - | (73,807) |
| POSCO-MKPC SDN BHD | 132,043 | 59,916 | 72,127 | 244,754 | 8,770 |
| Senex Holdings PTY LTD(*2) | 1,623,493 | 802,259 | 821,234 | 246,493 | 14,239 |

(*1) The sales and net income occurred after the inclusion as a subsidiary.

(*2) Summarized financial information of POSCO AUSTRALIA PTY LTD and Senex Holdings PTY LTD, a subsidiary of POSCO HOLDINGS INC., are based on its consolidated financial information. The financial information of the other entities is based on separate financial statements of each entity.

2) December 31, 2022

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|---|------------|-------------|------------|------------|-------------------|
| [Domestic] | | | | | |
| POSCO | 44,644,744 | 12,148,120 | 32,496,624 | 35,152,358 | 503,076 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | 7,065,745 | 3,814,041 | 3,251,704 | 8,124,502 | 130,657 |
| POSCO STEELEON Co., Ltd. | 531,890 | 201,053 | 330,837 | 1,181,625 | 17,480 |
| POSCO DX (formerly, POSCO ICT) | 795,602 | 388,531 | 407,071 | 1,108,702 | 43,463 |
| eNtoB Corporation | 192,658 | 128,012 | 64,646 | 988,417 | 10,548 |
| POSCO FUTURE M CO.,LTD. (formerly, POSCO CHEMICAL CO., LTD.) | 4,276,626 | 1,849,501 | 2,427,125 | 3,041,287 | 114,853 |
| POSCO M-TECH | 147,012 | 32,170 | 114,842 | 342,176 | 5,176 |
| POSCO ENERGY CO., LTD. | 4,298,692 | 2,638,807 | 1,659,885 | 3,605,965 | 190,704 |
| POSCO INTERNATIONAL Corporation | 9,186,552 | 5,837,152 | 3,349,400 | 32,566,135 | 289,472 |
| POSCO MOBILITY SOLUTION | 966,837 | 350,253 | 616,584 | 1,420,467 | 19,246 |
| POSCO-Pilbara LITHIUM SOLUTION Co., Ltd. | 404,338 | 30,418 | 373,920 | 12,566 | (6,737) |

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|---|-----------|-------------|----------|-----------|-------------------|
| [Foreign] | | | | | |
| POSCO America Corporation | 135,502 | 8,296 | 127,206 | 11,380 | 20,379 |
| POSCO AUSTRALIA PTY LTD(*1) | 1,144,012 | 145,830 | 998,182 | 265,615 | 216,924 |
| POSCO Asia Co., Ltd. | 1,544,639 | 1,291,250 | 253,389 | 41,863 | 9,904 |
| POSCO-CTPC Co., Ltd. | 130,536 | 76,730 | 53,806 | 266,938 | 657 |
| POSCO (Zhangjiagang) Stainless Steel Co.,Ltd. | 1,164,609 | 518,106 | 646,503 | 4,208,952 | (77,395) |
| POSCO (Thailand) Company Limited | 166,117 | 62,382 | 103,735 | 504,806 | 3,662 |
| Qingdao Pohang Stainless Steel Co., Ltd. | 132,871 | 13,999 | 118,872 | 380,792 | (13,525) |
| POSCO (Suzhou) Automotive Processing Center Co., Ltd. | 455,662 | 288,070 | 167,592 | 959,115 | 514 |
| POSCO-China Holding Corp. | 1,094,494 | 600,058 | 494,436 | 38,601 | (34,522) |
| POSCO JAPAN Co., Ltd. | 223,947 | 27,259 | 196,688 | 269,717 | 24,344 |
| POSCO-India Pune Processing Center. Pvt. Ltd. | 161,519 | 116,774 | 44,745 | 521,504 | 7,354 |
| POSCO Japan PC CO.,LTD | 386,553 | 311,011 | 75,542 | 635,651 | 8,868 |
| POSCO-CFPC Co., Ltd. | 328,843 | 263,965 | 64,878 | 1,124,718 | 14 |
| POSCO MPPC S.A. de C.V. | 546,916 | 442,970 | 103,946 | 881,066 | 8,365 |
| POSCO-VIETNAM Co., Ltd. | 321,430 | 305,758 | 15,672 | 885,599 | (39,726) |
| POSCO MEXICO S.A. DE C.V. | 726,081 | 496,146 | 229,935 | 785,821 | (8,832) |
| POSCO Thainox Public Company Limited | 419,425 | 83,801 | 335,624 | 900,653 | 7,411 |
| POSCO Center Beijing | 440,329 | 263,555 | 176,774 | 44,183 | 8,668 |
| POSCO COATED STEEL (THAILAND) CO., LTD. | 319,379 | 235,672 | 83,707 | 458,059 | (1,305) |
| POSCO INTERNATIONAL AMARA Co., Ltd. | 308,643 | 379,974 | (71,331) | 34,000 | (12,626) |
| POSCO VST CO., LTD. | 319,010 | 229,180 | 89,830 | 843,998 | 17,071 |
| POSCO Maharashtra Steel Private Limited | 1,353,120 | 888,574 | 464,546 | 1,901,490 | (41,471) |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|--|-----------|-------------|---------|-----------|----------------------|
| [Foreign] | | | | | |
| POSCO INDIA PROCESSING CENTER PRIVATE LIMITED | 334,723 | 255,895 | 78,828 | 916,943 | 14,296 |
| POSCO Vietnam Processing Center Joint Stock Company | 260,014 | 168,843 | 91,171 | 783,750 | 4,930 |
| POSCO(Liaoning) Automotive Processing Center Co., Ltd. | 112,033 | 64,894 | 47,139 | 276,169 | 2,682 |
| POSCO YAMATO VINA STEEL JOINT STOCK COMPANY | 446,881 | 153,467 | 293,414 | 461,530 | 355 |
| PT. KRAKATAU POSCO ENERGY | 282,988 | 114,371 | 168,617 | 34,599 | 16,634 |
| POSCO INTERNATIONAL AMERICA CORP. | 536,696 | 411,978 | 124,718 | 2,658,298 | 31,244 |
| POSCO INTERNATIONAL Deutschland GMBH | 403,283 | 390,779 | 12,504 | 979,225 | 5,398 |
| POSCO INTERNATIONAL JAPAN CORP. | 928,656 | 798,617 | 130,039 | 2,921,851 | 26,410 |
| POSCO INTERNATIONAL SINGAPORE PTE. LTD. | 257,492 | 250,532 | 6,960 | 4,955,151 | (2,985) |
| POSCO INTERNATIONAL ITALIA S.R.L. | 221,860 | 207,405 | 14,455 | 930,000 | 3,539 |
| POSCO INTERNATIONAL (CHINA) CO., LTD | 61,065 | 34,772 | 26,293 | 255,863 | 2,327 |
| PT. KRAKATAU POSCO | 3,973,061 | 3,321,182 | 651,879 | 3,006,300 | 137,787 |
| POSCO INTERNATIONAL MALAYSIA SDN BHD | 4,742 | 1,739 | 3,003 | 243,764 | 248 |
| POSCO ASSAN TST STEEL INDUSTRY Inc | 574,280 | 489,503 | 84,777 | 880,462 | 48,827 |
| POSCO AMERICA ALABAMA PROCESSING CENTER CO., LTD. | 158,116 | 137,677 | 20,439 | 238,131 | (1,638) |
| POSCO Argentina S.A.U. | 766,020 | 15,395 | 750,625 | 59 | (669) |
| POSCO-MKPC SDN BHD | 153,081 | 85,891 | 67,190 | 244,967 | 14,472 |
| POSCO INTERNATIONAL VIETNAM CO.,LTD. | 14,283 | 6,792 | 7,491 | 280,690 | 788 |
| POSCO INTERNATIONAL SHANGHAI CO.,LTD. | 49,752 | 39,951 | 9,801 | 228,844 | (525) |
| Senex Holdings PTY LTD(*1) | 1,386,504 | 604,124 | 782,380 | 186,794 | 24,621 |

(*1) Summarized financial information of POSCO AUSTRALIA PTY LTD and Senex Holdings PTY LTD, a subsidiary of POSCO HOLDINGS INC., are based on its consolidated financial information. The financial information of the other entities is based on separate financial statements of each entity.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(d) Details of non-controlling interests by entity as of and for the years ended December 31, 2023 and 2022 are as follows:

1) December 31, 2023

(in millions of Won)

| | POSCO INTERNATIONAL Corporation | PT. KRAKATAU POSCO | POSCO FUTURE M CO., LTD | POSCO Eco & Challenge CO., LTD. | POSCO DX CO., LTD. | Others | Total |
|--|---------------------------------------|-----------------------|-------------------------------|---------------------------------------|-----------------------|-------------|--------------|
| Current assets | 5,717,154 | 810,988 | 2,049,879 | 5,577,527 | 561,725 | 10,280,517 | 24,997,790 |
| Non-current assets | 5,787,515 | 2,664,861 | 3,056,029 | 2,019,351 | 184,667 | 8,086,165 | 21,798,588 |
| Current liabilities | (4,379,238) | (1,318,286) | (1,221,829) | (3,866,258) | (328,558) | (8,445,386) | (19,559,555) |
| Non-current liabilities | (2,938,204) | (1,429,590) | (2,228,191) | (522,622) | 14,841 | (2,680,943) | (9,784,709) |
| Equity | 4,187,227 | 727,973 | 1,655,888 | 3,207,998 | 432,675 | 7,240,353 | 17,452,114 |
| Non-controlling interests | 1,121,823 | 363,987 | 666,420 | 1,514,203 | 149,812 | 2,600,462 | 6,416,707 |
| Sales | 28,542,084 | 3,130,551 | 4,457,201 | 9,536,262 | 1,439,715 | 29,630,513 | 76,736,326 |
| Profit (loss) for the period | 528,592 | 72,609 | 63,024 | 188,436 | 88,104 | (400,634) | 540,131 |
| Profit (loss) attributable | | | | | | | |
| to non-controlling interests | 141,618 | 36,304 | 25,365 | 88,943 | 30,506 | (143,784) | 178,952 |
| Cash flows from operating activities | 258,910 | 182,199 | (193,324) | (168,120) | 7,257 | 95,392 | 182,314 |
| Cash flows from investing activities | 53,876 | (13,992) | (389,075) | 192,970 | 6,832 | (334,276) | (483,665) |
| Cash flows from financing activities | | | | | | | |
| (before dividends to non-controlling interest) | (324,134) | (154,212) | 577,158 | 63,164 | (319) | 330,622 | 492,279 |
| Dividends to non-controlling interest | (47,765) | - | (9,344) | (9,867) | (3,941) | (19,963) | (90,880) |
| Effect of exchange rate fluctuation | | | | | | | |
| on cash held | 651 | 46 | (1) | 260 | (63) | 864 | 1,757 |
| Net increase (decrease) | | | | | | | |
| in cash and cash equivalents | (58,462) | 14,041 | (14,586) | 78,407 | 9,766 | 72,639 | 101,805 |

2) December 31, 2022

(in millions of Won)

| | POSCO INTERNATIONAL Corporation | PT. KRAKATAU POSCO | POSCO FUTURE M CO., LTD | POSCO Eco & Challenge CO., LTD. | POSCO DX CO., LTD. | Others | Total |
|--|---------------------------------------|-----------------------|-------------------------------|---------------------------------------|-----------------------|-------------|--------------|
| Current assets | 5,289,899 | 1,125,123 | 1,832,804 | 4,732,474 | 585,766 | 10,305,149 | 23,871,215 |
| Non-current assets | 3,470,861 | 3,062,378 | 2,261,649 | 2,012,038 | 226,598 | 7,264,540 | 18,298,064 |
| Current liabilities | (3,809,495) | (2,486,616) | (920,856) | (3,125,795) | (419,452) | (8,860,121) | (19,442,135) |
| Non-current liabilities | (2,203,923) | (834,456) | (938,447) | (642,951) | (4,431) | (2,094,774) | (6,718,982) |
| Equity | 2,747,342 | 866,429 | 2,235,350 | 2,975,766 | 388,481 | 6,794,794 | 16,008,162 |
| Non-controlling interests | 1,018,764 | 433,214 | 899,416 | 1,404,588 | 134,484 | 2,480,625 | 6,371,091 |
| Sales | 32,532,465 | 3,006,300 | 3,041,287 | 8,123,147 | 1,101,037 | 34,933,760 | 82,737,996 |
| Profit for the period | 323,749 | 140,967 | 114,365 | 148,588 | 42,832 | 269,926 | 1,040,427 |
| Profit attributable | | | | | | | |
| to non-controlling interests | 120,052 | 70,483 | 46,016 | 70,135 | 14,828 | 106,091 | 427,605 |
| Cash flows from operating activities | 480,927 | 342,484 | (27,009) | (54,506) | (594) | 68,906 | 810,208 |
| Cash flows from investing activities | (389,092) | (372,345) | (26,492) | 160,750 | 3,973 | (619,072) | (1,242,278) |
| Cash flows from financing activities | | | | | | | |
| (before dividends to non-controlling interest) | 136,954 | (115,046) | 107,266 | 154,946 | (561) | 614,001 | 897,560 |
| Dividends to non-controlling interest | (36,585) | - | (9,360) | (14,800) | (2,628) | (16,921) | (80,294) |
| Effect of exchange rate fluctuation | | | | | | | |
| on cash held | 853 | 12,690 | (2,469) | (450) | (35) | (1,412) | 9,177 |
| Net increase (decrease) | | | | | | | |
| in cash and cash equivalents | 193,057 | (132,217) | 41,936 | 245,940 | 155 | 45,502 | 394,373 |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(e) Details of associates and joint ventures

1) Associates

Details of associates as of December 31, 2023 and 2022 are as follows:

| Investee | Category of business | Ownership (%) | | Region |
|--|--|---------------|-------|-----------|
| | | 2023 | 2022 | |
| [Domestic] | | | | |
| New Songdo International City Development, LLC | Real estate rental | 29.90 | 29.90 | Incheon |
| Gale International Korea, LLC | Real estate rental | 29.90 | 29.90 | Incheon |
| SNNC | Raw material manufacturing and sales | 49.00 | 49.00 | Gwangyang |
| KONES, Corp. | Technical service | 27.41 | 26.72 | Gyeongju |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | Real estate development | 29.53 | 29.53 | Chungju |
| DAEHO GLOBAL MANAGEMENT CO., LTD. | Investment advisory service | 35.82 | 35.82 | Pohang |
| Mokpo Deayang Industrial Corporation(*3) | Real estate development and rental | - | 27.40 | Mokpo |
| Gunggi Green Energy(*1) | Electricity generation | 19.00 | 19.00 | Hwaseong |
| Pohang Special Welding Co.,Ltd. | Welding material and tools manufacturing and sales | 50.00 | 50.00 | Pohang |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | Investment in new technologies | 27.23 | 27.23 | Seoul |
| KC Chemicals CORP.(*1) | Machinery manufacturing | 18.76 | 18.76 | Hwaseong |
| POSTECH Social Enterprise Fund(*3) | Investment in new technologies | - | 9.17 | Seoul |
| OSONE Co.,Ltd.(*5) | Real estate rental | - | 50.00 | Seoul |
| Chun-cheon Energy Co., Ltd | Electricity generation | 49.10 | 49.10 | Chuncheon |
| Noeul Green Energy(*1) | Electricity generation | 10.00 | 10.00 | Seoul |
| Posco-IDV Growth Ladder IP Fund(*1) | Investment in new technologies | 17.86 | 17.86 | Seoul |
| DaeSung SnM Co., Ltd.(*1) (formerly, Daesung Steel) | Steel sales | 17.54 | 17.54 | Busan |
| Pohang E&E Co., LTD | Investment in waste energy | 30.00 | 30.00 | Pohang |
| POSCO Energy Valley Fund | Investment in new technologies | 22.08 | 20.00 | Pohang |
| Hyundai Invest Guggenheim CLO | | | | |
| Qualified Private Special Asset Trust No.2(*4) | Investment in new technologies | - | 38.57 | Seoul |
| Posco Agri-Food Export Fund | Investment in new technologies | 30.00 | 30.00 | Seoul |
| Posco Culture Contents Fund | Investment in new technologies | 31.67 | 31.67 | Seoul |
| PCC Amberstone Private Equity Fund 1(*1) | Investment in new technologies | 8.80 | 8.80 | Seoul |
| UITrans LRT Co., Ltd. | Transporting | 38.19 | 38.19 | Seoul |
| POSCO Advanced Technical Staff Fund(*1) | Investment in new technologies | 15.87 | 15.86 | Seoul |
| POSCO 4th Industrial Revolution Fund(*1) | Investment in new technologies | 19.05 | 19.05 | Seoul |
| Pureun Tongyeong Enviro Co., Ltd. | Sewerage treatment | 20.40 | 20.40 | Tongyeong |
| Pure Gimpo Co., Ltd. | Construction | 28.79 | 28.79 | Gimpo |
| Posgreen Co., Ltd.(*1) | Lime and plaster manufacturing | 19.00 | 19.00 | Gwangyang |
| Clean Iksan Co., Ltd. | Construction | 23.50 | 23.50 | Iksan |
| Innovalloy Co., Ltd. | Real estate development | 29.48 | 28.77 | Yongin |
| BLUE OCEAN Private Equity Fund | Private equity financial | 27.52 | 27.52 | Seoul |
| Pocheon-Hwado Highway Corp. | Investment in Expressway | 27.89 | 27.64 | Incheon |
| INNOPOLIS Job Creation Fund II(*1) | Investment in new technologies | 6.13 | 6.13 | Seoul |
| Samcheok Blue Power Co.,Ltd. | Generation of electricity | 34.00 | 34.00 | Samcheok |
| INKOTECH, INC.(*1) | Electricity generation and sales | 10.00 | 10.00 | Seoul |
| PCC Social Enterprise Fund II(*1) | Investment in new technologies business | 16.67 | 16.67 | Seoul |
| PCC Amberstone Private Equity Fund II(*4) | Private equity trust | - | 19.91 | Seoul |
| PCC-Conar No.1 Fund(*1) | Investment in new technologies business | 15.49 | 15.34 | Pohang |
| HYOCHUN Co., Ltd.(*1) | Screen door operation and other | 18.00 | 18.00 | Seoul |
| IBKC-PCC 1st Fund(*1) | Investment in new technologies business | 18.18 | 18.18 | Pohang |
| 2019 PCC Materials and Parts Fund(*3) | Investment in new technologies business | - | 8.70 | Pohang |
| PCC-Woori LP secondary Fund(*1) | Investment in new technologies business | 18.85 | 18.85 | Pohang |
| CURO CO.,LTD.(*4) | Manufacturing, construction | - | 0.53 | Ulsan |
| Link City PFV Inc. | Construction, housing construction and sales | 44.00 | 44.00 | Uijeongbu |
| BNH-POSCO Bio Healthcare Fund(*1) | Investment in new technologies business | 18.14 | 18.14 | Pohang |
| PCC-BM Project Fund(*1) | Investment in new technologies business | 8.77 | 8.77 | Pohang |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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| Investee | Category of business | Ownership (%) | | Region |
|---|---|---------------|-------|---------------|
| | | 2023 | 2022 | |
| [Domestic] | | | | |
| Energy Innovation Fund I(*1) | Investment in new technologies business | 10.11 | 10.11 | Pohang |
| Consus PS development Professional Private Real Estate Fund | Real estate development | 50.00 | 50.00 | Seoul |
| POSTECH Holdings 4th Fund | Private Investment Association | 40.00 | 40.00 | Pohang |
| SNU STH IP Fund | Private Investment Association | 33.33 | 33.33 | Seoul |
| PCC-BM Project Fund 2(*1) | Investment in new technologies business | 13.70 | 13.70 | Pohang |
| G&G Technology Innovation Fund No.1(*1) | Investment in new technologies business | 13.97 | 13.97 | Seongnam |
| NPX-PCC Edutech Fund(*3) | Investment in new technologies business | - | 19.96 | Pohang |
| C&-PCC I Fund(*3) | Investment in new technologies business | - | 0.68 | Pohang |
| 2020 POSCO-MOORIM Bio New Technology Fund(*3) | Investment in new technologies business | - | 5.00 | Pohang |
| PCC-KAI Secondary I Fund(*1) | Investment in new technologies business | 19.12 | 19.12 | Seoul |
| 2021 PCC Bio New Technology Fund(*1) | Investment in new technologies | 5.45 | 5.45 | Pohang |
| Consus BG Private Real Estate Fund No.2 | Real estate development | 50.00 | 50.00 | Seoul |
| Consus OS Private Real Estate Fund(*3) | Real estate development | - | 50.00 | Seoul |
| Consus NewDeal Infra Development Specialized Private Special Asset Investment Trust 1 | Investment Association | 40.00 | 40.00 | Seoul |
| Hybrid ESG Secondary Venture No.1(*1) | Investment Association | 18.27 | 18.27 | Pohang |
| PCC-Bailey Project Fund(*1) | Investment in new technologies business | 7.27 | 7.27 | Pohang |
| CR Inotech Co., Ltd.(*1) | Manufacturing | 19.00 | 19.00 | Gwangyang |
| Posco JK Solid Solution Co., Ltd. | Material manufacturing for rechargeable battery | 40.00 | 40.00 | Yangsan |
| PCC-Xinova PRE-IPO Fund(*1) | Investment in new technologies business | 9.09 | 9.09 | Pohang |
| Erae Ams Co.,Ltd.(*4) | Automotive parts manufacturing | - | 16.66 | Daegu |
| Consus OS Private Real Estate Fund 2(*2) | Real estate development | 50.00 | - | Seoul |
| [Foreign] | | | | |
| POSCHROME (PROPRIETARY) LIMITED | Raw material manufacturing and sales | 50.00 | 50.00 | South Africa |
| CAML RESOURCES PTY LTD | Raw material manufacturing and sales | 33.34 | 33.34 | Australia |
| Nickel Mining Company SAS | Raw material manufacturing and sales | 49.00 | 49.00 | New Caledonia |
| PT. Wampu Electric Power | Construction and civil engineering | 20.00 | 20.00 | Indonesia |
| POSK(Pinghu) Steel Processing Center Co., Ltd. | Steel processing and sales | 20.00 | 20.00 | China |
| PT.INDONESIA POS CHEMTECH CHOSUN Ref | Refractory manufacturing and sales | 30.19 | 30.19 | Indonesia |
| NS-Thainox Auto Co., Ltd. | Stainless sales and transporting | 49.00 | 49.00 | Thailand |
| PT. Tanggamus Electric Power(*1) | Construction and civil engineering | 17.50 | 17.50 | Indonesia |
| LLP POSUK Titanium | Titanium manufacturing and sales | 35.30 | 35.30 | Kazakhstan |
| IMFA ALLOYS FINLEASE LTD | Raw material manufacturing and sales | 24.00 | 24.00 | India |
| KRAKATAU POS-CHEM DONG-SUH CHEMICAL(*1) | Chemical by-product manufacturing and sales | 19.00 | 19.00 | Indonesia |
| 9404-5515 Quebec Inc. | Investments management | 25.85 | 25.85 | Canada |
| Hampanan Mulya | Resource development | 45.00 | 45.00 | Indonesia |
| POS-SEAHESTEELWIRE(TIANJIN)CO.,Ltd. | Steel manufacturing and sales | 25.00 | 25.00 | China |
| Eureka Moly LLC | Raw material manufacturing and sales | 20.00 | 20.00 | USA |
| KIRIN VIETNAM CO., LTD(*1) | Panel manufacturing | 19.00 | 19.00 | Vietnam |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | Steel processing and sales | 25.00 | 25.00 | China |
| POS-SeAH Steel Wire (Thailand) Co., Ltd. | Steel manufacturing and sales | 25.00 | 25.00 | Thailand |
| Jupiter Mines Limited(*1) | Resource development | 6.89 | 6.89 | Australia |
| SAMHWAN VINA CO., LTD(*1) | Steel manufacturing and sales | 17.26 | 19.00 | Vietnam |
| Saudi-Korean Company for Maintenance Properties Management LLC(*1) | Building management | 19.00 | 19.00 | Saudi Arabia |
| NCR LLC | Coal sales | 22.05 | 22.05 | Canada |
| AMCI (WA) PTY LTD | Iron ore sales & mine development | 49.00 | 49.00 | Australia |
| SHANGHAI LANSHENG DAEWOO CORP. | Trading | 49.00 | 49.00 | China |
| SHANGHAI WAIGAOQIAO FREE TRADE ZONE | | | | |
| _LANSHENG DAEWOO IN'L TRADING CO., LTD. | Trading | 49.00 | 49.00 | China |
| General Medicines Company Ltd. | Medicine manufacturing and sales | 33.00 | 33.00 | Sudan |
| KOREA LNG LTD. | Gas production and sales | 20.00 | 20.00 | England |
| AES-VCM Mong Duong Power Company Limited | Electricity generation | 30.00 | 30.00 | Vietnam |
| South-East Asia Gas Pipeline Company Ltd. | Pipeline construction and management | 25.04 | 25.04 | Myanmar |
| GLOBAL KOMSCO Daewoo LLC | Cotton celluloid manufacturing and sales | 35.00 | 35.00 | Uzbekistan |
| POSCO-Poggenamp Electrical Steel Pvt. Ltd. | Steel processing and sales | 26.00 | 26.00 | India |
| Qingdao Pohang DGENX Stainless SteelPipeCo., Ltd | Exhaust meter manufacturing | 40.00 | 40.00 | China |
| SHINPOONG DAEWOO PHARMA VIETNAM CO.,LTD(*1) | Medicine production | 3.42 | 3.42 | Vietnam |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | Anode material Production | 40.00 | 40.00 | China |
| MONG DUONG FINANCE HOLDINGS B.V. | Financial Holdings | 30.00 | 30.00 | Netherlands |
| FQM Australia Holdings Pty Ltd | Non-ferrous metal Mining | 24.32 | 30.00 | Australia |
| Qingdao ZhongShou New Energy Technology Co.,Ltd(*1) | Artificial Graphite manufacturing | 13.00 | 13.01 | China |
| Black Rock Mining LTD(*1) | Mining | 11.72 | 12.90 | Australia |
| Inner Mongolia Sinuo New Material Technology Co.,Ltd(*1) | Artificial Graphite manufacturing | 12.85 | 12.85 | China |
| ZHANGJIAGANG XIAO-SHA COIL SERVICE CENTER CO.,LTD(*1) | Steel processing and sales | 17.50 | 17.50 | China |
| TMK Gulf International Pipe Industry L.L.C.(*4) | Manufacturing | - | 6.77 | Oman |

(*1) The Company has determined that it has significant influence even though the Company's percentage of ownership is less than 20% considering the composition of board of directors.

(*2) During the year ended December 31, 2023, the entity was newly included as an associates.

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- (*3) During the year ended December 31, 2023 the entities were excluded from associates due to liquidation.
- (*4) During the year ended December 31, 2023, the entities were excluded from associates due to sale of interest, etc.
- (*5) During the year ended December 31, 2023, the entities were excluded from associates and classified as a subsidiary due to the whole acquisition of external shareholders.

2) Joint ventures

Details of joint ventures as of December 31, 2023 and 2022 are as follows:

| Investee | Category of business | Ownership (%) | | Region |
|--|---|---------------|-------|--------------|
| | | 2023 | 2022 | |
| [Domestic] | | | | |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | Steel processing and sales | 60.00 | 60.00 | Gwangyang |
| POSCO-KB Shipbuilding Restructuring Fund | Investment in new technologies | 18.75 | 18.75 | Seoul |
| POSCO-NSC Venture Fund | Investment in new technologies | 16.67 | 16.67 | Seoul |
| PoscoPlusus Project 3rd Project fund | Investment in new technologies | 5.96 | 5.96 | Seoul |
| PCC Bio 2nd Fund | Investment in new technologies | 19.72 | 19.72 | Seoul |
| Union PCC Portfolio Fund | Investment in new technologies | 14.12 | 14.12 | Seoul |
| Eco Energy Solution Co., Ltd. | Service | 50.00 | 50.00 | Seoul |
| [Foreign] | | | | |
| KOBRASCO | Steel materials manufacturing and sales | 50.00 | 50.00 | Brazil |
| CSP - Companhia Siderurgica do Pecem(*1) | Steel manufacturing and sales | - | 20.00 | Brazil |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | Steel processing and sales | 25.00 | 25.00 | China |
| POSCO-SAMSUNG-Slovakia Processing Center | Steel processing and sales | 30.00 | 30.00 | Slovakia |
| YULCHON MEXICO S.A. DE C.V. | Tube for automobile manufacturing | 11.85 | 11.85 | Mexico |
| Hyunson Engineering & Construction HYENCO | Construction | 4.89 | 4.89 | Algeria |
| POSCO E&C Saudi Arabia | Civil engineering and construction | 40.00 | 40.00 | Saudi Arabia |
| Pos-Austem Suzhou Automotive Co., Ltd | Automotive parts manufacturing | 19.90 | 19.90 | China |
| POS-InfraAuto (Suzhou) Co., Ltd | Automotive parts manufacturing | 16.20 | 16.20 | China |
| POS-AUSTEM YANTAI AUTOMOTIVE CO., LTD | Automotive parts manufacturing | 11.10 | 11.10 | China |
| POS-AUSTEM WUHAN AUTOMOTIVE CO., LTD | Automotive parts manufacturing | 7.43 | 7.43 | China |
| DMSA/AMSA | Energy & resource development | 3.89 | 3.89 | Madagascar |
| Roy Hill Holdings Pty Ltd | Energy & resource development | 12.50 | 12.50 | Australia |
| POSCO-NPS Niobium LLC | Mine development | 50.00 | 50.00 | USA |
| HBIS-POSCO Automotive Steel Co., Ltd | Steel manufacturing and sales | 50.00 | 50.00 | China |
| PT NICOLE METAL INDUSTRY(*2) | Nickel smelting | 49.00 | - | Indonesia |

- (*1) During the year ended December 31, 2023, the entity was excluded from joint ventures due to sales of interest.
- (*2) During the year ended December 31, 2023, the entity was newly included as a joint venture.

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(f) New subsidiaries

Consolidated subsidiaries acquired or newly established during the year ended December 31, 2023 are as follows:

| <u>Company</u> | <u>Date of addition</u> | <u>Ownership (%)</u> | <u>Reason</u> |
|--|-------------------------|----------------------|---------------------------------|
| QSONE Co.,Ltd. | March 2023 | 100.00 | Reclassification from associate |
| POSCO PS Tech | April 2023 | 100.00 | New establishment |
| POSCO PR Tech | April 2023 | 100.00 | New establishment |
| POSCO PH Solution | April 2023 | 100.00 | New establishment |
| POSCO GYS Tech | April 2023 | 100.00 | New establishment |
| POSCO GYR Tech | April 2023 | 100.00 | New establishment |
| POSCO GY Solution | April 2023 | 100.00 | New establishment |
| PT AGPA REFINERY COMPLEX | May 2023 | 100.00 | New establishment |
| Port Hedland Green Steel Pty Ltd | June 2023 | 100.00 | New establishment |
| POSCO MOBILITY SOLUTION POLAND Sp. z o.o., | July 2023 | 100.00 | New establishment |
| PCC Facilities Component Fund | July 2023 | 60.00 | New establishment |
| PT POSCO INTERNATIONAL ENP | September 2023 | 100.00 | New establishment |
| POSCO INTERNATIONAL E&P USA Inc. | October 2023 | 100.00 | New establishment |
| POSCO FLOW CANADA INC. | November 2023 | 100.00 | New establishment |
| POSCO FLOW (Shanghai) Co.,Ltd | December 2023 | 100.00 | New establishment |
| POSCO HOLDINGS CVC 2nd Fund | December 2023 | 100.00 | New establishment |
| International Energy Expansion for Technology Innovation Fund | December 2023 | 60.00 | New establishment |

(g) Loss of control

Subsidiaries for which the Company has lost control during the year ended December 31, 2023 are as follows:

| <u>Company</u> | <u>Date of exclusion</u> | <u>Reason</u> |
|--|--------------------------|---|
| POSCO ENERGY CO., LTD. | January 2023 | Merged into POSCO INTERNATIONAL Corporation(*1) |
| POS-CD PTY LTD | January 2023 | Liquidation |
| POSCO ICT BRASIL | August 2023 | Divestiture |
| PGSF, L.P. | September 2023 | Liquidation |
| Future Creation Fund Postech Early Stage account | December 2023 | Liquidation |
| Songdo Posco family Housing | December 2023 | Liquidation |

(*1) As a result of the merger transaction, the ownership of the Company in POSCO INTERNATIONAL Corporation increased from 62.92% to 73.21%.

2. Statement of Compliance

The consolidated 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.

The consolidated financial statements were authorized for issue by the Board of Directors on January 31, 2024 and will be submitted for approval at the shareholders' meeting to be held on March 21, 2024.

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Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position, as described in the accounting policy below.

- (a) Derivatives instruments measured at fair value
- (b) Financial instruments measured at fair value through profit or loss
- (c) Financial instruments measured at fair value through other comprehensive income
- (d) Defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

The financial statements of POSCO HOLDINGS INC. and subsidiaries are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean Won, which is POSCO HOLDINGS INC.'s functional currency which is the currency of the primary economic environment in which POSCO HOLDINGS INC. operates.

Use of estimates and judgments

The preparation of the consolidated 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.

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 1 - Subsidiaries, associates and joint ventures
- Note 11 - Investments in associates and joint ventures
- Note 12 - Joint operations

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following notes:

- Note 15 - Goodwill and other intangible assets, net
- Note 20 - Provisions
- Note 21 - Employee benefits

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- Note 23 - Financial instruments
- Note 30 - Revenue – contract balances
- Note 36 - Income taxes
- Note 39 - Commitments and contingencies

(c) 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.

- 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 liability, either directly or indirectly.
- Level 3 - inputs for the assets or liability 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.

Information about the assumptions made in measuring fair values is included in the following note:

- Note 23 - Financial instruments

Changes in Accounting Policies

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

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- (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 Company recognized deferred tax assets for lease liabilities and deferred tax liabilities for right-of-use assets, respectively, and there is no impact on the statement of financial position as the requirements for offsetting are met in accordance with K-IFRS No. 1012 “Income Tax”.

- (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. Therefore, the Company selectively disclosed material accounting policies in the annual consolidated financial statements for the year ended December 31, 2023. For further information, refer to note 3.

- (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 consolidated financial statements.

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

The amendments include a temporary mandatory exception from accounting for deferred tax arising from global minimum top-up tax, and new disclosure requirements of the exposure information of the Company in relation to the Pillar Two taxes in the annual consolidated financial statements. Refer to note 36 for information on the new disclosure requirements provided by revised accounting standards

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3. Summary of Material Accounting Policy Information

The material accounting policy information applied by the Company in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for those as disclosed in note 2.

Basis of consolidation

(a) Business combinations

The Company accounts for business combinations applying the acquisition method.

(b) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

(c) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(e) Business combination of entities or businesses under common control

In a business combination of entities or businesses under common control, the assets acquired and liabilities acquired are recognized at their carrying amounts in the consolidated financial statements of the Company. The difference between the consideration transferred and the carrying amount of the net assets acquired is adjusted in capital surplus.

Foreign operations

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

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Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value. Equity investments are excluded from cash and cash equivalents.

Non-derivative financial assets

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at financial assets measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, gains and losses on foreign currency translation and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Equity instruments measured at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Equity instruments measured at fair value through other comprehensive income are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and never reclassified to profit or loss.

(c) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other

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comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(e) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

Inventories

Inventory costs, except materials-in-transit in which costs are determined by using specific identification method, are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The allocation of fixed production overheads to the costs of finished goods or work in progress are based on the normal capacity of the production facilities.

Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use and are highly probable for immediate sale in their present condition are classified as held for sale.

Investment property

Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses. Depreciation methods, useful lives and residual values are identical to those applied for property, plant and equipment.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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The cost of replacing a part of an item is recognized in the carrying amount of the item of property, plant and equipment, if the following recognition criteria are met:

- (a) it is probable that future economic benefits associated with the item will flow to the Company, and
- (b) the cost can be measured reliably.

The carrying amount of the replaced part is derecognized at the time the replacement part is recognized. The costs of the day-to-day servicing of the item are recognized in profit or loss as incurred.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Other than land, the costs of an asset less its estimated residual value are depreciated. Depreciation of property, plant and equipment is recognized in profit or loss on a straight-line basis, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset, over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

| | |
|-------------------------|------------|
| Buildings | 5-50 years |
| Structures | 4-50 years |
| Machinery and equipment | 4-25 years |
| Vehicles | 3-20 years |
| Tools | 3-20 years |
| Furniture and fixtures | 3-20 years |
| Lease assets | 2-45 years |
| Bearer plants | 20 years |

Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred.

Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having an indefinite useful life and not amortized.

| | |
|------------------------------|------------|
| Intellectual property rights | 4-25 years |
| Development expense | 3-5 years |

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| | |
|------------------------------|------------|
| Port facilities usage rights | 4-75 years |
| Other intangible assets | 2-15 years |

Exploration for and evaluation of mineral resources

POSCO HOLDINGS INC. is engaged in exploration projects for mineral resources through subsidiaries, associates and joint ventures or other contractual arrangements. Expenditures related to the development of mineral resources are recognized as exploration or development intangible assets. The nature of these intangible assets are as follows:

(a) Exploration and evaluation assets

Exploration and evaluation assets consist of expenditures for topographical studies, geophysical studies and trenching. These assets are reclassified as development assets when it is proved that the exploration has identified commercially viable mineral deposit.

(b) Development assets

When proved reserves are determined and development is sanctioned, development expenditures incurred are capitalized. These expenditures include evaluation of oil fields, construction of oil and gas wells, drilling for feasibility and other related activities. Upon completion of development and inception of extraction for commercial production of developed proved reserves, the development assets are reclassified as either property, plant and equipment or as intellectual property rights (mining rights) under intangible assets based on the nature of the capitalized expenditure.

The respective property, plant and equipment and intellectual property (mining rights) are each depreciated and amortized based on proved reserves on a unit of production basis.

Government grants

(a) Grants related to assets

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted from the carrying amount of the assets and recognized in profit or loss on a systematic and rational basis over the life of the depreciable assets.

(b) Grants related to income

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

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Leases

1) As a lessee

At inception or reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Company presents right-of-use assets in the same line item as it presents underlying assets of the same nature that it owns, and lease liabilities are included in other payables on the consolidated statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. The Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company leases out its investment properties. The Company classifies these leases as operating leases. The Company recognizes lease payments received under lease agreements as revenue on a straight-line basis over the lease term.

The Company provides subleases certain leased vessels and others.

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Impairment for financial assets

The Company recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost
- debt instruments measured at fair value through other comprehensive income
- lease receivables, contractual assets, loan commitments, and financial guarantee contracts

(a) Judgments on credit risk

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held). The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to investment grade defined by reliable credit rating agencies

(b) Expected credit losses

Expected credit losses for financial assets measured at amortized cost are recognized in profit or loss. Loss allowances for financial assets measured at amortized cost are deducted from carrying amount of the assets. For debt instruments measured at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

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(c) Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortized cost and debt instrument measured at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Objective evidence that a financial asset or group of financial assets are impaired includes:

- significant financial difficulty of the issuer or borrower
- a breach of contract, such as a default or delinquency in interest or principal payments
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for that financial asset because of financial difficulties

(d) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in entirety or a portion. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery based on continuous payments and extinct prescriptions. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Impairment for non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from contract assets, contract assets recognized in accordance with revenue from contracts with customers, employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company determined that individual operating entities are CGUs.

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Derivative financial instruments, including hedge accounting

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized as describe below.

(a) Hedge accounting

The Company holds forward exchange contracts, currency swaps and commodity future contracts to manage foreign exchange risk and commodity fair value risk. The Company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

① Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss.

② Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

(b) Other derivatives

Changes in the fair value of a derivative that is not designated as a hedging instrument are recognized immediately in profit or loss.

Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

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Construction work in progress

The gross amount due from customers for contract work is presented for all contracts in which profits multiply cumulative percentage-of-completion exceed progress billings. If progress billings exceed profits multiply cumulative percentage-of-completion, then the gross amount due to customers for contract work is presented. The amount received from the customer before the construction work is performed is recognized as an advanced received. The amount billed for completed construction work is recognized as accounts receivable (a receivable).

The Company accounts for the remaining rights and performance obligation on the contract with the customers on a net basis. Due from customers for contract work and due to customers for contract work for same contract are offset and presented on a net basis.

Employee benefits

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Provisions

A Provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Regarding provision for construction warranties, warranty period starts from the completion of construction in accordance with construction contracts. If the Company has an obligation for warranties, provision for warranties which are estimated based on historical warranty data are recorded as cost of construction and provision for warranties during the construction period.

If the estimated total contract cost of the construction contract exceeds the total contract revenue, the estimated contract cost exceeding the contract revenue is recognized as a provision for construction losses in the remaining contract for which construction has not proceeded.

A provision for restoration regarding contamination of land is recognized in accordance with the Company's announced Environment Policy and legal requirement as needed.

Emission Rights

The Company accounts for greenhouse gases emission right and the relevant liability as follows pursuant to *the Act on Allocation and Trading of Greenhouse Gas Emission* which became effective in Korea in 2015.

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(a) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge and those purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation are classified as intangible asset and initially measured at cost and subsequently carried at cost less accumulated impairment losses.

The Company derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government when the future economic benefits are no longer expected to be probable.

(b) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when there is a high possibility of outflows of resources in performing the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period. The emission liability is derecognized when submitted to the government.

Hybrid Bonds

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and an equity instrument. When the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the instruments are classified as equity instruments.

Revenue from contracts with customers

Revenue is measured based on the consideration promised in the contract with the customer. The Company recognizes revenue when the control over a good or service is transferred to the customer. The following are the revenue recognition policies for performance obligations in the contracts with customers in accordance with K-IFRS No. 1115.

(a) Sale of good

The goods sold by the Company consist mainly of steel products from the steel segment and products such as steel, chemicals, auto parts and machinery in the trade segment.

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For domestic sales, the control of the product is usually transferred to the customer when the product is delivered to the customer, at which point in time revenue is recognized. Invoices are generally due within 10 to 90 days. When a customer makes payment prior to the due date, they are offered a discount at certain percentage of the invoice amount.

For export sales, revenue is recognized at the time when control of the product is transferred to the customer based on the "International Incoterms for Interpretation of Trade Terms" prescribed in the respective contracts, and the Company's export contract generally transfers control to the customer at the shipping of the product. Invoices are usually issued at the date of bill of lading and revenues are recognized based on the terms of Letter of Credit (L / C), Acceptance Condition (D / A), Payment Condition (D / P), Telegraphic Transfer (T / T) and others.

The Company provides certain discount when the customer prepays according to the payment terms. The Company recognized revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when discount period expires.

(b) Transportation service

For the performance obligation for transportation services included in the Company's product sales contracts, revenue is recognized over the period when in which the services are provided and the revenue is measured by reference to examining the degree to which the service has been completed so far. The billing date and payment terms for the service charge are the same as the billing date and payment terms for sale of goods.

(c) Construction contracts

In the case of construction contracts where the Company renders construction services for plants, etc., the customer controls the assets as they are being constructed. This is because under those contracts, the Company is able to perform construction or design services to meet the customer's specifications, and if a contract is terminated by the customer, the Company is entitled to reimbursement of all costs incurred to date, including a reasonable margin. When the contract can be reliably estimated, the Company recognizes the contract revenue and contract cost as revenue and costs based on the progress of the contract activity as of the end of the reporting period. The percentage of completion is determined based on the proportion that contract costs incurred for work performed excluding contract cost incurred that do not reflect the stage of completion to date bear to the estimated total contract costs.

If the outcome of the contract cannot be reliably estimated, the revenue is recognized only to the extent of the contract costs that are probable to be recovered. If the total contract cost is likely to exceed the total contract revenue, expected losses are immediately recognized as a cost.

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The Company issues an invoice when the customer has completed a progress confirmation and generally the payment is due within 45 days from the invoice date.

(d) Certain construction contracts for apartments

For certain construction service contracts for apartments where the criterion of an enforceable right to payment for performance is met under K-IFRS No. 1115, even if the legal ownership or physical occupancy of the incomplete construction is not transferred to the customer during the construction period, revenue is recognized based on percentage of completion by considering the terms and conditions described in the relevant law and contracts such as the guarantee for sale policy, government approval on business plan, payment and termination terms. For certain construction contracts for apartments and shopping centers where the criterion of an enforceable right to payment for performance is not met during the construction period, the Company recognizes revenue upon completion of construction when the control of the apartments and shopping centers are transferred to customers.

In the meantime, the billing point and settlement terms of the pre-sale contract differ depending on the contract terms.

Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on financial assets measured at fair value through profit or loss;
- hedge ineffectiveness recognized in profit or loss; and
- the net gain or loss on the disposal of investments in debt securities measured at fair value through other comprehensive income.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

Income taxes

The Company recognizes interest and penalties related to corporate tax as if it is applicable to the income taxes, the Company applies K-IFRS No. 1012 "Income Taxes", if it is not applicable to the income taxes, the Company applies K-IFRS No. 1037 "Provisions Contingent Liabilities and Contingent Assets".

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Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 41). Operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Joint arrangements

Joint arrangements in which two or more parties have joint control are classified as joint operations or joint ventures. Participants in a joint operation retain rights and obligations for the joint operation's assets and liabilities and recognizes its share of the joint operation's assets and liabilities, income and expenses. Participants in a joint venture have rights to the net assets of the joint venture, and the equity method is applied.

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 consolidated 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 consolidated financial statements to be significant.

- (b) K-IFRS No. 1007 "Statements of Cash Flows", No. 1107 "Financial Instruments: Disclosure" – Supplier Finance Arrangements

The amendments require disclosure of notes on supplier finance arrangements to inform users of financial statements the impact of supplier finance arrangements on the Company's liabilities and exposure to cash flow and liquidity risks. The amendments are effective for the fiscal years beginning on or after January 1, 2024. Early application permitted. The Company is analyzing the effect of the amendments to the consolidated financial statements.

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4. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. In addition, credit risk arises from finance guarantees.

The Company implements a credit risk management policy under which the Company only transacts business with counterparties that have a certain level of credit rate evaluated based on financial condition, historical experience, and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets

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in respect of losses that have been incurred.

Credit risk also arises from transactions with financial institutions, and such transactions include transactions of cash and cash equivalents, various deposits, and financial instruments such as derivative contracts. The Company manages its exposure to this credit risk by only entering into transactions with banks that have high international credit ratings. The Company's treasury department authorizes, manages, and oversees new transactions with financial institutions with whom the Company has no previous relationship.

Furthermore, the Company limits its exposure to credit risk of financial guarantee contracts by strictly evaluating their necessity based on internal decision making processes, such as the approval of the Board of Directors.

3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's cash flow from business, borrowing or financing is sufficient to meet the cash requirements for the Company's strategic investments. Management believes that the Company is capable of raising funds by borrowing or financing if the Company is not able to generate cash flow requirements from its operations. The Company has committed borrowing facilities with various banks.

4) Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The goal of market risk management is optimization of profit and controlling the exposure to market risk within acceptable limits.

① Currency risk

The Company's policy in respect of foreign currency risks is a natural hedge whereby foreign currency income is offset with foreign currency expenditures. The remaining net exposures after the natural hedge have been hedged using derivative contracts such as forward exchange contracts. In addition, the Company's derivative transactions are limited to hedging actual foreign currency transactions and speculative hedging is not permitted. Based on this policy, the Company has performed currency risk management specific to various characteristics of different segments. The entities in the steel segment reduces the foreign currency exposure by repayment of foreign currency borrowings subjected to investment in overseas when its maturities come. The entities in the engineering and construction segment have hedged foreign currency risks by using forward exchange contracts.

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Entities in the trading segment have hedged foreign currency risks by using forward exchange contracts when the foreign currencies received and paid are different.

② Interest rate risk

The Company manages the exposure to interest rate risk by adjusting of borrowing structure ratio between borrowings at fixed interest rate and variable interest rate. The Company monitors interest rate risks regularly in order to avoid exposure to interest rate risk on borrowings at variable interest rate.

③ Interest rate benchmark reform risk

A fundamental reform of major interest rate benchmark is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). The publication of overnight and 1, 3, 6, and 12 months USD LIBOR has ceased on June 30, 2023 and all other LIBOR publication has ceased on December 31, 2021. Meanwhile, as announced by the UK Financial Conduct Authority in early 2023, the publication of 1, 3, and 6 months synthetic USD LIBOR will cease on September 30, 2024. As a result of the reform, Korea Overnight Financing Repo Rate (KOFRR) has been selected as the benchmark for the domestic CD rate which has been published by Korea Securities since November 26, 2021. The details of when and how to KOFRR are unclear.

As of December 31, 2023, WIBOR and CD floating rate borrowings are exposed to interest rate benchmark reform risk. For all USD LIBOR floating rate financial instruments, the Company completed the modification of contracts by June 30, 2023.

In July, 2019, changes related to the methodologies to determine Euribor were made and Belgium Financial Services and Markets Authority granted the continuity of Euribor usage based on the European Union Benchmark Regulation. The Company did not make a transition from Euribor to alternative benchmark rate, and expects to continue to use Euribor.

The Company manages the alternative benchmark rate transition by modifying the clause, IBOR related to uncompleted interest rate benchmark reform. The progress of transition is managed by comparing the financial instruments with transition not yet completed and financial instruments with modification of clause completed. The Company classifies the financial instruments, with IBOR as the benchmark rate, as transition not yet completed even if the clause in the contract has been modified.

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Financial instruments classified as transition not yet completed as of December 31, 2023 are as follows:

(in millions of Won)

| Category(*2) | WIBOR | |
|---|------------------------------|----------------------------------|
| | Transition not yet completed | Modification of clause completed |
| Non-derivative financial liabilities(*1) | | |
| Borrowings | ₩ 67,943 | - |

(*1) Based on nominal amount.

(*2) Financial instruments that are not obliged to be transitioned to alternative benchmark rate as of December 31, 2023 are excluded.

The transition to alternative benchmark rate is not needed for the financial instruments above as the WIBOR publication will continue until their maturity.

④ Other market price risk

Equity price risk arises from fluctuation of market price of listed equity securities. Management of the Company measures regularly the fair value of listed equity securities and the risk of variance in future cash flow caused by market price fluctuations. Significant investments are managed separately and all buy and sell decisions are approved by management of the Company.

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(b) Management of capital

The fundamental goal of capital management is the maximization of shareholders' value by means of the stable dividend policy and the retirement of treasury shares. The capital structure of the Company consists of equity and net borrowings (after deducting cash and cash equivalents) and current financial instruments from borrowings. The Company applied the same capital risk management strategy that was applied in the previous period.

Net borrowing-to-equity ratio as of December 31, 2023 and 2022 is as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|---------------------------------|---|------------------|------------------|
| Total borrowings | ₩ | 25,970,379 | 24,305,662 |
| Less: Cash and cash equivalents | | <u>6,670,879</u> | <u>8,053,108</u> |
| Net borrowings | | 19,299,500 | 16,252,554 |
| Total equity | | 59,663,897 | 58,257,401 |
| Net borrowings-to-equity ratio | | 32.35% | 27.90% |

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---|-------------------------|-------------------------|
| Cash | ₩ | 12,312 | 7,510 |
| Demand deposits and checking accounts | | 2,537,545 | 2,826,227 |
| Time deposits | | 1,473,081 | 2,638,838 |
| Other cash equivalents | | <u>2,647,941</u> | <u>2,580,533</u> |
| | ₩ | <u><u>6,670,879</u></u> | <u><u>8,053,108</u></u> |

As of December 31, 2023 and 2022, cash and cash equivalents of subsidiaries of the Company, such as POSCO INTERNATIONAL CO., LTD, amounting to ₩85,163 million and ₩36,182 million, respectively, are restricted.

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Notes to the Consolidated Financial Statements, Continued
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6. Trade Accounts and Notes Receivable

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

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|------------------|
| Current | | |
| Trade accounts and notes receivable | ₩ 9,382,640 | 8,696,067 |
| Due from customers for contract work | 1,916,238 | 1,407,278 |
| Less: Allowance for doubtful accounts | <u>(283,575)</u> | <u>(333,792)</u> |
| | <u>₩ 11,015,303</u> | <u>9,769,553</u> |
| Non-current | | |
| Trade accounts and notes receivable | ₩ 89,839 | 68,342 |
| Less: Allowance for doubtful accounts | <u>(47,323)</u> | <u>(44,309)</u> |
| | <u>₩ 42,516</u> | <u>24,033</u> |

The Company sold trade accounts and notes receivable with recourse to financial institutions. This transaction has a right of recourse because the Company has an obligation to pay the amount to financial institutions if the relevant receivables are not collected at maturity, so the transaction was recognized as secured borrowings. As of December 31, 2023 and December 31, 2022, the carrying amounts of such secured borrowings are ₩132,942 million and ₩215,133 million, respectively, which are presented in the statements of financial position as the short-term borrowings.

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7. Other Receivables

(a) The details of other receivables as of December 31, 2023 and 2022, are as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|---------------------------------------|--------------------|------------------|
| Current | | |
| Short-term loans | ₩ 223,011 | 278,346 |
| Other accounts receivable | 1,433,423 | 1,381,804 |
| Accrued income(*1) | 237,154 | 334,741 |
| Deposits | 125,854 | 131,468 |
| Others | 15,349 | 23,201 |
| Lease receivables | 23,948 | 46,764 |
| Less: Allowance for doubtful accounts | (111,210) | (83,627) |
| | <u>₩ 1,947,529</u> | <u>2,112,697</u> |
| Non-current | | |
| Long-term loans(*1) | ₩ 1,204,645 | 1,082,139 |
| Other accounts receivable | 186,492 | 237,161 |
| Accrued income | 184,739 | 121,783 |
| Deposits | 308,185 | 292,722 |
| Lease receivables | 78,994 | 55,312 |
| Less: Allowance for doubtful accounts | (510,610) | (268,786) |
| | <u>₩ 1,452,445</u> | <u>1,520,331</u> |

(*1) Due to the continuous operating losses and deteriorating business environment of FQM Australia Holdings Pty Ltd, an associate, the Company assessed the recoverability of the related loans and accrued interest and recognized a full allowance for doubtful accounts of ₩257,500 million.

(b) The details of lease receivables are as follows:

| <i>(in millions of Won)</i> | <u>Customer</u> | <u>Leased items</u> | <u>2023</u> | <u>2022</u> |
|-----------------------------|--|------------------------------|------------------|----------------|
| | Pohang University of Science and Technology | Lease contract | ₩ 7,586 | 7,738 |
| | Korea Business Angels Association | Lease contract | 2,339 | 2,621 |
| | HEUNG-A SHIPPING CO., LTD., HEUNG-A LINE CO., LTD. | 4 Container Ships, 4 Tankers | 50,429 | 88,573 |
| | Executive Offshore, PT Wintermar, COHC, Myanma Port Authority | Helicopter, Ship, Jetty | 42,588 | 3,144 |
| | | | <u>₩ 102,942</u> | <u>102,076</u> |

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(c) As of December 31, 2023 and 2022, total lease investment and net lease investment are as follows :

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Less than 1 year | ₩ 24,965 | 48,127 |
| 1 year - 3 years | 31,840 | 19,861 |
| 3 years - 5 years | 20,820 | 5,371 |
| Over 5 years | 63,583 | 64,811 |
| Undiscounted lease payments | 141,208 | 138,170 |
| Unrealized interest income | (38,266) | (36,094) |
| Present value of minimum lease payment | ₩ 102,942 | 102,076 |

8. Other Financial Assets

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

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--------------------------------------|--------------|-------------|
| Current | | |
| Derivatives assets | ₩ 166,873 | 223,771 |
| Debt securities | 295,619 | 121,122 |
| Deposit instruments(*1) | 4,400,267 | 2,558,946 |
| Short-term financial instruments(*1) | 6,540,407 | 8,006,081 |
| | ₩ 11,403,166 | 10,909,920 |
| Non-current | | |
| Derivatives assets | ₩ 134,269 | 136,224 |
| Equity securities(*2) | 1,793,531 | 1,462,088 |
| Debt securities | 87,778 | 78,901 |
| Other securities(*2) | 669,687 | 632,469 |
| Deposit instruments(*1) | 23,060 | 22,856 |
| | ₩ 2,708,325 | 2,332,538 |

(*1) As of December 31, 2023 and 2022, financial instruments amounting to ₩101,888 million and ₩73,192 million, respectively, are restricted in use for financial arrangements, pledge and others.

(*2) As of December 31, 2023 and 2022, ₩181,617 million and ₩153,640 million of equity and other securities, respectively, have been provided as collateral for borrowings, construction projects and others.

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9. Inventories

(a) Inventories as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|---|---|-------------------|-------------------|
| Finished goods | ₩ | 2,615,009 | 2,508,370 |
| Merchandise | | 1,049,467 | 1,237,203 |
| Semi-finished goods | | 3,039,516 | 3,453,150 |
| Raw materials | | 3,237,691 | 4,171,049 |
| Fuel and materials | | 921,742 | 1,109,100 |
| Construction inventories | | 256,558 | 470,790 |
| Materials-in-transit | | 2,965,306 | 2,738,439 |
| Others | | 87,802 | 100,873 |
| | | <u>14,173,091</u> | <u>15,788,974</u> |
| Less: Allowance for inventories valuation | | <u>(347,577)</u> | <u>(316,557)</u> |
| | ₩ | <u>13,825,514</u> | <u>15,472,417</u> |

(b) The changes of allowance for inventories valuation for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|--------------------------------------|---|-----------------|----------------|
| Beginning | ₩ | 316,557 | 161,929 |
| Loss on valuation of inventories(*1) | | 309,317 | 259,678 |
| Utilization on sale of inventories | | (256,969) | (97,749) |
| Others | | <u>(21,328)</u> | <u>(7,301)</u> |
| Ending | ₩ | <u>347,577</u> | <u>316,557</u> |

(*1) During the year ended December 31, 2022, in addition to loss on valuation of inventories, ₩95,278 million of damage caused by the flooding of the Naengcheon stream in Pohang was included in cost of sales.

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10. Assets Held for Sale

Details of assets held for sale as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>2023(*1)</u> | <u>2022</u> |
|---|---|-----------------|---------------|
| Asset | | | |
| Cash and cash equivalents(*2) | ₩ | - | 174 |
| Account receivables and other receivables | | 728 | 648 |
| Inventories | | 39,054 | - |
| Other financial assets | | 119,881 | - |
| Investment in joint ventures(*3) | | - | - |
| Property, plant and equipment(*4) | | 149,612 | 10,552 |
| Intangible assets | | 97,372 | - |
| Others | | 298 | 629 |
| | ₩ | <u>406,945</u> | <u>12,003</u> |
| Liability | | | |
| Other receivables | ₩ | 22,180 | 5 |
| Provisions | | 119,710 | - |
| | ₩ | <u>141,890</u> | <u>5</u> |

(*1) POSCO Canada Ltd., a subsidiary of the Company, made investment in kind the assets and liabilities of Greenhills Mine and the shares of Elkview Mine Limited Partnership, which were classified as joint operation and financial assets at fair values through profit or loss, respectively, to a newly established partnership by Teck Coal Partnership which is the principal operator and majority shareholder. As a result, the Company recognized ₩401,804 million of asset held for sale and ₩141,890 million of liability held for sale.

(*2) Cash and cash equivalents in the statement of cash flows include cash and cash equivalents that are classified as assets held for sale as of December 31, 2022.

(*3) During the year ended December 31, 2022, the Company decided to dispose of CSP - Companhia Siderurgica do Pecem and recognized full impairment loss of ₩160,415 million, which is the difference between carrying amount and recoverable amount. The Company reclassified the investment to assets held for sale. Meanwhile, during the year ended December 31, 2023, the Company disposed of CSP - Companhia Siderurgica do Pecem, and recognized ₩103,366 million of loss on disposal of assets held for sale. The loss on disposal of assets held for sale recognized as profit or loss includes ₩102,470 million, which was reclassified from accumulated other comprehensive loss arising from translating the financial statements of foreign operation.

(*4) During the past period, the Company decided to dispose Synthetic Natural Gas (SNG) facility for which use was discontinued, and classified as assets held for sale for ₩10,305 million. Meanwhile, during the year ended December 31, 2023, the Company disposed of the assets held for sale for ₩9,599 million and reclassified the remaining amount ₩706 million to property, plant and equipment.

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11. Investments in Associates and Joint ventures

(a) Investments in associates and joint ventures as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-------------------------------|---|------------------|------------------|
| Investments in associates | ₩ | 2,292,253 | 2,518,906 |
| Investments in joint ventures | | 2,728,011 | 2,477,645 |
| | ₩ | <u>5,020,264</u> | <u>4,996,551</u> |

(b) Details of investments in associates as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | | | | <u>2022</u> | |
|---|---------------------|------------------|---------------------|--------------------|------------------|--|
| Company | Number of shares | Ownership (%) | Acquisition cost | Book value | Book value | |
| [Domestic] | | | | | | |
| Samcheok Blue Power Co.,Ltd.(*1) | 4,507,138 | 34.00 | ₩ 429,904 | ₩ 323,521 | 352,500 | |
| SNNC | 18,130,000 | 49.00 | 90,650 | 100,692 | 182,414 | |
| Chun-cheon Energy Co., Ltd.(*1) | 17,308,143 | 49.10 | 86,541 | 15,040 | 9,513 | |
| Pocheon-Hwado Highway Corp.(*1) | 7,109,230 | 27.89 | 35,546 | 23,998 | 27,165 | |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | 1,181,160 | 29.53 | 5,906 | 13,967 | 14,605 | |
| DaeSung SnM Co., Ltd (formerly, Daesung Steel)(*2) | 108,038 | 17.54 | 14,000 | 20,296 | 20,469 | |
| PCC Amberstone Private Equity Fund 1(*2) | 7,636,948,293 | 8.80 | 7,519 | 8,904 | 9,326 | |
| Others (49 companies)(*1) | | | | 122,366 | 238,086 | |
| | | | | <u>628,784</u> | <u>854,078</u> | |
| [Foreign] | | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 135,219,000 | 25.04 | 132,907 | 287,282 | 290,318 | |
| AES Mong Duong Power Company Limited(*1) | - | 30.00 | 164,303 | 230,699 | 209,594 | |
| 9404-5515 Quebec Inc. | 284,463,243 | 25.85 | 328,509 | 346,724 | 331,261 | |
| FQM Australia Holdings Pty Ltd | 186,000,030 | 24.32 | 109,568 | - | 98,103 | |
| Eureka Moly LLC | - | 20.00 | 240,123 | - | 14,574 | |
| AMCI (WA) PTY LTD | 49 | 49.00 | 209,664 | 60,225 | 57,830 | |
| NCR LLC | - | 22.10 | 247,077 | 253,121 | 187,372 | |
| KOREA LNG LTD. | 2,400 | 20.00 | 135,205 | 58,759 | 29,124 | |
| Nickel Mining Company SAS | 3,234,698 | 49.00 | 157,585 | 87,967 | 90,636 | |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 648,530,000 | 40.00 | 120,072 | 105,300 | 98,933 | |
| PT. Wampu Electric Power(*1) | 8,708,400 | 20.00 | 10,054 | 15,632 | 16,659 | |
| POS-SeAH Steel Wire(Nantong) Co., Ltd. | 50 | 25.00 | 4,723 | 8,642 | 8,590 | |
| Others (28 companies)(*1) | | | | 209,118 | 231,834 | |
| | | | | <u>1,663,469</u> | <u>1,664,828</u> | |
| | | | | ₩ <u>2,292,253</u> | <u>2,518,906</u> | |

(*1) As of December 31, 2023 and 2022, investments in associates amounting to ₩650,116 million and ₩628,573 million, respectively, are provided as collateral in relation to the associates' borrowings.

(*2) As of December 31, 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.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(c) Details of investments in joint ventures as of December 31, 2023 and 2022 are as follows:

(in millions of Won)

| Company | 2023 | | | 2022 | |
|--|------------------|---------------|------------------|--------------------|------------------|
| | Number of shares | Ownership (%) | Acquisition cost | Book value | Book value |
| [Domestic] | | | | | |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | 11,568,000 | 60.00 | ₩ 115,680 | ₩ 155,748 | 161,465 |
| Others (6 companies) | | | | 8,323 | 8,845 |
| | | | | <u>164,071</u> | <u>170,310</u> |
| [Foreign] | | | | | |
| Roy Hill Holdings Pty Ltd(*1) | 13,117,972 | 12.50 | 1,528,672 | 1,400,009 | 1,418,022 |
| POSCO-NPS Niobium LLC | 325,050,000 | 50.00 | 364,609 | 419,192 | 412,002 |
| KOBRASCO | 2,010,719,185 | 50.00 | 32,950 | 99,768 | 103,044 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | - | 25.00 | 61,961 | 111,001 | 111,219 |
| DMSA/AMSA(*1) | - | 3.89 | 346,880 | 16,572 | 23,740 |
| PT NICOLE METAL INDUSTRY(*2) | 76,382,353 | 49.00 | 292,780 | 284,351 | - |
| HBIS-POSCO Automotive Steel Co., Ltd | - | 50.00 | 235,251 | 208,765 | 216,138 |
| Others (9 companies) | | | | 24,282 | 23,170 |
| | | | | <u>2,563,940</u> | <u>2,307,335</u> |
| | | | | ₩ <u>2,728,011</u> | <u>2,477,645</u> |

(*1) As of December 31, 2023 and 2022, the investments in joint ventures are provided as collateral in relation to the joint ventures' borrowings.

(*2) During the year ended December 31, 2023, the Company acquired 49% shares of PT NICOLE METAL INDUSTRY, for ₩292,780 million and classified as investments in joint ventures.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(d) The movements of investments in associates and joint ventures for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

(in millions of Won)

| Company | December 31, 2022 | | | | | December 31, 2023 | |
|---|--------------------|----------------|------------------|---------------------------|-------------------------------|-------------------|--|
| | Book value | Acquisition | Dividends | Share of profits (losses) | Other increase (decrease)(*1) | Book value | |
| [Domestic] | | | | | | | |
| Samcheok Blue Power Co., Ltd. | ₩ 352,500 | - | (10,020) | (18,802) | (157) | 323,521 | |
| SNNC | 182,414 | - | - | (81,803) | 81 | 100,692 | |
| QSONE Co., Ltd. (*2) | 86,378 | - | - | 245 | (86,623) | - | |
| Chun-cheon Energy Co., Ltd. | 9,513 | - | - | 4,990 | 537 | 15,040 | |
| Pocheon-Hwado Highway Corp. | 27,165 | 636 | - | (3,803) | - | 23,998 | |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd. | 14,605 | - | - | (638) | - | 13,967 | |
| DaeSung SnM Co., Ltd. (formerly, Daesung Steel) | 20,469 | - | - | 75 | (248) | 20,296 | |
| PCC Amberstone Private Equity Fund 1 | 9,326 | - | (622) | 562 | (362) | 8,904 | |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | 161,465 | - | (9,000) | 3,176 | 107 | 155,748 | |
| Others (55 companies) | 160,553 | 16,439 | (4,292) | 1,966 | (43,977) | 130,689 | |
| | <u>1,024,388</u> | <u>17,075</u> | <u>(23,934)</u> | <u>(94,032)</u> | <u>(130,642)</u> | <u>792,855</u> | |
| [Foreign] | | | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 290,318 | - | (59,295) | 50,340 | 5,919 | 287,282 | |
| AES Mong Duong Power Company Limited | 209,594 | - | (33,839) | 38,782 | 16,162 | 230,699 | |
| 9404-5515 Quebec Inc. (*2) | 331,261 | - | (14,251) | 16,494 | 13,220 | 346,724 | |
| FQM Australia Holdings Pty Ltd | 98,103 | - | - | (111,783) | 13,680 | - | |
| Eureka Moly LLC | 14,574 | - | - | (15,020) | 446 | - | |
| AMCI (WA) PTY LTD | 57,830 | - | - | (503) | 2,898 | 60,225 | |
| NCR LLC | 187,372 | 65,542 | - | (6,999) | 7,208 | 253,121 | |
| KOREA LNG LTD. | 29,124 | - | (21,106) | 21,060 | 29,681 | 58,759 | |
| Nickel Mining Company SAS | 90,636 | - | - | (8,358) | 6,689 | 87,967 | |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 98,933 | 15,640 | - | (8,435) | (838) | 105,300 | |
| PT. Wampu Electric Power | 16,659 | - | (1,624) | 1,890 | (1,293) | 15,632 | |
| POS-SeaH Steel Wire(Nantong) Co., Ltd. | 8,590 | - | - | 98 | (46) | 8,642 | |
| Roy Hill Holdings Pty Ltd | 1,418,022 | - | (367,445) | 292,478 | 56,954 | 1,400,009 | |
| POSCO-NPS Niobium LLC | 412,002 | - | (35,543) | 35,148 | 7,585 | 419,192 | |
| KOBRASCO | 103,044 | - | (36,471) | 21,795 | 11,400 | 99,768 | |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 111,219 | - | (12,386) | 12,669 | (501) | 111,001 | |
| DMSA/AMSA | 23,740 | - | - | (7,661) | 513 | 16,572 | |
| PT NICOLE METAL INDUSTRY | - | 292,780 | - | 39 | (8,468) | 284,351 | |
| HBIS-POSCO Automotive Steel Co., Ltd | 216,138 | - | - | (6,765) | (608) | 208,765 | |
| Others (37 companies) | 255,004 | - | (62,444) | 38,461 | (7,621) | 233,400 | |
| | <u>3,972,163</u> | <u>373,962</u> | <u>(634,404)</u> | <u>363,710</u> | <u>151,978</u> | <u>4,227,409</u> | |
| | <u>₩ 4,996,551</u> | <u>391,037</u> | <u>(658,338)</u> | <u>269,678</u> | <u>21,336</u> | <u>5,020,264</u> | |

(*1) Other increase or decrease represents the changes in investments in associates and joint ventures due to disposals and change in capital adjustments effect from translations of financial statements of foreign investees and others during the year ended December 31, 2023.

(*2) During the year ended December 31, 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. Accordingly, the entity was newly included in consolidated subsidiary due to obtaining control of the entity.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

2) For the year ended December 31, 2022

(in millions of Won)

| Company | December 31, 2021 | | Dividends | Share of profits (losses) | Other increase (decrease)(*1) | December 31, 2022 | |
|---|-------------------|------------------|----------------|---------------------------|-------------------------------|-------------------|------------------|
| | Book value | Acquisition | | | | Book value | Book value |
| [Domestic] | | | | | | | |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund(*3) | ₩ | 176,136 | - | (143,170) | 145,822 | (178,788) | - |
| Samcheok Blue Power Co., Ltd. | | 382,887 | - | (9,992) | (19,354) | (1,041) | 352,500 |
| SNNC | | 171,332 | - | (5,348) | 15,484 | 946 | 182,414 |
| QSONE Co., Ltd. | | 86,058 | - | (1,100) | 1,420 | - | 86,378 |
| Chun-cheon Energy Co., Ltd | | 9,571 | - | - | (802) | 744 | 9,513 |
| Western Inland highway CO., LTD. | | 53,563 | - | - | (125) | (53,438) | - |
| Pocheon-Hwado Highway Corp. | | 28,813 | 5,519 | - | (4,683) | (2,484) | 27,165 |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd | | 19,191 | - | - | (453) | (4,133) | 14,605 |
| DaeSung SnM Co., Ltd (formerly, Daesung Steel) | | 19,073 | - | - | 1,396 | - | 20,469 |
| PCC Amberstone Private Equity Fund 1 | | 9,251 | - | (652) | 1,104 | (377) | 9,326 |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | | 169,838 | - | (24,000) | 15,604 | 23 | 161,465 |
| Others (64 companies) | | 113,711 | 45,563 | (4,368) | (3,931) | 9,578 | 160,553 |
| | | <u>1,239,424</u> | <u>51,082</u> | <u>(188,630)</u> | <u>151,482</u> | <u>(228,970)</u> | <u>1,024,388</u> |
| [Foreign] | | | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | | 238,601 | - | (14,541) | 50,143 | 16,115 | 290,318 |
| AES Mong Duong Power Company Limited | | 182,639 | - | (33,174) | 45,382 | 14,747 | 209,594 |
| 9404-5515 Quebec Inc. (*2) | | 135,738 | 172,316 | (31,949) | 25,195 | 29,961 | 331,261 |
| FQM Australia Holdings Pty Ltd | | 91,052 | - | - | 166 | 6,885 | 98,103 |
| Eureka Moly LLC | | 13,633 | - | - | - | 941 | 14,574 |
| AMCI (WAI) PTY LTD | | 67,972 | - | - | (3,964) | (6,178) | 57,830 |
| NCR LLC | | 102,319 | 82,798 | - | (2,338) | 4,593 | 187,372 |
| KOREA LNG LTD. | | 31,340 | - | (21,161) | 21,027 | (2,082) | 29,124 |
| Nickel Mining Company SAS | | 48,249 | - | - | 42,169 | 218 | 90,636 |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | | 22,769 | 82,010 | - | (1,302) | (4,544) | 98,933 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | | 19,099 | - | - | 213 | (19,312) | - |
| PT. Wampu Electric Power | | 15,851 | - | (2,474) | 823 | 2,459 | 16,659 |
| POS-SeAH Steel Wire(Nantong) Co., Ltd. | | 9,140 | - | - | (220) | (330) | 8,590 |
| Roy Hill Holdings Pty Ltd | | 1,346,712 | - | (233,592) | 273,084 | 31,818 | 1,418,022 |
| POSCO-NPS Niobium LLC | | 393,793 | - | (34,909) | 25,884 | 27,234 | 412,002 |
| KOBRASCO | | 68,296 | - | (21,287) | 48,267 | 7,768 | 103,044 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | | 107,650 | - | - | 6,527 | (2,958) | 111,219 |
| DMISA/AMSA | | 24,144 | - | - | (2,108) | 1,704 | 23,740 |
| CSP - Companhia Siderurgica do Pecem | | 52,257 | - | - | (90,395) | 38,138 | - |
| HBIS-POSCO Automotive Steel Co., Ltd | | 110,769 | 126,195 | - | (10,515) | (10,311) | 216,138 |
| Others (37 companies) | | 193,200 | 29,975 | (56,527) | 96,740 | (6,384) | 255,004 |
| | | <u>3,275,223</u> | <u>493,294</u> | <u>(449,614)</u> | <u>524,778</u> | <u>128,482</u> | <u>3,972,163</u> |
| | ₩ | <u>4,514,647</u> | <u>544,376</u> | <u>(638,244)</u> | <u>676,260</u> | <u>(100,488)</u> | <u>4,996,551</u> |

- (*1) Other increase or decrease represents the changes in investments in associates and joint ventures due to disposals and change in capital adjustments effect from translations of financial statements of foreign investees and others during the year ended December 31, 2022.
- (*2) During the year ended December 31, 2022, it was additionally acquired due to the in-kind dividend of EQP POSCO Global NO1 Natural Resources Private Equity Fund, and the Company classify it as other increase or decrease.
- (*3) During the year ended December 31, 2022, dividends were declared prior to liquidation. The Company recognized full impairment loss of ₩10,065 million considering the low asset quality and assessment of recoverable amount.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(e) Summarized financial information of associates and joint ventures as of and for the years ended December 31, 2023 and 2022 are as follows:

1) December 31, 2023

(in millions of Won)

| Company | Assets | Liabilities | Equity (deficit) | Sales | Net income (loss) |
|---|-------------|-------------|------------------|-----------|-------------------|
| [Domestic] | | | | | |
| Samcheok Blue Power Co., Ltd. | ₩ 4,228,568 | 3,669,074 | 559,494 | 14,002 | (28,880) |
| SNNC | 612,992 | 388,715 | 224,277 | 766,011 | (168,553) |
| Chun-cheon Energy Co., Ltd | 571,495 | 453,390 | 118,105 | 502,879 | 10,453 |
| Pocheon-Hwado Highway Corp. | 583,935 | 462,900 | 121,035 | - | (1,824) |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd | 19,995 | 2,998 | 16,997 | 5,595 | (2,160) |
| DaeSung SnM Co., Ltd (formerly, Daesung Steel) | 178,251 | 93,930 | 84,321 | 108,660 | 430 |
| PCC Amberstone Private Equity Fund 1 | 105,145 | 3,923 | 101,222 | 12,134 | 6,391 |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | 431,090 | 170,518 | 260,572 | 194,238 | 2,998 |
| [Foreign] | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 1,758,765 | 611,484 | 1,147,281 | 434,358 | 201,031 |
| AES Mong Duong Power Company Limited | 1,612,793 | 889,424 | 723,369 | 449,807 | 129,274 |
| 9404-5515 Quebec Inc. | 1,430,295 | - | 1,430,295 | - | 63,809 |
| FQM Australia Holdings Pty Ltd | 180,931 | 1,219,922 | (1,038,991) | 453,626 | (1,480,586) |
| KOREA LNG LTD. | 94,661 | 136 | 94,525 | 108,081 | 105,300 |
| Nickel Mining Company SAS | 520,209 | 272,567 | 247,642 | 296,130 | (26,786) |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 297,683 | 33,927 | 263,756 | 34,372 | (21,081) |
| PT. Wampu Electric Power | 206,942 | 131,822 | 75,120 | 20,166 | 9,452 |
| POS-SeAH Steel Wire(Nantong) Co., Ltd. | 82,568 | 48,727 | 33,841 | 117,208 | 522 |
| Roy Hill Holdings Pty Ltd | 10,929,518 | 3,007,919 | 7,921,599 | 8,146,546 | 2,826,424 |
| POSCO-NPS Niobium LLC | 838,180 | - | 838,180 | - | 64,687 |
| KOBRASCO | 224,406 | 25,475 | 198,931 | 63,338 | 43,591 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 659,704 | 242,566 | 417,138 | 1,647,395 | 50,675 |
| DMSA/AMSA | 3,058,209 | 2,632,239 | 425,970 | 1,106,369 | (197,482) |
| HBIS-POSCO Automotive Steel Co., Ltd | 826,886 | 398,751 | 428,135 | 340,341 | (12,584) |
| PT NICOLE METAL INDUSTRY | 389,077 | 2,237 | 386,840 | - | 79 |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

2) December 31, 2022

(in millions of Won)

| Company | Assets | Liabilities | Equity (deficit) | Sales | Net income (loss) |
|---|-----------|-------------|---------------------|-----------|----------------------|
| [Domestic] | | | | | |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | ₩ 9,471 | 480 | 8,991 | - | 425,366 |
| Samcheok Blue Power Co.,Ltd. | 3,515,861 | 2,885,218 | 630,643 | - | (8,447) |
| SNNC | 667,440 | 274,801 | 392,639 | 986,557 | 10,273 |
| QSONE Co.,Ltd. | 253,078 | 80,322 | 172,756 | 18,753 | 2,840 |
| Chun-cheon Energy Co., Ltd | 634,842 | 527,190 | 107,652 | 585,610 | 20,224 |
| Pocheon-Hwado Highway Corp. | 366,163 | 244,455 | 121,708 | - | (1,175) |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | 24,926 | 5,769 | 19,157 | 17,189 | (1,521) |
| DaeSung SnM Co., Ltd (formerly, Daesung Steel) | 175,429 | 90,126 | 85,303 | 128,401 | 7,957 |
| PCC Amberstone Private Equity Fund 1 | 106,024 | - | 106,024 | 13,877 | 12,546 |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | 447,604 | 175,229 | 272,375 | 252,246 | 27,628 |
| [Foreign] | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 1,705,670 | 546,262 | 1,159,408 | 447,696 | 200,246 |
| AES Mong Duong Power Company Limited | 1,701,272 | 1,019,227 | 682,045 | 417,021 | 151,022 |
| 9404-5515 Québec Inc. | 1,397,061 | - | 1,397,061 | - | 182,708 |
| FQM Australia Holdings Pty Ltd | 1,458,318 | 1,131,628 | 326,690 | 493,202 | (22,768) |
| KOREA LNG LTD. | 145,845 | 225 | 145,620 | 107,295 | 105,135 |
| Nickel Mining Company SAS | 539,318 | 279,291 | 260,027 | 379,922 | 91,008 |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 305,740 | 57,932 | 247,808 | 45,771 | (3,176) |
| PT. Wampu Electric Power | 209,815 | 129,520 | 80,295 | 21,760 | 4,115 |
| POS-SeAH Steel Wire(Nantong) Co., Ltd. | 79,116 | 45,677 | 33,439 | 136,663 | (992) |
| Roy Hill Holdings Pty Ltd | 9,859,888 | 2,152,428 | 7,707,460 | 7,706,908 | 2,542,223 |
| POSCO-NPS Niobium LLC | 823,800 | - | 823,800 | - | 49,341 |
| KOBRASCO | 262,724 | 57,242 | 205,482 | 147,843 | 96,534 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 663,509 | 245,499 | 418,010 | 1,881,946 | 26,106 |
| DMSA/AMSA | 3,022,659 | 2,412,377 | 610,282 | 1,368,730 | (54,212) |
| CSP - Companhia Siderurgica do Pecem | 4,422,752 | 3,678,956 | 743,796 | 3,101,132 | 500,082 |
| HBIS-POSCO Automotive Steel Co., Ltd | 712,633 | 270,668 | 441,965 | 473,494 | (15,515) |

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(f) Changes in accumulated losses of equity-accounted investees that were not recognized since the Company discontinues the use of the equity method for the year ended December 31, 2023 were as follows:

(in millions of Won)

| Company | Beginning balance | Increase or decrease | Ending balance |
|--|------------------------------|---------------------------------|---------------------------|
| New Songdo International City Development, LLC | ₩ 134,495 | (17,780) | 116,715 |
| UITrans LRT Co., Ltd. | 43,872 | 2,583 | 46,455 |
| Clean Iksan Co., Ltd. | 703 | (217) | 486 |
| HYOCHUN Co.,Ltd. | 4,396 | 713 | 5,109 |
| KIRIN VIETNAM CO., LTD | 103 | (1) | 102 |
| INKOTECH, INC. | 540 | 453 | 993 |
| POSCO-Poggenamp Electrical Steel Pvt. Ltd. | 557 | 239 | 796 |
| Gunggi Green Energy | 4,296 | 6,893 | 11,189 |
| Link City PFV Inc. | 5,452 | 18,396 | 23,848 |
| Noeul Green Energy Co.,Ltd. | 1,886 | 726 | 2,612 |
| Pohang E&E Co., Ltd. | 6,391 | 5,755 | 12,146 |
| FQM Australia Holdings Pty Ltd | - | 252,727 | 252,727 |
| | <u>₩ 202,691</u> | <u>270,487</u> | <u>473,178</u> |

12. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of December 31, 2023 are as follows:

| Joint operations | Operation | Ownership (%) | Location |
|--|-------------------------------------|----------------------|-----------------|
| Myanmar A-1/A-3 mine | Mine development and gas production | 51.00 | Myanmar |
| Offshore midstream | Gas transportation facility | 51.00 | Myanmar |
| Greenhills Mine(*1) | Mine development | 20.00 | Canada |
| Mt. Thorley J/V | Mine development | 20.00 | Australia |
| POSMAC J/V | Mine development | 20.00 | Australia |
| Samcheok Thermal Power Plant EPC (Unit 1,2) Construction Work | Construction | 49.00 | Korea |
| Sinansan Line Double Track Train Private Investment project construction work | Construction | 36.00 | Korea |
| Panama Metro Line 3 Project construction work | Construction | 20.00 | Panama |
| 2*600 MW Matarbari Ultra Super Critical Coal-Fired Power construction work | Construction | 67.00 | Bangladesh |
| Yangsan Sasong 2nd Apartment Project (B5,6,7,9 Block) Construction work | Construction | 49.00 | Korea |
| Yongmun 123 Construction work Reconstruction Maintenance Project | Construction | 70.00 | Korea |
| Songdo B5 Block office Complex Project Construction work | Construction | 80.00 | Korea |
| Particle Accelerator Facility Construction work | Construction | 55.00 | Korea |
| Anyang Jinheung Apartment Construction work | Construction | 45.00 | Korea |

(*1) As of December 31, 2023, the joint operation is classified as assets and liabilities held for sale.

POSCO HOLDINGS INC. and Subsidiaries
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13. Investment Property, Net

(a) Investment property as of December 31, 2023 and 2022 are as follows:

| | | 2023 | | | 2022 | | |
|---------------------|---|------------------|--|------------------|------------------|--|------------------|
| | | Acquisition cost | Accumulated depreciation and impairment loss | Book value | Acquisition cost | Accumulated depreciation and impairment loss | Book value |
| Land | ₩ | 804,022 | (16,718) | 787,304 | 325,241 | (16,718) | 308,523 |
| Buildings | | 905,649 | (249,863) | 655,786 | 825,183 | (231,678) | 593,505 |
| Structures | | 3,384 | (1,511) | 1,873 | 3,569 | (2,213) | 1,356 |
| Right of use assets | | 208,036 | (36,705) | 171,331 | 206,166 | (35,519) | 170,647 |
| | ₩ | <u>1,921,091</u> | <u>(304,797)</u> | <u>1,616,294</u> | <u>1,360,159</u> | <u>(286,128)</u> | <u>1,074,031</u> |

As of December 31, 2023, the fair value of investment property is ₩2,477,766 million.

(b) Changes in the carrying amount of investment property for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

| | | Beginning | Acquisitions | Business | Disposals | Depreciation | Others(*1) | Ending |
|---------------------|---|------------------|---------------|-----------------|--------------|-----------------|-----------------|------------------|
| | | | | Combination(*2) | | | | |
| Land | ₩ | 308,523 | 54,891 | 473,301 | (60) | - | (49,351) | 787,304 |
| Buildings | | 593,505 | 1,006 | 83,739 | (303) | (28,902) | 6,741 | 655,786 |
| Structures | | 1,356 | - | - | - | (1,049) | 1,566 | 1,873 |
| Right of use assets | | 170,647 | 216 | - | (78) | (5,635) | 6,181 | 171,331 |
| | ₩ | <u>1,074,031</u> | <u>56,113</u> | <u>557,040</u> | <u>(441)</u> | <u>(35,586)</u> | <u>(34,863)</u> | <u>1,616,294</u> |

(*1) Includes reclassification resulting from changing purpose of use, adjustment of foreign currency translation difference and others.

(*2) Represents increases in investment property due to business combination upon reclassification of QSONE Co.,Ltd. into a subsidiary during the year ended December 31, 2023.

2) For the year ended December 31, 2022

| | | Beginning | Acquisitions | Disposals | Depreciation | Others(*1) | Ending |
|---------------------|---|------------------|--------------|-----------------|-----------------|---------------|------------------|
| Land | ₩ | 332,308 | - | (2,921) | - | (20,864) | 308,523 |
| Buildings | | 584,549 | 1,661 | (34) | (28,336) | 35,665 | 593,505 |
| Structures | | 753 | - | - | (797) | 1,400 | 1,356 |
| Right of use assets | | 168,467 | - | (21,151) | (6,888) | 30,219 | 170,647 |
| | ₩ | <u>1,086,077</u> | <u>1,661</u> | <u>(24,106)</u> | <u>(36,021)</u> | <u>46,420</u> | <u>1,074,031</u> |

(*1) Includes reclassification resulting from changing purpose of use, adjustment of foreign currency translation difference and others.

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14. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of December 31, 2023 and 2022 are as follows:

| | | 2023 | | | | 2022 | | | |
|--------------------------|---|------------------|------------------------------|-------------------|------------|------------------|------------------------------|-------------------|------------|
| | | Acquisition cost | Accumulated depreciation and | Government grants | Book value | Acquisition cost | Accumulated depreciation and | Government grants | Book value |
| Land | ₩ | 3,295,768 | (5,524) | - | 3,290,244 | 3,103,218 | (53) | - | 3,103,165 |
| Buildings | | 10,671,833 | (6,237,883) | (6,318) | 4,427,632 | 10,102,634 | (5,922,285) | (5,455) | 4,174,894 |
| Structures | | 7,159,034 | (4,077,472) | (38) | 3,081,524 | 6,989,634 | (3,826,658) | (49) | 3,162,927 |
| Machinery and equipment | | 54,184,134 | (37,630,472) | (14,470) | 16,539,192 | 52,198,121 | (35,767,810) | (7,481) | 16,422,830 |
| Vehicles | | 383,891 | (302,246) | (2,050) | 79,595 | 337,932 | (284,897) | (904) | 52,131 |
| Tools | | 557,394 | (428,215) | (314) | 128,865 | 497,173 | (405,844) | (368) | 90,961 |
| Furniture and fixtures | | 840,366 | (650,424) | (55) | 189,887 | 796,405 | (622,944) | (116) | 173,345 |
| Lease assets | | 1,468,295 | (469,990) | - | 998,305 | 1,299,779 | (378,581) | - | 921,198 |
| Bearer plants | | 186,723 | (49,392) | - | 137,331 | 180,486 | (38,766) | - | 141,720 |
| Construction-in-progress | | 6,421,533 | (76,357) | (11,503) | 6,333,673 | 3,621,269 | (73,267) | (9,978) | 3,538,024 |
| | ₩ | 85,168,971 | (49,927,975) | (34,748) | 35,206,248 | 79,126,651 | (47,321,105) | (24,351) | 31,781,195 |

(b) Changes in the carrying amount of property, plant and equipment for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

| | | (in millions of Won) | | | | | | | Ending |
|--------------------------|---|----------------------|--------------|--------------------------|-----------|--------------|-----------------------|-------------|------------|
| | | Beginning | Acquisitions | Business Combination(*2) | Disposals | Depreciation | Impairment loss(*3,4) | Others(*1) | |
| Land | ₩ | 3,103,165 | 83,489 | 32,565 | (7,502) | - | (5,471) | 83,998 | 3,290,244 |
| Buildings | | 4,174,894 | 53,344 | 5,770 | (14,619) | (326,280) | (28,614) | 563,137 | 4,427,632 |
| Structures | | 3,162,927 | 16,498 | 3,651 | (6,915) | (261,970) | (28,483) | 195,816 | 3,081,524 |
| Machinery and equipment | | 16,422,830 | 211,181 | - | (63,195) | (2,401,947) | (202,885) | 2,573,208 | 16,539,192 |
| Vehicles | | 52,131 | 34,004 | - | (782) | (26,322) | - | 20,564 | 79,595 |
| Tools | | 90,961 | 40,170 | - | (607) | (52,444) | (77) | 50,862 | 128,865 |
| Furniture and fixtures | | 173,345 | 36,975 | 655 | (1,516) | (61,947) | (63) | 42,438 | 189,887 |
| Lease assets | | 921,198 | 243,433 | - | (15,095) | (170,386) | - | 19,155 | 998,305 |
| Bearer plants | | 141,720 | - | - | - | (9,579) | - | 5,190 | 137,331 |
| Construction-in-progress | | 3,538,025 | 6,388,837 | - | (2,269) | - | (8,420) | (3,582,500) | 6,333,673 |
| | ₩ | 31,781,196 | 7,107,931 | 42,641 | (112,500) | (3,310,875) | (274,013) | (28,132) | 35,206,248 |

(*1) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

(*2) Represents increases in property, plant and equipment upon reclassification of QSONE Co.,Ltd., which was previously an associate, into a subsidiary by acquiring additional shares during the year ended December 31, 2023.

(*3) The Company terminated operations of certain portions of the lithium production facilities and others located in Gwangyang and Argentina due to changes in operation plans. The Company estimated the recoverable amount of these assets at the net fair value, and recognized an impairment loss of ₩196,207 million since recoverable amounts are less than their carrying amounts.

(*4) The Company identified impairment indications for the hydrogen peroxide production facilities located in Gwangyang due to fluctuations in raw material prices and changes in production plans. The Company estimated the recoverable amount of these assets at the net fair value, and recognized an impairment loss of ₩46,535 million since recoverable amounts are less than their carrying amounts.

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2) For the year ended December 31, 2022

| <i>(in millions of Won)</i> | | | | | | | | | |
|-----------------------------|---|-------------------|------------------|-----------------------------|-----------------|--------------------|------------------------|----------------|-------------------|
| | | Beginning | Acquisitions | Business Combination(*2) | Disposals | Depreciation | Impairment loss(*3) | Others(*1) | Ending |
| Land | ₩ | 2,702,715 | 89,357 | 248,858 | (1,247) | - | - | 63,482 | 3,103,165 |
| Buildings | | 4,204,450 | 127,837 | 37,741 | (9,957) | (317,350) | (11,230) | 143,403 | 4,174,894 |
| Structures | | 3,131,795 | 82,130 | 38,535 | (3,274) | (253,996) | (5,084) | 172,821 | 3,162,927 |
| Machinery and equipment | | 16,420,156 | 597,172 | 1,216 | (33,511) | (2,303,917) | (184,706) | 1,926,420 | 16,422,830 |
| Vehicles | | 46,030 | 15,592 | 902 | (1,017) | (18,717) | (123) | 9,464 | 52,131 |
| Tools | | 77,795 | 32,386 | 203 | (187) | (37,170) | (351) | 18,285 | 90,961 |
| Furniture and fixtures | | 166,162 | 33,936 | 1,963 | (1,175) | (59,359) | (1,990) | 33,808 | 173,345 |
| Lease assets | | 867,746 | 184,260 | 193,572 | (22,029) | (168,521) | - | (133,830) | 921,198 |
| Bearer plants | | 154,682 | - | - | - | (9,691) | - | (3,271) | 141,720 |
| Construction-in-progress | | 1,825,167 | 3,947,703 | 11,111 | (383) | - | (9,699) | (2,235,875) | 3,538,024 |
| | ₩ | <u>29,596,698</u> | <u>5,110,373</u> | <u>534,101</u> | <u>(72,780)</u> | <u>(3,168,721)</u> | <u>(213,183)</u> | <u>(6,293)</u> | <u>31,781,195</u> |

(*1) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

(*2) Represents increases in property, plant and equipment due to business combination upon acquisition of Senex Energy Limited during the year ended December 31, 2022.

(*3) The Company estimated the recoverable amount of damaged assets due to the flooding of Naengcheon stream in Pohang at the net fair value, and recognized an impairment loss of ₩207,072 million since recoverable amounts are less than their carrying amounts.

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|------------------------------|---|-------------|-------------|
| Weighted average expenditure | ₩ | 3,585,047 | 1,657,425 |
| Borrowing costs capitalized | | 126,260 | 44,264 |
| Capitalization rate (%) | | 1.53 ~ 6.91 | 2.39 ~ 3.85 |

(d) Property, plant and equipment and investment property pledged as collateral as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>Book value</u> | |
|-----------------------------|------------------------------------|--------------------|------------------|
| | <u>Collateral right holder</u> | <u>2023</u> | <u>2022</u> |
| Land | Korean Development Bank and others | ₩ 1,100,811 | 1,161,696 |
| Buildings and structures | Korean Development Bank and others | 1,410,864 | 1,449,066 |
| Machinery and equipment | Korean Development Bank and others | 2,014,210 | 2,123,621 |
| | | ₩ <u>4,525,885</u> | <u>4,734,383</u> |

As of December 31, 2023, assets pledged as collateral related to the Company's borrowings and others amounting to ₩6,643,746 million include investment properties and other assets such as right to use land.

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(e) Changes in the carrying amount of right of use assets presented as investment property and property, plant and equipment for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

| <i>(in millions of Won)</i> | | Beginning | Acquisitions | Depreciation | Others | Ending |
|-----------------------------|---|------------------|---------------------|---------------------|---------------|------------------|
| Land | ₩ | 368,167 | 10,470 | (15,582) | 734 | 363,789 |
| Buildings and structures | | 163,648 | 49,929 | (52,697) | (9,514) | 151,366 |
| Machinery and equipment | | 319,021 | 73,761 | (55,481) | 18,303 | 355,604 |
| Vehicles | | 18,652 | 38,410 | (16,456) | 7,622 | 48,228 |
| Ships | | 215,496 | 28,178 | (22,920) | - | 220,754 |
| others | | 6,862 | 42,901 | (12,885) | (6,983) | 29,895 |
| | ₩ | <u>1,091,846</u> | <u>243,649</u> | <u>(176,021)</u> | <u>10,162</u> | <u>1,169,636</u> |

2) For the year ended December 31, 2022

| <i>(in millions of Won)</i> | | Beginning | Acquisitions | Business Combination(*1) | Depreciation | Others | Ending |
|-----------------------------|---|------------------|---------------------|---------------------------------|---------------------|------------------|------------------|
| Land | ₩ | 391,446 | 18,077 | - | (16,843) | (24,513) | 368,167 |
| Buildings and structures | | 143,854 | 74,454 | 6,714 | (50,397) | (10,977) | 163,648 |
| Machinery and equipment | | 256,205 | 43,088 | 175,795 | (56,333) | (99,734) | 319,021 |
| Vehicles | | 14,753 | 12,467 | 98 | (12,015) | 3,349 | 18,652 |
| Ships | | 210,056 | 23,793 | - | (18,355) | 2 | 215,496 |
| others | | 19,899 | 12,381 | 10,965 | (21,467) | (14,916) | 6,862 |
| | ₩ | <u>1,036,213</u> | <u>184,260</u> | <u>193,572</u> | <u>(175,410)</u> | <u>(146,789)</u> | <u>1,091,846</u> |

(*1) Represents increases in right-in-use assets upon acquisition of Senex Energy Limited during the year ended December 31, 2022.

(f) The amount recognized in profit or loss related to leases for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | 2023 | 2022 |
|--|---|----------------|---------------|
| Interest on lease liabilities | ₩ | 41,109 | 34,936 |
| Expenses related to short-term leases | | 52,486 | 29,931 |
| Expenses related to leases of low-value assets | | 20,103 | 17,877 |
| | ₩ | <u>113,698</u> | <u>82,744</u> |

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15. Goodwill and Other Intangible Assets, Net,

(a) Goodwill and other intangible assets as of December 31, 2023 and 2022 are as follows:

| | 2023 | | | | 2022 | | | |
|-----------------------------------|------------------|--|-------------------|------------|------------------|--|-------------------|------------|
| | Acquisition cost | Accumulated amortization and impairment loss | Government grants | Book value | Acquisition cost | Accumulated amortization and impairment loss | Government grants | Book value |
| | | | | | | | | |
| Goodwill | ₩ 1,720,753 | (1,317,581) | - | 403,172 | 1,723,974 | (1,281,487) | - | 442,487 |
| Intellectual property rights | 5,167,677 | (2,138,026) | - | 3,029,651 | 4,944,973 | (1,808,901) | - | 3,136,072 |
| Membership | 141,306 | (3,122) | - | 138,184 | 135,905 | (2,963) | - | 132,942 |
| Development expense | 758,878 | (631,974) | (86) | 126,818 | 687,437 | (571,266) | - | 116,171 |
| Port facilities usage rights | 681,530 | (499,119) | - | 182,411 | 681,530 | (484,319) | - | 197,211 |
| Exploration and evaluation assets | 324,324 | (160,878) | - | 163,446 | 260,548 | (159,557) | - | 100,991 |
| Development assets | 10,235 | - | - | 10,235 | 78,970 | - | - | 78,970 |
| Customer relationships | 865,753 | (668,858) | - | 196,895 | 865,691 | (624,380) | - | 241,311 |
| Other intangible assets | 1,260,067 | (796,052) | (43) | 463,972 | 1,175,409 | (783,088) | (25) | 392,296 |
| ₩ | 10,930,523 | (6,215,610) | (129) | 4,714,784 | 10,554,437 | (5,715,961) | (25) | 4,838,451 |

(b) The changes in carrying amount of goodwill and other intangible assets for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

| | <i>(in millions of Won)</i> | | | | | | |
|-----------------------------------|-----------------------------|--------------|-----------|--------------|---------------------|------------|-----------|
| | Beginning | Acquisitions | Disposals | Amortization | Impairment loss(*3) | Others(*2) | Ending |
| Goodwill | ₩ 442,487 | - | - | - | (36,093) | (3,222) | 403,172 |
| Intellectual property rights | 3,136,072 | 208,874 | (5) | (321,752) | (89,986) | 96,448 | 3,029,651 |
| Membership(*1) | 132,942 | 7,360 | (1,920) | (170) | 11 | (39) | 138,184 |
| Development expense | 116,171 | 13,130 | (97) | (73,319) | - | 70,933 | 126,818 |
| Port facilities usage rights | 197,211 | - | - | (14,800) | - | - | 182,411 |
| Exploration and evaluation assets | 100,991 | 67,000 | - | - | (1,204) | (3,341) | 163,446 |
| Development assets | 78,970 | 27,831 | - | - | - | (96,566) | 10,235 |
| Customer relationships | 241,311 | - | - | (44,478) | - | 62 | 196,895 |
| Other intangible assets | 392,296 | 139,100 | (625) | (43,674) | (2,055) | (21,070) | 463,972 |
| ₩ | 4,838,451 | 463,295 | (2,647) | (498,193) | (129,327) | 43,205 | 4,714,784 |

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

(*2) Represents assets transferred from construction-in-progress to intangible asset and assets transferred from property, plant and equipment, adjustments of foreign currency translation difference and others.

(*3) During the year ended December 31, 2023, POSCO Canada Ltd., a subsidiary, decided to make an investment in kind the Greenhills Mine, which is recognized as a joint operation, to a new partnership established by Teck Coal Partnership, the main operator. POSCO Canada Ltd. estimated the recoverable amount considering the fair value and acquired shares of the new partnership, and recognized an impairment loss of ₩88,518 million since recoverable amounts are less than their carrying amounts.

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2) For the year ended December 31, 2022

| (in millions of Won) | Business Combination | | | | | | | Ending |
|-----------------------------------|----------------------|--------------|-----------|-----------|--------------|---------------------|------------|-----------|
| | Beginning | Acquisitions | (*3,4) | Disposals | Amortization | Impairment loss(*5) | Others(*2) | |
| Goodwill | ₩ 735,969 | - | 66,206 | - | - | (369,337) | 9,649 | 442,487 |
| Intellectual property rights | 2,225,808 | 354,179 | 912,971 | (582) | (326,494) | 379 | (30,189) | 3,136,072 |
| Membership(*1) | 142,370 | 9,230 | - | (2,082) | (145) | 854 | (17,285) | 132,942 |
| Development expense | 153,973 | 1,800 | - | (13) | (67,446) | (1,046) | 28,903 | 116,171 |
| Port facilities usage rights | 216,021 | - | - | - | (14,800) | - | (4,010) | 197,211 |
| Exploration and evaluation assets | 61,957 | 24,583 | 21,266 | - | - | - | (6,815) | 100,991 |
| Development assets | - | 6,607 | 76,591 | - | - | - | (4,228) | 78,970 |
| Customer relationships | 285,720 | - | - | - | (44,478) | - | 69 | 241,311 |
| Other intangible assets | 344,491 | 99,388 | 26,649 | (145) | (35,472) | (232) | (42,383) | 392,296 |
| | ₩ 4,166,309 | 495,787 | 1,103,683 | (2,822) | (488,835) | (369,382) | (66,289) | 4,838,451 |

- (*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, adjustments of foreign currency translation difference and others.
(*3) Represents increases in intangible assets upon acquisition of Senex Energy Limited during the year ended December 31, 2022.
(*4) Represents increases in intangible assets upon acquisition of POSCO Silicon Solution Co., Ltd during the year ended December 31, 2022.
(*5) During the year ended December 31, 2022, impairment loss of ₩337,953 million on goodwill of POSCO INTERNATIONAL Corporation, a subsidiary included in trading segment of green infrastructure, was recognized as the recoverable amount is less than the carrying amount of the CGU.

(c) For the purpose of impairment testing, goodwill is allocated to individually operating entities each of which is determined to be a CGU. The goodwill amounts as of December 31, 2023 and 2022 are as follows:

| Reporting segments | | Total number of CGUs | | CGUs | | 2023 | 2022 |
|----------------------|--|----------------------|------|--|---|---------|---------|
| | | 2023 | 2022 | | | | |
| Steel | | 10 | 10 | POSCO VST CO., LTD. | ₩ | 36,955 | 36,955 |
| | | | | POSCO Center Beijing | | 173 | 173 |
| | | | | Others | | 13,806 | 13,741 |
| Green infrastructure | | 4 | 4 | POSCO INTERNATIONAL Corporation - Global Business Division(*1) | | 240,092 | 240,092 |
| | | | | POSCO INTERNATIONAL Corporation - Energy Division | | 26,471 | 26,471 |
| | | | | Others | | 7,513 | 7,270 |
| | | 2 | 2 | POSCO Eco & Challenge Co., Ltd. | | - | 24,868 |
| | | | | POSCO WIDE Co., Ltd | | 32,585 | 35,728 |
| Green Materials | | 1 | 1 | Shinan Green Energy Co.,LTD. | | 9,722 | 17,804 |
| | | 3 | 3 | POSCO FUTURE M CO., LTD | | 8,800 | 8,800 |
| | | | | POSCO Silicon Solution Co., Ltd | | 26,947 | 30,477 |
| | | | | Zhangjiagang Pohang Refractories Co., Ltd. | | 108 | 108 |
| | | 20 | 20 | | ₩ | 403,172 | 442,487 |

- (*1) The recoverable amount of POSCO INTERNATIONAL Corporation – Global Business Division, a subsidiary in trading segment of the green infrastructure business, is determined based on its value in use. As of December 31, 2023, the value in use is estimated by applying an 7.73% (2022: 8.97%) post-tax discount rate to the future cash flows estimated based on management's 5-year business plan and terminal growth rate of 1.0% (2022: 1.7%) thereafter. The terminal growth rate does not exceed long-term growth rate of its industry. No impairment loss on goodwill was recognized for the year ended December 31, 2023 as the recoverable amount exceeded the carrying amount of the CGU.

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The Company calculated the value in use by discounting the post-tax cash flows at the post-tax discount rate, which is materially the same as applying pre-tax discount rate of 10.38% (2022: 11.54%) to pre-tax cash flows.

The value in use of the CGU is sensitive to assumptions such as discount rate, terminal growth and estimated revenue used in discount cash flow model. If the discount rate increases by 0.5%, the value in use would have decreased by ₩304,741 million or 7.96%. If the terminal growth rate decreases by 0.5%, the value in use would have decreased by ₩106,403 million or 2.78%.

16. Other Assets

Other current assets and other non-current assets as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|-----------------------------|------------------|------------------|
| Current | | |
| Advance payments | ₩ 593,300 | 782,439 |
| Prepaid expenses | 226,960 | 263,536 |
| Firm commitment asset | 3,418 | 9,674 |
| Other current assets | 17,306 | 20,290 |
| | <u>₩ 840,984</u> | <u>1,075,939</u> |
| Non-current | | |
| Long-term advance payments | ₩ 46,989 | 23,429 |
| Long-term prepaid expenses | 30,232 | 53,803 |
| Others(*1) | 95,974 | 90,143 |
| | <u>₩ 173,195</u> | <u>167,375</u> |

(*1) As of December 31, 2023, there is no estimated tax amounts to be refunded as the result of the Company's appeal in connection with the additional income tax payment in prior years' tax audits and claim for rectification. As of December 31, 2022, the Company recognized tax assets amounting to ₩6,764 million, based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years' tax audits and claim for rectification are finalized.

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17. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of December 31, 2023 and 2022 are as follows:

(in millions of Won)

| | Lenders | Issuance date | Maturity date | Interest rate (%) | 2023 | 2022 |
|---|---|-----------------------------------|----------------------------------|-------------------|--------------|------------|
| Short-term borrowings | | | | | | |
| Bank overdrafts | JP Morgan and others | January, 2023~ December, 2023 | January, 2024~ December, 2024 | 3.65 ~ 7.72 | ₩ 69,160 | 197,718 |
| Short-term borrowings | HSBC and others | December, 2022~ December, 2023 | January, 2024~ December, 2024 | 0.22 ~ 49.69 | 4,890,120 | 6,635,402 |
| | | | | | 4,959,280 | 6,833,120 |
| Current portion of long-term liabilities | | | | | | |
| Current portion of long-term borrowings | Export-Import Bank of Korea and others | September, 2001~ March, 2023 | April, 2024~ December, 2024 | 0.25 ~ 8.69 | 990,088 | 2,302,592 |
| Current portion of debentures | KB Securities co.,Ltd. and others | March, 2019~ October, 2021 | January, 2024~ October, 2024 | 1.51 ~ 2.52 | 3,255,375 | 2,782,049 |
| Less: Current portion of discount on debentures issued | | | | | (2,217) | (1,767) |
| Current portion of exchangeable bonds | Foreign currency exchangeable bonds | September, 2021 | September, 2026 | | 1,756,691 | - |
| | | | | | 5,999,937 | 5,082,874 |
| | | | | | ₩ 10,959,217 | 11,915,994 |

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

(in millions of Won)

| | Lenders | Issuance date | Maturity date | Interest rate (%) | 2023 | 2022 |
|-------------------------------------|---|------------------------------------|---------------------------------|-------------------|------------------------|-----------------------|
| Long-term borrowings | Export-Import Bank of Korea and others | September, 2001~ December, 2023 | January, 2025~ March, 2040 | 0.19 ~ 8.69 | ₩ 4,590,541 (9,414) | 2,718,212 (8,951) |
| Less: Present value discount | | | | | | |
| Bonds | KB Securities co.,Ltd. and others | July, 2015~ November, 2023 | January, 2025~ January, 2033 | 1.68 ~ 6.85 | 10,478,394 (48,358) | 8,351,006 (28,894) |
| Less: Discount on debentures issued | | | | | | |
| Exchangeable bonds(*1,2) | Foreign currency exchangeable bonds | September, 2021 | September, 2026 | | - | 1,358,294 |
| | | | | | ₩ 15,011,163 | 12,389,667 |

(*1) As of December 31, 2023, exchangeable bonds were reclassified as current liabilities because the bondholders' put option for redemption is exercisable within 12 months.

(*2) 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 | 1) 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 2) Prepayment : The issuer has call option and the bondholders have put option |
| Exchange rate | 100% |
| Exchange price (Won/share) | 449,066(*) |
| Underlying shares exchange | 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. - 3 years(September 1, 2024) from the closing date |
| Put option by bondholders | - 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) - 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. |
| Call option by the Issuer | - 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. |

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(*) The exchange value has changed due to cash dividends during the year ended December 31, 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 valuation, and changes in fair value are recognized in profit or loss.

(c) Assets pledged as collateral with regard to the borrowings as of December 31, 2023 are as follows:

| <i>(in millions of Won)</i> | <u>Lenders</u> | <u>Book value</u> | <u>Pledged amount</u> |
|---|-----------------------------------|--------------------|-----------------------|
| Property, plant and equipment and Investment property | Korea Development Bank and others | ₩ 4,391,431 | 5,925,533 |
| Trade accounts and notes receivable | Korea Development Bank and others | 132,942 | 132,942 |
| Financial instruments | Woori Bank and others | 36,018 | 36,018 |
| | | <u>₩ 4,560,391</u> | <u>6,094,493</u> |

18. Other Payables

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

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|-----------------------------|--------------------|------------------|
| Current | | |
| Accounts payable | ₩ 1,174,097 | 1,423,402 |
| Accrued expenses | 1,046,891 | 981,609 |
| Dividend payable | 3,261 | 4,371 |
| Lease liabilities | 163,952 | 149,384 |
| Withholdings | 349,277 | 307,102 |
| | <u>₩ 2,737,478</u> | <u>2,865,868</u> |
| Non-current | | |
| Accounts payable | ₩ 14,143 | 15,713 |
| Accrued expenses | 8,073 | 8,102 |
| Lease liabilities | 760,368 | 674,098 |
| Long-term withholdings | 90,981 | 92,489 |
| | <u>₩ 873,565</u> | <u>790,402</u> |

POSCO HOLDINGS INC. and Subsidiaries
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19. Other Financial Liabilities

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

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|---------------------------------|------------------|----------------|
| Current | | |
| Derivative liabilities | ₩ 38,631 | 95,157 |
| Financial guarantee liabilities | 5,114 | 11,370 |
| Others(*1) | 119,881 | - |
| | <u>₩ 163,626</u> | <u>106,527</u> |
| Non-current | | |
| Derivative liabilities | ₩ 81,291 | 79,984 |
| Financial guarantee liabilities | 7,858 | 7,068 |
| Others | 64,633 | - |
| | <u>₩ 153,782</u> | <u>87,052</u> |

(*1) The Company recognized other financial liabilities in connection with the put option agreement which POSCO FUTURE MATERIALS CANADA INC. (formerly, POSCO CHEMICAL CANADA INC.), a subsidiary, entered into with GM Battery Raw Materials Corporation.

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20. Provisions

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

| <i>(in millions of Won)</i> | 2023 | | 2022 | |
|--|-----------|-------------|---------|-------------|
| | Current | Non-current | Current | Non-current |
| Provision for bonus payments | ₩ 146,277 | 38,114 | 136,275 | 33,157 |
| Provision for construction warranties | 50,222 | 146,536 | 35,702 | 170,272 |
| Provision for legal contingencies and claims(*1) | 20,893 | 52,169 | 46,823 | 59,518 |
| Provision for the restoration(*2,3) | 14,567 | 161,253 | 6,049 | 185,097 |
| Others(*4,5,6) | 187,785 | 69,937 | 291,139 | 131,874 |
| | ₩ 419,744 | 468,009 | 515,988 | 579,918 |

(*1) The Company recognized probable outflow of resources amounting to ₩45,712 million and ₩52,530 million as provisions for legal contingencies and asserted claim in relation to lawsuits against the Company as of December 31, 2023 and 2022, respectively.

(*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery amounting to ₩17,005 million as provisions for restoration as of December 31, 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 a discount rate of 3.77%~3.89% to measure present value of these costs.

(*3) During the year ended December 31, 2023, due to contamination of river water quality near Greenhills Mine owned as joint operation by POSCO Canada Ltd., the Company calculated present value of estimated costs for recovery amounting to ₩119,710 million as provisions for improvement and reclassified as liabilities held for sale as of December 31, 2023.

(*4) As of December 31, 2023 and December 31, 2022, POSCO INTERNATIONAL Corporation and Korea Fuel Cell, recognized ₩23,224 million and ₩97,928 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*5) As of December 31, 2023 and December 31, 2022, the Company has recognized emission liabilities amounting to ₩9,065 million and ₩14,178 million respectively, for expected greenhouse gas emissions exceeding the quantity of free quota emission rights.

(*6) According to the Act on the promotion of the development, use and diffusion of new and renewable energy, POSCO INTERNATIONAL Corporation is obliged to supply a certain amount of power generated by new and renewable energy. In accordance with the Act, POSCO INTERNATIONAL Corporation estimated the cost required to fulfill its obligations, such as insufficient supply of power using new and renewable energy to be borne, and as of December 31, 2023 and December 31, 2022, the Company recognized ₩64,166 million and ₩123,073 million, respectively, as provision liabilities.

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(b) The following are the key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period.

| | <u>Key assumptions for the estimation</u> |
|--|---|
| Provision for bonus payments | Estimations based on financial performance and service provided |
| Provision for construction warranties | Estimations based on historical warranty data |
| Provision for legal contingencies and claims | Estimations based on the degree of probability of an unfavorable outcome and the ability to make a sufficient reliable estimate of the amount of loss |

(c) Changes in provisions for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

| <i>(in millions of Won)</i> | | <u>Beginning</u> | <u>Increase</u> | <u>Utilization</u> | <u>Reversal</u> | <u>Others(*1)</u> | <u>Ending</u> |
|--|---|------------------|-----------------|--------------------|------------------|-------------------|----------------|
| Provision for bonus payments | ₩ | 169,432 | 181,221 | (158,529) | (6,063) | (1,670) | 184,391 |
| Provision for construction warranties | | 205,974 | 42,653 | (49,117) | (8,350) | 5,598 | 196,758 |
| Provision for legal contingencies and claims | | 106,341 | 16,327 | (48,144) | (3,599) | 2,137 | 73,062 |
| Provision for the restoration | | 191,146 | 104,227 | (9,887) | (80) | (109,586) | 175,820 |
| Others | | 423,013 | 189,227 | (255,001) | (112,909) | 13,392 | 257,722 |
| | ₩ | <u>1,095,906</u> | <u>533,655</u> | <u>(520,678)</u> | <u>(131,001)</u> | <u>(90,129)</u> | <u>887,753</u> |

(*1) Includes transfer to liabilities held for sale and adjustments of foreign currency translation differences and others.

2) For the year ended December 31, 2022

| <i>(in millions of Won)</i> | | <u>Beginning</u> | <u>Increase</u> | <u>Utilization</u> | <u>Reversal</u> | <u>Others(*1)</u> | <u>Ending</u> |
|--|---|------------------|-----------------|--------------------|-----------------|-------------------|------------------|
| Provision for bonus payments | ₩ | 138,533 | 176,677 | (137,092) | (5,813) | (2,873) | 169,432 |
| Provision for construction warranties | | 236,660 | 52,438 | (73,853) | (8,287) | (984) | 205,974 |
| Provision for legal contingencies and claims | | 93,491 | 47,344 | (33,175) | (8,654) | 7,335 | 106,341 |
| Provision for the restoration | | 159,531 | 45,130 | (43,168) | (1,299) | 30,952 | 191,146 |
| Others | | 360,861 | 317,621 | (203,985) | (60,738) | 9,254 | 423,013 |
| | ₩ | <u>989,076</u> | <u>639,210</u> | <u>(491,273)</u> | <u>(84,791)</u> | <u>43,684</u> | <u>1,095,906</u> |

(*1) Includes adjustments of foreign currency translation differences and others.

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21. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| Expense related to post-employment benefit plans under defined contribution plans | ₩ 70,394 | 62,467 |

(b) Defined benefit plans

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

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|---|--------------------|------------------|
| Present value of funded obligations | ₩ 2,445,797 | 2,200,127 |
| Fair value of plan assets(* 1) | (2,902,714) | (2,703,639) |
| Present value of non-funded obligations | <u>30,912</u> | <u>20,560</u> |
| Net defined benefit liabilities | ₩ <u>(426,005)</u> | <u>(482,952)</u> |

(* 1) As of December 31, 2023 and 2022, the Company recognized net defined benefit assets amounting to ₩464,758 million and ₩520,659 million, respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

2) Changes in present value of defined benefit obligations for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|--------------------|------------------|
| Defined benefit obligations at the beginning of period | ₩ 2,220,687 | 2,415,031 |
| Current service costs | 235,340 | 235,007 |
| Interest costs | 97,660 | 71,348 |
| Remeasurements : | 178,649 | (192,339) |
| - Loss (gain) from change in financial assumptions | 165,919 | (381,800) |
| - Loss (gain) from change in demographic assumptions | (16,094) | (621) |
| - Loss (gain) from change in others | 28,824 | 190,082 |
| Benefits paid | (263,547) | (300,353) |
| Others | <u>7,920</u> | <u>(8,007)</u> |
| Defined benefit obligations at the end of period | ₩ <u>2,476,709</u> | <u>2,220,687</u> |

POSCO HOLDINGS INC. and Subsidiaries
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- 3) Changes in fair value of plan assets for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|--|---|------------------|------------------|
| Fair value of plan assets at the beginning of period | ₩ | 2,703,639 | 2,620,046 |
| Interest on plan assets | | 126,386 | 77,745 |
| Remeasurement of plan assets | | 22,400 | (57,335) |
| Contributions to plan assets | | 279,225 | 346,773 |
| Benefits paid | | (233,689) | (287,312) |
| Others | | 4,753 | 3,722 |
| Fair value of plan assets at the end of period | ₩ | <u>2,902,714</u> | <u>2,703,639</u> |

The Company expects to make an estimated contribution of ₩281,169 million to the defined benefit plan assets in 2024.

- 4) The fair value of plan assets as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-----------------------------|---|------------------|------------------|
| Equity instruments | ₩ | 6,867 | 5,949 |
| Debt instruments | | 529,313 | 758,250 |
| Deposits | | 2,155,063 | 1,813,863 |
| Others | | 211,471 | 125,577 |
| | ₩ | <u>2,902,714</u> | <u>2,703,639</u> |

- 5) The amounts recognized in consolidated statement of comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-----------------------------|---|----------------|----------------|
| Current service costs | ₩ | 235,340 | 235,007 |
| Net interest costs(*1) | | (28,726) | (6,397) |
| | ₩ | <u>206,614</u> | <u>228,610</u> |

(*1) The actual return on plan assets amounted to ₩148,786 million and ₩20,410 million for the years ended December 31, 2023 and 2022, respectively.

The above expenses by function were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---|----------------|----------------|
| Cost of sales | ₩ | 135,687 | 156,576 |
| Selling and administrative expenses | | 70,746 | 71,060 |
| Others | | 181 | 974 |
| | ₩ | <u>206,614</u> | <u>228,610</u> |

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- 6) Accumulated actuarial gains (losses), net of tax recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|---|---|------------------|------------------|
| Beginning | ₩ | (396,296) | (502,065) |
| Remeasurements of defined benefit plans | | (118,548) | 105,769 |
| Ending | ₩ | <u>(514,844)</u> | <u>(396,296)</u> |

- 7) The principal actuarial assumptions as of December 31, 2023 and 2022 are as follows:

| (%) | | <u>2023</u> | <u>2022</u> |
|--|--|--------------|--------------|
| Discount rate | | 0.92 ~ 7.60 | 2.00 ~ 7.60 |
| Expected future increase in salaries(*1) | | 2.30 ~ 28.11 | 1.50 ~ 12.20 |

(*1) The expected future increase in salaries is based on the average salary increase rate for the past 5 years.

All assumptions are reviewed at the end of the reporting period. Additionally, the total estimated defined benefit obligation includes actuarial assumptions associated with the long-term characteristics of the defined benefit plan.

- 8) Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| <i>(in millions of Won)</i> | | <u>1% Increase</u> | | <u>1% Decrease</u> | |
|--------------------------------------|---|--------------------|---------------|--------------------|---------------|
| | | Amount | Percentage(%) | Amount | Percentage(%) |
| Discount rate | ₩ | (151,746) | (6.1) | 172,840 | 7.0 |
| Expected future increase in salaries | | 171,615 | 6.9 | (153,433) | (6.2) |

- 9) As of December 31, 2023 the maturity of the expected benefit payments are as follows:

| <i>(in millions of Won)</i> | | <u>Within 1 year</u> | <u>1 year - 5 years</u> | <u>5 years - 10 years</u> | <u>10 years - 20 years</u> | <u>After 20 years</u> | <u>Total</u> |
|-----------------------------|---|--------------------------|-----------------------------|-------------------------------|--------------------------------|---------------------------|--------------|
| Benefits to be paid | ₩ | 305,269 | 1,000,746 | 743,159 | 1,018,133 | 404,773 | 3,472,080 |

The maturity analysis of the defined benefit obligation was nominal amounts of defined benefit obligations using expected remaining period of service of employees.

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22. Other Liabilities

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

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|------------------------------------|--------------------|------------------|
| Current | | |
| Due to customers for contract work | ₩ 624,632 | 761,393 |
| Advances received | 304,441 | 535,885 |
| Unearned revenue | 69,062 | 62,030 |
| Withholdings | 297,442 | 369,067 |
| Firm commitment liability | 20,136 | 7,566 |
| Others(*1) | 21,929 | 24,375 |
| | <u>₩ 1,337,642</u> | <u>1,760,316</u> |
| Non-current | | |
| Unearned revenue | ₩ 8,889 | 22,203 |
| Others(*1) | 105,583 | 129,674 |
| | <u>₩ 114,472</u> | <u>151,877</u> |

(*1) As of December 31, 2023 and December 31, 2022, the Company recognized the acquired liability amounted to ₩56,325 million and ₩71,248 million, respectively related to unfavorable terms of a customer contract relative to market-terms upon the acquisition of Senex Energy Limited.

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23. 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 December 31, 2023 and 2022 are as follows:

① December 31, 2023

(in millions of Won)

| | Book value | Fair value | | | Total |
|--|-------------------|------------------|-------------------|----------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| Fair value through profit or loss | | | | | |
| Derivative assets | ₩ 291,541 | - | 291,541 | - | 291,541 |
| Short-term financial instruments | 6,540,407 | - | 6,540,407 | - | 6,540,407 |
| Equity securities | 99,254 | 61,665 | - | 37,589 | 99,254 |
| Debt securities | 88,196 | - | 75,183 | 13,013 | 88,196 |
| Other securities | 669,687 | - | 270 | 669,417 | 669,687 |
| Derivative hedging instruments(*2) | 9,601 | - | 9,601 | - | 9,601 |
| Fair value through other comprehensive income | | | | | |
| Equity securities | 1,694,277 | 1,539,205 | - | 155,072 | 1,694,277 |
| Financial assets measured at amortized cost(*1) | | | | | |
| Cash and cash equivalents | 6,670,879 | - | - | - | - |
| Trade accounts and notes receivable | 9,155,853 | - | - | - | - |
| Other receivables | 2,750,036 | - | - | - | - |
| Debt securities | 295,201 | - | - | - | - |
| Deposit instruments | 4,423,327 | - | - | - | - |
| ₩ | <u>32,688,259</u> | <u>1,600,870</u> | <u>6,917,002</u> | <u>875,091</u> | <u>9,392,963</u> |
| Financial liabilities | | | | | |
| Fair value through profit or loss | | | | | |
| Derivative liabilities | ₩ 116,748 | - | 116,748 | - | 116,748 |
| Borrowings | 1,756,691 | 1,756,691 | - | - | 1,756,691 |
| Other financial Liabilities | 119,258 | - | - | 119,258 | 119,258 |
| Derivative hedging instruments(*2) | 3,174 | - | 3,174 | - | 3,174 |
| Financial liabilities measured at amortized cost(*1) | | | | | |
| Trade accounts and notes payable | 5,782,825 | - | - | - | - |
| Borrowings | 24,213,689 | - | 24,310,166 | - | 24,310,166 |
| Financial guarantee liabilities | 12,972 | - | - | - | - |
| Others | 3,241,459 | - | - | - | - |
| Other financial Liabilities | 65,256 | - | - | - | - |
| ₩ | <u>35,312,072</u> | <u>1,756,691</u> | <u>24,430,088</u> | <u>119,258</u> | <u>26,306,037</u> |

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

(*2) The Company applies hedge accounting which uses forward contracts as hedging instrument in order to hedge the risk of changes in fair value of product prices regarding firm commitments or purchase commitments. Also, the Company applies cash flow hedge accounting which uses currency swap as hedging instrument in order to hedge the risk of interest rate and foreign exchange rate changes in foreign currency which influences cash flow from borrowings.

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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 | | | | | |
| Derivative assets | ₩ 350,149 | - | 350,149 | - | 350,149 |
| Short-term financial instruments | 8,006,081 | - | 8,006,081 | - | 8,006,081 |
| Debt securities | 75,876 | - | 69,926 | 5,950 | 75,876 |
| Other securities | 632,469 | 29,687 | 1,022 | 601,760 | 632,469 |
| Other receivables | 2,000 | - | - | 2,000 | 2,000 |
| Derivative hedging instruments(*2) | 9,846 | - | 9,846 | - | 9,846 |
| Fair value through other comprehensive income | | | | | |
| Equity securities | 1,462,088 | 1,210,124 | - | 251,964 | 1,462,088 |
| Financial assets measured at amortized cost(*1) | | | | | |
| Cash and Cash Equivalents | 8,053,108 | - | - | - | - |
| Trade accounts and notes receivable | 8,414,946 | - | - | - | - |
| Other receivables | 2,458,227 | - | - | - | - |
| Debt securities | 124,147 | - | - | - | - |
| Deposit instruments | 2,581,802 | - | - | - | - |
| | ₩ 32,170,739 | 1,239,811 | 8,437,024 | 861,674 | 10,538,509 |
| Financial liabilities | | | | | |
| Fair value through profit or loss | | | | | |
| Derivative liabilities | ₩ 157,036 | - | 157,036 | - | 157,036 |
| Borrowings | 1,358,294 | 1,358,294 | - | - | 1,358,294 |
| Derivative hedging instruments(*2) | 18,105 | - | 18,105 | - | 18,105 |
| Financial liabilities measured at amortized cost(*1) | | | | | |
| Trade accounts and notes payable | 5,520,821 | - | - | - | - |
| Borrowings | 22,947,368 | - | 22,331,771 | - | 22,331,771 |
| Financial guarantee liabilities | 18,438 | - | - | - | - |
| Others | 2,789,195 | - | - | - | - |
| | ₩ 32,809,257 | 1,358,294 | 22,506,912 | - | 23,865,206 |

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

(*2) The Company applies hedge accounting which uses forward contracts as hedging instrument in order to hedge the risk of changes in fair value of product prices regarding firm commitments or purchase commitments. Also, the Company applies cash flow hedge accounting which uses currency swap as hedging instrument in order to hedge the risk of interest rate and foreign exchange rate changes in foreign currency which influences cash flow from borrowings.

2) Financial assets and financial liabilities classified as fair value hierarchy Level 2

Fair values of derivatives are measured using the derivatives instrument valuation models such as discounted cash flow method. Inputs of the financial instrument valuation model include forward rate, interest rate and others. The fair value of derivatives may change depending on the type of derivatives and the nature of the underlying assets.

3) Financial assets classified as fair value hierarchy Level 3

① Value measurement method and significant but not observable inputs for the financial assets classified as fair value hierarchy Level 3 as of December 31, 2023 are as follows:

(in millions of Won)

| | Fair value | Valuation technique | Inputs | Range of inputs | Effect on fair value assessment |
|--------------------------------|------------|-----------------------------|-----------------|-----------------|--|
| | | | | | with unobservable input |
| Financial assets at fair value | ₩ 104,529 | Discounted cash flows | Growth rate | 0%~1.00% | As growth rate increases, fair value increases |
| | 113,626 | Proxy firm valuation method | Discount rate | 9.64%~26.60% | As discount rate increases, fair value decreases |
| | 656,936 | Asset value approach | Price multiples | 0.695~3.343 | As price multiples increases, fair value increases |
| | | | | | |

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② Sensitivity analysis of financial assets classified as Level 3 of fair value hierarchy

If other inputs remain constant as of December 31, 2023 and one of the significant but not observable input is changed, the effect on fair value measurement is as follows:

(in millions of Won)

| | <u>Input variable</u> | <u>Favorable changes</u> | <u>Unfavorable changes</u> |
|--------------------------------|-----------------------------------|--------------------------|----------------------------|
| Financial assets at fair value | Fluctuation 0.5% of growth rate | ₩ 1,511 | (1,308) |
| | Fluctuation 0.5% of discount rate | 2,125 | (1,938) |

③ Changes in fair value of financial assets classified as Level 3 for the years ended December 31, 2023 and 2022 were as follows:

(in millions of Won)

| | <u>2023</u> | <u>2022</u> |
|---|------------------|----------------|
| Beginning | ₩ 861,674 | 620,914 |
| Acquisition | 100,442 | 182,217 |
| Gain (loss) on valuations of financial assets | 39,621 | 24,613 |
| Other comprehensive income (loss) | 22,526 | 126,510 |
| Disposal and others | (149,172) | (92,580) |
| Ending | ₩ <u>875,091</u> | <u>861,674</u> |

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4) Finance income and costs by category of financial instrument for the years ended December 31, 2023 and 2022 were as follows:

① For the year ended December 31, 2023

(in millions of Won)

| | Finance income and costs | | | | | Total | Other comprehensive income (loss) |
|---|---------------------------|----------------------------|-----------------------------------|---------------------------|----------|-------------|-----------------------------------|
| | Interest income (expense) | Gain and loss on valuation | Gain and loss on foreign currency | Gain and loss on disposal | Others | | |
| Financial assets at fair value through profit or loss | ₩ - | 520,884 | - | 190,531 | 560 | 711,975 | - |
| Derivative assets | - | 167,997 | - | 289,423 | - | 457,420 | - |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 49,586 | 49,586 | 257,725 |
| Financial assets measured at amortized cost | 502,147 | - | 211,077 | (84,649) | (6,347) | 622,228 | - |
| Financial liabilities at fair value | - | (305,562) | (92,835) | - | - | (398,397) | - |
| Derivative liabilities | - | (44,323) | - | (276,600) | - | (320,923) | (1,292) |
| Financial liabilities measured at amortized cost | (1,001,290) | - | (466,244) | 11 | (26,616) | (1,494,139) | - |
| ₩ | (499,143) | 338,996 | (348,002) | 118,716 | 17,183 | (372,250) | 256,433 |

② For the year ended December 31, 2022

(in millions of Won)

| | Finance income and costs | | | | | Total | Other comprehensive income (loss) |
|---|---------------------------|----------------------------|-----------------------------------|---------------------------|----------|-------------|-----------------------------------|
| | Interest income (expense) | Gain and loss on valuation | Gain and loss on foreign currency | Gain and loss on disposal | Others | | |
| Financial assets at fair value through profit or loss | ₩ 20,421 | (599,777) | - | 237,771 | 545 | (341,040) | - |
| Derivative assets | - | 232,246 | - | 797,211 | - | 1,029,457 | - |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 38,837 | 38,837 | (10,076) |
| Financial assets measured at amortized cost | 226,584 | - | 414,944 | (64,244) | (42,433) | 534,851 | - |
| Financial liabilities at fair value | - | 85,790 | (8,891) | - | - | 76,899 | - |
| Derivative liabilities | - | (162,649) | - | (647,418) | - | (810,067) | 1,023 |
| Financial liabilities measured at amortized cost | (607,458) | - | (893,377) | - | 1,443 | (1,499,392) | - |
| ₩ | (360,453) | (444,390) | (487,324) | 323,320 | (1,608) | (970,455) | (9,053) |

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(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---------------------|-------------------|
| Cash and cash equivalents | ₩ 6,670,879 | 8,053,108 |
| Derivative assets | 301,142 | 359,995 |
| Short-term financial instrument | 6,540,407 | 8,006,082 |
| Debt securities | 383,397 | 200,023 |
| Other securities | 669,687 | 632,469 |
| Other receivables | 2,750,036 | 2,460,227 |
| Trade accounts and notes receivable | 11,057,819 | 9,822,224 |
| Deposit instruments | 4,423,327 | 2,581,802 |
| | <u>₩ 32,796,694</u> | <u>32,115,930</u> |

The Company provided financial guarantee for the repayment of loans of associates, joint ventures and third parties. As of December 31, 2023 and 2022, the maximum exposure to credit risk related to the financial guarantee amounted to ₩3,939,463 million and ₩3,982,288 million, respectively.

2) Impairment losses on financial assets and contract assets

The Company assesses expected credit losses by estimating the default rate based on the credit loss experience of prior periods and overdue conditions and considers the credit default swap (CDS) premium to reflect changes in credit risk by sector. For credit-impaired assets and significant receivables where the credit risk is significantly increased, credit losses are individually assessed.

① Allowance for doubtful accounts as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|------------------|----------------|
| Trade accounts and notes receivable | ₩ 330,898 | 378,100 |
| Other accounts receivable | 185,987 | 178,264 |
| Loans | 417,725 | 165,051 |
| Others | 18,119 | 9,098 |
| | <u>₩ 952,729</u> | <u>730,513</u> |

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- ② Impairment losses on financial assets for the years ended December 31, 2023 and 2022 were as follows:

(in millions of Won)

| | <u>2023</u> | <u>2022</u> |
|--|------------------|----------------|
| Bad debt expenses | ₩ (17,785) | 24,791 |
| Other bad debt expenses(*1) | 291,340 | 14,968 |
| Less: Recovery of allowance for other bad debt accounts | <u>(7,641)</u> | <u>(5,144)</u> |
| | <u>₩ 265,914</u> | <u>34,615</u> |

(*1) Other bad debt expenses are mainly related to loans and other accounts receivable.

- ③ The aging and allowance for doubtful accounts of trade accounts and notes receivable as of December 31, 2023 and 2022 are as follows:

(in millions of Won)

| | <u>2023</u> | | <u>2022</u> | |
|----------------------------|--|--|--|--|
| | <u>Trade accounts and notes receivable</u> | <u>Allowance for doubtful accounts</u> | <u>Trade accounts and notes receivable</u> | <u>Allowance for doubtful accounts</u> |
| Not due | ₩ 9,886,572 | 13,155 | 7,955,929 | 20,752 |
| Over due less than 1 month | 681,782 | 5,448 | 864,391 | 63,311 |
| 1 month - 3 months | 131,267 | 3,521 | 388,151 | 10,337 |
| 3 months - 12 months | 291,774 | 27,248 | 517,171 | 12,645 |
| Over 12 months | <u>397,322</u> | <u>281,526</u> | <u>446,045</u> | <u>271,055</u> |
| | <u>₩ 11,388,717</u> | <u>330,898</u> | <u>10,171,687</u> | <u>378,100</u> |

- ④ The aging and allowance for doubtful accounts of other receivables as of December 31, 2023 and 2022 are as follows:

(in millions of Won)

| | <u>2023</u> | | <u>2022</u> | |
|----------------------------|---|--|---|--|
| | <u>Loans and other account receivable</u> | <u>Allowance for doubtful accounts</u> | <u>Loans and other account receivable</u> | <u>Allowance for doubtful accounts</u> |
| Not due | ₩ 2,948,838 | 347,108 | 2,049,908 | 53,070 |
| Over due less than 1 month | 29,653 | 40 | 141,718 | 2,987 |
| 1 month - 3 months | 56,574 | 1,812 | 108,152 | 16,408 |
| 3 months - 12 months | 133,081 | 91,621 | 24,912 | 930 |
| Over 12 months | <u>203,712</u> | <u>181,240</u> | <u>487,950</u> | <u>279,018</u> |
| | <u>₩ 3,371,858</u> | <u>621,821</u> | <u>2,812,640</u> | <u>352,413</u> |

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- ⑤ Changes in the allowance for doubtful accounts for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-----------------------------|---|----------------|----------------|
| Beginning | ₩ | 730,513 | 717,365 |
| Bad debt expenses | | (17,785) | 24,791 |
| Other bad debt expenses | | 283,699 | 9,824 |
| Others(*1) | | (43,708) | (21,467) |
| Ending | ₩ | <u>952,719</u> | <u>730,513</u> |

(*1) Others for the years ended December 31, 2023 and 2022, included decreases mainly due to write-off amounting to ₩51,831 million and ₩20,855 million, respectively.

(c) Liquidity risk

- 1) Contractual maturities for non-derivative financial liabilities are as follows:

| <i>(in millions of Won)</i> | | <u>Book value</u> | <u>Contractual cash flow</u> | <u>Within 1 year</u> | <u>1 year - 5 years</u> | <u>After 5 years</u> |
|-------------------------------------|---|-------------------|------------------------------|----------------------|-------------------------|----------------------|
| Trade accounts and notes payable | ₩ | 5,782,825 | 5,782,825 | 5,782,825 | - | - |
| Borrowings(*1) | | 25,970,379 | 28,112,630 | 11,535,464 | 14,940,495 | 1,636,671 |
| Financial guarantee liabilities(*2) | | 12,972 | 3,939,463 | 3,939,463 | - | - |
| Lease liabilities | | 924,320 | 1,107,761 | 163,952 | 506,381 | 437,428 |
| Other financial liabilities | | 2,317,139 | 2,317,510 | 2,204,034 | 113,476 | - |
| | ₩ | <u>35,007,635</u> | <u>41,260,189</u> | <u>23,625,738</u> | <u>15,560,352</u> | <u>2,074,099</u> |

(*1) For exchangeable bonds, cash flow is allocated to the period in which the investor's right to claim early redemption could be exercised.

(*2) For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

- 2) Contractual maturities for derivative financial liabilities are as follows:

| <i>(in millions of Won)</i> | | <u>Within 1 year</u> | <u>1 year - 5 years</u> | <u>After 5 years</u> | <u>Total</u> |
|-----------------------------|---|----------------------|-------------------------|----------------------|----------------|
| Currency forward | ₩ | 33,367 | 4,984 | - | 38,351 |
| Currency swap | | 1,983 | 5,074 | 10,651 | 17,708 |
| Interest rate swap | | - | 16,278 | - | 16,278 |
| Others | | 3,281 | 44,304 | - | 47,585 |
| | ₩ | <u>38,631</u> | <u>70,640</u> | <u>10,651</u> | <u>119,922</u> |

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(d) Currency risk

- 1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The exposure to currency risk as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | 2023 | | 2022 | |
|-----------------------------|---------------|--------------------|---------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| USD | ₩ 4,979,817 | 11,146,695 | 5,553,742 | 8,996,494 |
| EUR | 538,330 | 2,882,376 | 574,739 | 2,438,031 |
| JPY | 343,321 | 264,563 | 525,815 | 384,535 |
| Others | 1,108,650 | 461,634 | 1,614,928 | 807,876 |

- 2) As of December 31, 2023 and 2022, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | 2023 | | 2022 | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD | ₩ (616,688) | 616,688 | (344,275) | 344,275 |
| EUR | (234,405) | 234,405 | (186,329) | 186,329 |
| JPY | 7,876 | (7,876) | 14,128 | (14,128) |

(e) Interest rate risk

- 1) The carrying amount of interest-bearing financial instruments as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | 2023 | 2022 |
|-----------------------------|------------------|------------------|
| Fixed rate | | |
| Financial assets | ₩ 19,118,092 | 21,394,764 |
| Financial liabilities | (19,237,434) | (16,932,079) |
| | <u>(119,342)</u> | <u>4,462,685</u> |
| Variable rate | | |
| Financial liabilities | ₩ (7,657,266) | (8,197,066) |

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2) Sensitivity analysis on the cash flows of financial instruments with variable interest rate

The Company's interest rate risk mainly arises from borrowings with variable interest rate. As of December 31, 2023 and 2022, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in interest expense for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | 2023 | | 2022 | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| Variable rate financial instruments | ₩ (76,573) | 76,573 | (81,971) | 81,971 |

24. Share Capital and Capital Surplus

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

| <i>(Share, in Won)</i> | 2023 | 2022 |
|------------------------|-------------------|-----------------|
| 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 December 31, 2023, total number of ADRs of 20,430,296 outstanding in overseas stock market are equivalent to 5,107,574 shares of common stock.

(*2) As of December 31, 2023, the difference between the ending balance of common stock and the aggregate par value of issued common stock is ₩59,547 million due to retirement of 11,909,395 treasury stocks.

(b) The changes in issued common stock for the years ended December 31, 2023 and 2022 were as follows:

| <i>(share)</i> | 2023 | | | 2022 | | |
|-------------------------------|---------------|-----------------|------------------------------|---------------|-----------------|------------------------------|
| | Issued shares | Treasury shares | Number of outstanding shares | Issued shares | Treasury shares | Number of outstanding shares |
| Beginning | 84,571,230 | (8,722,053) | 75,849,177 | 87,186,835 | (11,561,263) | 75,625,572 |
| Disposal of treasury shares | - | 27,030 | 27,030 | - | 223,605 | 223,605 |
| Retirement of treasury shares | - | - | - | (2,615,605) | 2,615,605 | - |
| Ending | 84,571,230 | (8,695,023) | 75,876,207 | 84,571,230 | (8,722,053) | 75,849,177 |

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(c) Capital surplus as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---|------------------|------------------|
| Share premium | ₩ | 463,825 | 463,825 |
| Gain on disposal of treasury shares | | 808,994 | 806,114 |
| Other capital surplus | | 390,515 | 130,893 |
| | ₩ | <u>1,663,334</u> | <u>1,400,832</u> |

25. Hybrid Bonds

(a) As of December 31, 2022, POSCO, a subsidiary of the Company, held hybrid bonds, which were classified as non-controlling interests in the consolidated financial statements. During the year ended December 31, 2023, the call option on the hybrid bonds was exercised and redeemed. Hybrid bonds as of December 31, 2023 and December 31, 2022 are as follows:

| <i>(in millions of Won)</i> | <u>Date of issue</u> | <u>Date of maturity</u> | <u>Interest rate (%)</u> | | <u>2023</u> | <u>2022</u> |
|-----------------------------|----------------------|-------------------------|--------------------------|---|-------------|----------------|
| Hybrid bond 1-2(*1,2) | 2013-06-13 | 2043-06-13 | 4.60 | ₩ | - | 200,000 |
| Issuance cost | | | | | - | (616) |
| | | | | ₩ | <u>-</u> | <u>199,384</u> |

(*1) During the year ended December 31, 2023, call option on the hybrid bonds was exercised and redeemed by POSCO, a subsidiary of the Company.

(*2) Details of issuance of hybrid bonds are as follows.

| | <u>Hybrid bond 1-2</u> |
|-----------------------------|--|
| Maturity date | 30 years (The issuer has a right to extend the maturity date) |
| Interest rate | Issue date ~ 2023-06-12 : 4.60% Reset every 10 years as follows; · After 10 years : return on government bond of Republic of Korea (10 years) + 1.40% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75% |
| Interest payments condition | Quarterly (Optional deferral of interest payment is available to the Company) |
| Others | The issuer can call the hybrid bond at year 10th anniversary of issuance and interest payment date afterwards |

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(b) As of December 31, 2022, POSCO INTERNATIONAL Corporation, a subsidiary of the Company, held hybrid bonds, which were classified as non-controlling interests in the consolidated financial statements. During the year ended December 31, 2023, the call option on the hybrid bonds was exercised and redeemed. POSCO ENERGY CO., LTD., which issued hybrid bonds, was merged with POSCO INTERNATIONAL Corporation during the year ended December 31, 2023. Hybrid bonds as of December 31, 2023 and December 31, 2022 are as follows:

| <i>(in millions of Won)</i> | <u>Date of issue</u> | <u>Date of maturity</u> | <u>Interest rate (%)</u> | <u>2023</u> | <u>2022</u> |
|-----------------------------|----------------------|-------------------------|--------------------------|-------------|----------------|
| Hybrid bond 1-4(*1,2) | 2013-08-29 | 2043-08-29 | 5.21 | ₩ - | 140,000 |
| Issuance cost | | | | - | (429) |
| | | | | ₩ - | <u>139,571</u> |

(*1) During the year ended December 31, 2023, call option on the hybrid bonds was exercised and redeemed by POSCO INTERNATIONAL Corporation, a subsidiary of the Company.

(*2) Details of issuance of hybrid bonds are as follows:

| | <u>Hybrid bond 1-4</u> |
|-----------------------------|---|
| Maturity date | 30 years (The issuer has a right to extend the maturity date) |
| Interest rate | Issue date ~ 2023-08-29 : 5.21 % Reset every 10 years as follows; · After 10 years : return on government bond of Republic of Korea (10 years) + 1.55 % · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75 % |
| Interest payments condition | Quarterly (Optional deferral of interest payment is available to the Company) |
| Others | The issuer can call the hybrid bond at year 10th anniversary of issuance and interest payment date afterwards |

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26. Reserves

(a) Reserves as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|-----------------|------------------|
| Accumulated comprehensive loss of investments in associates and joint ventures | ₩ (180,964) | (406,555) |
| Changes in fair value of equity investments at fair value through other comprehensive income | 153,279 | (103,843) |
| Foreign currency translation differences | 94,605 | 60,487 |
| Gains or losses on valuation of derivatives | (644) | (3) |
| Others | 980 | 5,924 |
| | ₩ <u>67,256</u> | <u>(443,990)</u> |

(b) Changes in fair value of equity investments at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Beginning balance | ₩ (103,843) | (153,359) |
| Changes in unrealized fair value of equity investments | 260,603 | 37,068 |
| Reclassification upon disposal | - | 20,729 |
| Others | (3,481) | (8,281) |
| Ending balance | ₩ <u>153,279</u> | <u>(103,843)</u> |

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27. Treasury Shares

Based on the Board of Directors' resolution, the Company holds treasury shares for business purposes including price stabilization. The changes in treasury shares for the years ended December 31, 2023 and 2022 were as follows:

(shares, in millions of Won)

| | 2023 | | 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) | (2,650) | (223,605) | (48,513) |
| Retirement of treasury shares | - | - | (2,615,605) | (567,473) |
| Ending | 8,695,023 | ₩ 1,889,658 | 8,722,053 | ₩ 1,892,308 |

28. Share-Based Payments

The Company is operating a share-based payment program, under which the Company will pay treasury shares to executives of the Company and its subsidiaries based on performance evaluation. Total quantity of treasury shares to be paid in 2024, based on performance evaluation of 2023, is 19,288 shares for executives of POSCO HOLDINGS INC., and 41,378 shares for executives of subsidiaries including POSCO. As of December 31, 2023, the Company recognized ₩18,898 million as other capital surplus.

Subsidiaries of the Company including POSCO INTERNATIONAL Corporation is operating a share-based payment program, under which the Company will pay treasury shares of the subsidiaries to executives and employees based on performance evaluation. Total quantity of treasury shares to be paid in 2024, based on performance evaluation of 2023, is 385,542 shares. As of December 31, 2023, the Company recognized ₩17,324 million as non-controlling interests.

The fair value of the treasury shares expected to be paid to the Company's executives and employees as of the date of pay is accounted for as other administrative expenses. Meanwhile, the shares to be paid by the controlling company was accounted for as other capital surplus, and the shares to be paid by subsidiaries including POSCO INTERNATIONAL Corporation, was accounted for as non-controlling interests. The actual quantity of treasury shares to be paid will be determined after the board of director's resolution and performance evaluation.

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29. Revenue

(a) Disaggregation of revenue

Details of revenue disaggregated by types of revenue and timing of revenue recognition for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

(in millions of Won)

| Types of revenue | Green Infrastructure | | | | Green Materials and Energy | Others | Total |
|---------------------------------------|----------------------|------------|--------------|----------------------|----------------------------|---------|------------|
| | Steel | Trading | Construction | Logistics and others | | | |
| Revenue from sales of goods | ₩ 39,435,236 | 20,973,059 | - | 17,923 | 3,775,215 | - | 64,201,433 |
| Revenue from services | 807,142 | 3,056,272 | 142,902 | 397,421 | 4,415 | 13,082 | 4,421,234 |
| Revenue from construction contract | - | - | 8,140,768 | - | 36,404 | - | 8,177,172 |
| Others | 150,895 | 4,175 | 17,460 | 55,269 | 8 | 99,551 | 327,358 |
| | ₩ 40,393,273 | 24,033,506 | 8,301,130 | 470,613 | 3,816,042 | 112,633 | 77,127,197 |
| Timing of revenue recognition | | | | | | | |
| Revenue recognized at a point in time | ₩ 39,586,131 | 20,977,234 | 99,249 | 73,192 | 3,775,223 | 99,551 | 64,610,580 |
| Revenue recognized over time | 807,142 | 3,056,272 | 8,201,881 | 397,421 | 40,819 | 13,082 | 12,516,617 |
| | ₩ 40,393,273 | 24,033,506 | 8,301,130 | 470,613 | 3,816,042 | 112,633 | 77,127,197 |

2) For the year ended December 31, 2022

(in millions of Won)

| Types of revenue | Green Infrastructure | | | | Green Materials and Energy | Others | Total |
|---------------------------------------|----------------------|------------|--------------|----------------------|----------------------------|---------|------------|
| | Steel | Trading | Construction | Logistics and others | | | |
| Revenue from sales of goods | ₩ 43,508,308 | 24,824,117 | - | 84,168 | 2,418,796 | - | 70,835,389 |
| Revenue from services | 919,391 | 586,047 | 142,708 | 3,849,390 | 4,501 | 8,017 | 5,510,054 |
| Revenue from construction contract | - | - | 7,516,451 | - | 28,488 | - | 7,544,939 |
| Others | 119,267 | 545,294 | 8,537 | 65,401 | - | 121,323 | 859,822 |
| | ₩ 44,546,966 | 25,955,458 | 7,667,696 | 3,998,959 | 2,451,785 | 129,340 | 84,750,204 |
| Timing of revenue recognition | | | | | | | |
| Revenue recognized at a point in time | ₩ 43,627,575 | 25,369,411 | 122,188 | 149,569 | 2,418,796 | 121,323 | 71,808,862 |
| Revenue recognized over time | 919,391 | 586,047 | 7,545,508 | 3,849,390 | 32,989 | 8,017 | 12,941,342 |
| | ₩ 44,546,966 | 25,955,458 | 7,667,696 | 3,998,959 | 2,451,785 | 129,340 | 84,750,204 |

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

(in millions of Won)

| | | 2023 | 2022 |
|--------------------------------------|---|-----------|-----------|
| Receivables | | | |
| Account receivables | ₩ | 9,155,853 | 8,414,946 |
| Contract assets | | | |
| Due from customers for contract work | | 1,901,966 | 1,378,640 |
| Contract liabilities | | | |
| Advance received | | 309,441 | 547,874 |
| Due to customers for contract work | | 624,632 | 761,393 |
| Unearned revenue | | 77,908 | 84,195 |

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30. Revenue – Contract Balances

(a) Details of outstanding contracts as of December 31, 2023 and 2022 are as follows:

(in millions of Won)

| | 2023 | | 2022 | |
|------------------------------|----------------------|---------|----------------------|---------|
| | Construction segment | Others | Construction segment | Others |
| Accumulated cost | ₩ 28,663,723 | 272,321 | 30,239,570 | 110,414 |
| Accumulated contract profit | 2,499,061 | 36,954 | 2,664,024 | 17,916 |
| Accumulated contract loss | (688,962) | (8,916) | (879,882) | (5,266) |
| Accumulated contract revenue | 30,473,822 | 300,359 | 32,023,712 | 123,064 |

(b) Details of due from customers for contract work and due to customers for contract work as of December 31, 2023 and 2022 are as follows:

(in millions of Won)

| | 2023 | | 2022 | |
|------------------------------------|----------------------|----------|----------------------|----------|
| | Construction segment | Others | Construction segment | Others |
| Due from customers for contract | ₩ 1,873,681 | 42,557 | 1,321,160 | 86,118 |
| Due to customers for contract work | (608,339) | (16,293) | (674,697) | (86,696) |
| | ₩ 1,265,342 | 26,264 | 646,463 | (578) |

(c) Details of the provisions of construction loss as of December 31, 2023 and 2022 are as follows:

(in millions of Won)

| | 2023 | 2022 |
|----------------------|----------|--------|
| Construction segment | ₩ 48,825 | 66,124 |
| Others | 1,749 | 11,342 |
| | ₩ 50,574 | 77,466 |

(d) During the year ended December 31, 2023, the total contract revenues and the estimated total contract costs have changed. The impact of these changes on profit before income tax for the year ended December 31, 2023 and future periods are as follows:

(in millions of Won)

| | Changes in total contract revenue | Changes in estimated total contract costs | Changes in profit (loss) of contract | | |
|----------------------|-----------------------------------|---|--------------------------------------|----------------------|----------|
| | | | Net income | Future income (loss) | Total |
| Construction segment | ₩ 1,342,143 | 1,428,171 | (119,442) | 33,414 | (86,028) |
| Others | 22,631 | 16,329 | 6,654 | (352) | 6,302 |
| | ₩ 1,364,774 | 1,444,500 | (112,788) | 33,062 | (79,726) |

The effect on current and future profit is calculated based on the total estimated contract costs based on situations that occurred from the commencement date of the contract to December 31, 2023 and the total contract revenue as of December 31, 2023.

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(e) As of December 31, 2023, revenue expected to be recognized in the future in relation to performance obligations that have not been fulfilled (or partially fulfilled) is as follows:

| <i>(in millions of Won)</i> | 2024 | 2025 | 2026 | After 2027 | Total |
|-----------------------------|--------------------|------------------|------------------|-------------------|-------------------|
| Construction segment | ₩ 6,763,571 | 4,587,532 | 2,625,985 | 1,051,981 | 15,029,069 |
| Others | 54,102 | 24,960 | 15,758 | 29,857 | 124,677 |
| | ₩ <u>6,817,673</u> | <u>4,612,492</u> | <u>2,641,743</u> | <u>1,081,838</u> | <u>15,153,746</u> |

(f) Uncertainty of estimates

1) Total contract revenues

Total contract revenues are measured based on contractual amount initially agreed. However, the contract revenues can increase due to additional contract work, claims and incentive payments, or decrease due to penalty when the completion of contract is delayed due to the Company's fault. Therefore, this measurement of contract revenues is affected by the uncertainty of the occurrence of future events.

2) Total contract costs

Contract revenues are recognized based on the percentage of completion, which is measured on the basis of the gross cost amount incurred to date. Total contract costs are estimated based on estimates of future material costs, labor costs, outsourcing costs and others. There is uncertainty in estimates on future contract costs due to various internal and external factors such as fluctuation of market, the risk of business partner and the experience of project performance and others. The significant assumptions including uncertainty of the estimate of total contract costs are as follows:

| | Method of significant assumption |
|------------------|--|
| Material cost | Assumption based on recent purchasing price and quoted market price |
| Labor cost | Assumption based on standard monthly and daily labor cost |
| Outsourcing cost | Assumption based on the past experience rate of similar project and market price |

Management reviews the assumptions used in estimated contract costs at each reporting period end and adjusts them, if necessary.

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31. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|--------------------|------------------|
| Wages and salaries | ₩ 1,156,456 | 1,075,873 |
| Expenses related to post-employment benefits | 92,667 | 84,582 |
| Other employee benefits | 273,482 | 230,909 |
| Travel | 47,945 | 39,661 |
| Depreciation | 159,836 | 148,639 |
| Amortization | 96,004 | 90,069 |
| Communication | 11,956 | 10,890 |
| Electricity | 12,242 | 9,563 |
| Taxes and public dues | 100,639 | 95,976 |
| Rental | 48,243 | 36,732 |
| Repairs | 17,787 | 17,343 |
| Entertainment | 15,490 | 13,741 |
| Advertising | 107,223 | 103,551 |
| Research & development | 175,167 | 179,714 |
| Service fees | 234,815 | 225,072 |
| Vehicles maintenance | 7,660 | 7,102 |
| Industry association fee | 11,096 | 11,624 |
| Conference | 19,876 | 20,259 |
| Others | 81,103 | 78,667 |
| | ₩ <u>2,669,687</u> | <u>2,479,967</u> |

(b) Selling expenses

Selling expenses for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------|----------------|
| Freight and custody expenses | ₩ 55,531 | 77,427 |
| Operating expenses for distribution center | 4,534 | 2,507 |
| Sales commissions | 68,138 | 75,012 |
| Sales advertising | 4,083 | 5,782 |
| Sales promotion | 9,503 | 19,388 |
| Sample | 2,234 | 2,052 |
| Sales insurance premium | 31,622 | 39,018 |
| Contract cost | 46,140 | 57,661 |
| Others | 11,794 | 15,635 |
| | ₩ <u>233,579</u> | <u>294,482</u> |

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32. Research and Development Expenditures Recognized as Expenses

Research and development expenditures recognized as expenses for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|-----------------------------|------------------|----------------|
| Administrative expenses | ₩ 175,167 | 179,714 |
| Cost of sales | 343,242 | 356,560 |
| | <u>₩ 518,409</u> | <u>536,274</u> |

33. Finance Income and Costs

Details of other finance income and costs for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|--------------------|------------------|
| Finance income | | |
| Interest income(*1) | ₩ 502,147 | 247,005 |
| Dividend income | 50,146 | 39,383 |
| Gain on foreign currency transactions | 1,660,713 | 2,284,126 |
| Gain on foreign currency translations | 292,581 | 703,627 |
| Gain on derivatives transactions | 333,197 | 840,265 |
| Gain on valuations of derivatives | 201,133 | 262,723 |
| Gain on disposals of financial assets at fair value through profit of loss | 203,795 | 256,016 |
| Gain on valuations of financial assets at fair value through profit or loss | 572,154 | 98,359 |
| Gain on valuations of financial liabilities at fair value through profit or loss | - | 85,790 |
| Others | 14,880 | 16,717 |
| | <u>₩ 3,830,746</u> | <u>4,834,011</u> |
| Finance costs | | |
| Interest expenses | ₩ 1,001,290 | 607,458 |
| Loss on foreign currency transactions | 1,595,430 | 2,505,862 |
| Loss on foreign currency translations | 705,866 | 969,215 |
| Loss on derivatives transactions | 320,374 | 690,471 |
| Loss on valuation of derivatives | 77,459 | 193,127 |
| Loss on disposal of trade accounts and notes receivable | 84,649 | 64,244 |
| Loss on disposals of financial assets at fair value through profit or loss | 13,264 | 18,245 |
| Loss on valuations of financial assets at fair value through profit or loss | 51,270 | 698,136 |
| Loss on valuations of financial liabilities at fair value through profit or loss | 305,562 | - |
| Others | 47,832 | 57,708 |
| | <u>₩ 4,202,996</u> | <u>5,804,466</u> |

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(*1) Interest income calculated using the effective interest method for the years ended December 31, 2023 and 2022 were ₩502,147 million and ₩226,584 million, respectively.

34. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Other non-operating income | | |
| Gain on disposals of assets held for sale | ₩ 1,312 | 55,262 |
| Gain on disposals of investment | | |
| in subsidiaries, associates and joint ventures(*1) | 197,088 | 13,904 |
| Gain on disposals of property, plant and equipment | 9,387 | 18,502 |
| Gain on valuation of firm commitment | 11,499 | 181,645 |
| Reversal of other provisions | 8,578 | 5,245 |
| Premium income | 13,117 | 237,565 |
| Gain on bargain purchase(*1) | 41,072 | - |
| Gain on disposals of emission rights | 25,998 | 5,181 |
| Others | 86,295 | 74,713 |
| | <u>₩ 394,346</u> | <u>592,017</u> |
| Other non-operating expenses | | |
| Loss on disposals of assets held for sale(*2) | ₩ 103,366 | 3,964 |
| Loss on disposals of investments | | |
| in subsidiaries, associates and joint ventures | 18,843 | 12,400 |
| Loss on disposals of property, plant and equipment | 125,823 | 111,082 |
| Impairment loss on property, plant and equipment | 275,846 | 213,183 |
| Impairment loss on intangible assets | 129,907 | 370,663 |
| Loss on valuation of firm commitment | 47,448 | 156,183 |
| Idle tangible asset expenses | 3,703 | 18,184 |
| Increase to provisions | 38,395 | 88,857 |
| Donations | 67,393 | 80,558 |
| Others | 93,619 | 68,611 |
| | <u>₩ 904,343</u> | <u>1,123,685</u> |

(*1) During the year ended December 31, 2023, QSONE Co.,Ltd., which had been previously classified as an investment in associates was reclassified as consolidated subsidiaries. As a result, the Company recognized ₩184,556 million of gain on disposals of investment in associates and ₩41,072 million of gain on bargain purchase.

(*2) During the year ended December 31, 2023, the Company dispose of CSP - Compania Siderurgica do Pecem, which was classified as assets held for sale during the year ended December 31, 2022, and recognized ₩103,366 million of loss on disposals of assets held for sale. The loss on disposal of assets held for sale recognized as profit or loss includes ₩102,470 million, which was reclassified from accumulated other comprehensive loss arising from translating the financial statements of foreign operation.

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35. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other non-operating expenses in the statements of comprehensive income for the years ended December 31, 2023 and 2022 were as follows (excluding finance costs and income tax expense):

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|--|---|-------------------|-------------------|
| Raw material used, changes in inventories and others | ₩ | 46,249,994 | 54,450,080 |
| Employee benefits expenses(*2) | | 4,660,771 | 4,330,946 |
| Outsourced processing cost | | 10,377,087 | 8,641,448 |
| Electricity and water expenses | | 1,099,970 | 936,360 |
| Depreciation(*1) | | 3,325,088 | 3,204,744 |
| Amortization | | 498,193 | 488,835 |
| Freight and custody expenses | | 2,297,544 | 3,077,044 |
| Sales commissions | | 68,138 | 75,012 |
| Loss on disposal of property, plant and equipment | | 125,823 | 111,082 |
| Impairment loss on property, plant and equipment | | 275,846 | 213,183 |
| Impairment loss on intangible assets | | 129,907 | 370,663 |
| Donations | | 67,393 | 80,558 |
| Other expenses | | 5,615,703 | 5,058,849 |
| | ₩ | <u>74,791,457</u> | <u>81,038,804</u> |

(*1) Includes depreciation expense of investment property.

(*2) The details of employee benefits expenses for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|--|---|------------------|------------------|
| Wages and salaries | ₩ | 4,375,123 | 4,024,805 |
| Expenses related to post-employment benefits | | 285,648 | 306,141 |
| | ₩ | <u>4,660,771</u> | <u>4,330,946</u> |

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36. Income Taxes

(a) Income tax expense for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------|----------------|
| Current income taxes(*1) | ₩ 802,998 | 932,085 |
| Deferred income tax due to temporary differences | 3,568 | (415,609) |
| Items credited directly to equity | (17,261) | (62,593) |
| Income tax expense | ₩ <u>789,305</u> | <u>453,883</u> |

(*1) Refund (additional payment) of income taxes as a result of a final corporation tax return, tax audits and others credited (charged) directly to current income taxes.

(b) The income taxes credited (charged) directly to equity for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|-------------------|-----------------|
| Net changes in fair value of equity investments | | |
| at fair value through other comprehensive income(*1) | ₩ (71,600) | (37,431) |
| Remeasurements of defined benefit plans(*1) | 34,406 | (16,971) |
| Others | 19,933 | (8,191) |
| | ₩ <u>(17,261)</u> | <u>(62,593)</u> |

(*1) Those amounts were recognized in other comprehensive income.

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(c) The following table reconciles the calculated income tax expense based on POSCO's statutory rate (26.4%) to the actual amount of taxes recorded by the Company for the years ended December 31, 2023, and 2022.

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Profit before income tax expense | ₩ 2,635,154 | 4,014,366 |
| Income tax expense computed at statutory rate | 685,319 | 1,093,589 |
| Adjustments: | | |
| Tax credit | (82,233) | (133,727) |
| Additional income tax expense for prior years | 152,656 | 22,929 |
| Investment in subsidiaries, associates and joint ventures(*1) | 146,498 | (413,349) |
| Tax effect due to permanent differences | (3,011) | 19,350 |
| Carryforward of unused tax losses | (126,110) | (3,167) |
| Effect of tax rate change | 4,998 | (180,533) |
| Others | 11,188 | 48,791 |
| | <u>103,986</u> | <u>(639,706)</u> |
| Income tax expense | ₩ <u>789,305</u> | <u>453,883</u> |
| Effective tax rate (%) | 29.95% | 11.30% |

(*1) During the year ended December 31, 2022, POSCO HOLDINGS INC. sold certain of its subsidiaries and associates to POSCO, a subsidiary of POSCO Holdings, and classified CSP-Compania Siderurgica do Pecem, an investment in joint venture as assets held for sale. This amount includes ₩451,352 million related to recognition of deferred tax assets which were previously not recognized.

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(d) The movements in deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 were as follows:

(in millions of Won)

| | 2023 | | | 2022 | | |
|--|------------------|------------------------|----------------|------------------|------------------------|----------------|
| | Beginning | Increase (decrease) | Ending | Beginning | Increase (decrease) | Ending |
| Deferred income tax due to temporary differences | | | | | | |
| Allowance for doubtful account | ₩ 130,501 | 26,107 | 156,608 | 143,358 | (12,857) | 130,501 |
| PP&E and Intangible asset | 382,838 | (143,136) | 239,702 | (1,118,806) | 1,501,644 | 382,838 |
| Share of profit or loss of equity-accounted investees | 269,638 | 21,281 | 290,919 | 224,566 | 45,072 | 269,638 |
| Allowance for inventories valuation | 47,565 | 15,622 | 63,187 | 22,983 | 24,582 | 47,565 |
| Prepaid expenses | 16,923 | (3,370) | 13,553 | 19,530 | (2,607) | 16,923 |
| Gain or loss on foreign currency translation | (13,706) | 156,945 | 143,239 | (1,105) | (12,601) | (13,706) |
| Defined benefit liabilities | (40,417) | 36,883 | (3,534) | (148,341) | 107,924 | (40,417) |
| Provision for construction losses | 17,949 | (6,280) | 11,669 | 10,190 | 7,759 | 17,949 |
| Provision for construction warranty | 70,271 | (24,548) | 45,723 | 74,360 | (4,089) | 70,271 |
| Accrued income | (39,762) | 18,491 | (21,271) | (50,452) | 10,690 | (39,762) |
| Provision for accelerated depreciation | (2,736,674) | 75,944 | (2,660,730) | (8,510) | (2,728,164) | (2,736,674) |
| Spin-off | 1,543,628 | (7,451) | 1,536,177 | - | 1,543,628 | 1,543,628 |
| Others | 604,484 | (328,655) | 275,829 | 468,129 | 136,355 | 604,484 |
| | <u>253,238</u> | <u>(162,167)</u> | <u>91,071</u> | <u>(364,098)</u> | <u>617,336</u> | <u>253,238</u> |
| Deferred income taxes recognized directly to equity | | | | | | |
| Net changes in fair value of equity investments at fair value through other comprehensive income | 36,028 | (71,600) | (35,572) | 73,459 | (37,431) | 36,028 |
| Others | (7,051) | 54,339 | 47,288 | 134,737 | (141,788) | (7,051) |
| | <u>28,977</u> | <u>(17,261)</u> | <u>11,716</u> | <u>208,196</u> | <u>(179,219)</u> | <u>28,977</u> |
| Deferred tax from tax credit | | | | | | |
| Tax credit carry-forward and others | 71,364 | 182,195 | 253,559 | 72,864 | (1,500) | 71,364 |
| Investments in subsidiaries, associates and joint ventures | | | | | | |
| Investments in subsidiaries, associates and joint ventures | 224,021 | (6,335) | 217,686 | 245,029 | (21,008) | 224,021 |
| | <u>₩ 577,600</u> | <u>(3,568)</u> | <u>574,032</u> | <u>161,991</u> | <u>415,609</u> | <u>577,600</u> |

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(e) Deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 are as follows:

(in millions of Won)

| | 2023 | | | 2022 | | |
|--|--------------------|--------------------|----------------|------------------|--------------------|----------------|
| | Asset | Liabilities | Net | Asset | Liabilities | Net |
| Deferred income tax due to temporary differences | | | | | | |
| Allowance for doubtful account | ₩ 156,681 | (73) | 156,608 | 130,700 | (199) | 130,501 |
| PP&E and Intangible asset | 337,094 | (97,392) | 239,702 | 437,245 | (54,407) | 382,838 |
| Share of profit or loss of equity-accounted investees | 304,225 | (13,306) | 290,919 | 284,568 | (14,930) | 269,638 |
| Allowance for inventories valuation | 63,187 | - | 63,187 | 47,565 | - | 47,565 |
| Prepaid expenses | 13,659 | (106) | 13,553 | 17,003 | (80) | 16,923 |
| Gain or loss on foreign currency translation | 205,170 | (61,931) | 143,239 | 75,235 | (88,941) | (13,706) |
| Defined benefit liabilities | 598,177 | (601,711) | (3,534) | 550,140 | (590,557) | (40,417) |
| Provision for construction losses | 11,669 | - | 11,669 | 17,949 | - | 17,949 |
| Provision for construction warranty | 45,723 | - | 45,723 | 70,271 | - | 70,271 |
| Accrued income | - | (21,271) | (21,271) | - | (39,762) | (39,762) |
| Provision for accelerated depreciation | - | (2,660,730) | (2,660,730) | - | (2,736,674) | (2,736,674) |
| Spin-off | 1,536,177 | - | 1,536,177 | 1,543,628 | - | 1,543,628 |
| Others | 310,560 | (34,731) | 275,829 | 664,229 | (59,745) | 604,484 |
| | <u>3,582,322</u> | <u>(3,491,251)</u> | <u>91,071</u> | <u>3,838,533</u> | <u>(3,585,295)</u> | <u>253,238</u> |
| Deferred income taxes recognized directly to equity | | | | | | |
| Net changes in fair value of equity investments at fair value through other comprehensive income | 50,134 | (85,706) | (35,572) | 105,125 | (69,097) | 36,028 |
| Others | 76,604 | (29,316) | 47,288 | 30,370 | (37,421) | (7,051) |
| | <u>126,738</u> | <u>(115,022)</u> | <u>11,716</u> | <u>135,495</u> | <u>(106,518)</u> | <u>28,977</u> |
| Deferred tax from tax credit | | | | | | |
| Tax credit carry-forward and others | 253,559 | - | 253,559 | 71,364 | - | 71,364 |
| Investments in subsidiaries, associates and joint ventures | | | | | | |
| Investments in subsidiaries, associates and joint ventures | 499,326 | (281,640) | 217,686 | 463,133 | (239,112) | 224,021 |
| | <u>₩ 4,461,945</u> | <u>(3,887,913)</u> | <u>574,032</u> | <u>4,508,525</u> | <u>(3,930,925)</u> | <u>577,600</u> |

(f) As of December 31, 2023, deductible temporary differences of ₩6,282,636 million and taxable temporary differences of ₩11,603,746 million related to investments in subsidiaries and associates were not recognized as deferred tax assets or liabilities, because it is not probable they will reverse in the foreseeable future.

(g) The Company recognized current tax payable or receivable at the amount expected to be paid or received that reflects uncertainty related to income taxes.

(h) Global minimum top-up tax is a system in which multinational corporations with annual revenue of the consolidated financial statements over €750 million in at least two of the preceding four fiscal years. If the effective tax rate of the multinational corporation is less than 15%, the corresponding amount needs to be paid to the tax authorities of the country where the controlling company that meets specific requirement is located.

In 2023, the corporate income tax law related to the global minimum top-up tax in the Republic of Korea was amended and will be effective for fiscal years starting on or after January 1, 2024.

The Company expects to be subject to global minimum top-up tax, however, since the related corporate income tax law in the Republic of Korea will be effective on January 1, 2024, there is no impact on the Company's income tax expense for the year ended December 31, 2023. Furthermore, as K-IFRS No. 1012 "Income Tax" temporarily exempts the Company from accounting for deferred income taxes related to global minimum top-up tax, the Company did not recognize deferred tax assets and liabilities related to the global minimum top-up tax and does not disclose information related to deferred income

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tax.

The Company is closely monitoring the financial impact of the global minimum top-up tax. Considering transitional exemption provisions (Transitional CbCR SafeHarbour), even if it is assumed that Pillar Two corporate income tax law was applied to Republic of Korea in 2023, the Company does not expect the impact of the global minimum top-up tax on the Company's current income tax would be significant.

37. Earnings Per Share

(a) Basic earnings per share for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in Won except per share information)</i> | <u>2023</u> | <u>2022</u> |
|--|---------------------|-------------------|
| Profit attributable to controlling interest | ₩ 1,698,092,001,648 | 3,144,086,508,618 |
| Interests of hybrid bonds, net of tax | - | (1,078,164,383) |
| Weighted-average number of common shares outstanding(*1) | <u>75,869,542</u> | <u>75,814,870</u> |
| Basic earnings per share | ₩ <u>22,382</u> | <u>41,456</u> |

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

| <i>(shares)</i> | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Total number of common shares issued | 84,571,230 | 84,571,230 |
| Weighted-average number of treasury shares | <u>(8,701,688)</u> | <u>(8,756,360)</u> |
| Weighted-average number of common shares outstanding | <u>75,869,542</u> | <u>75,814,870</u> |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(b) Diluted earnings per share for the year ended December 31, 2022 are as follows:

| <i>(in Won, except share information)</i> | <u>2022</u> |
|---|---------------------|
| Profit attributable to controlling interest | ₩ 3,144,086,508,618 |
| Interests of hybrid bonds, net of tax | (1,078,164,383) |
| Gain from exchange rate on and revaluation of exchangeable bonds | (55,751,463,819) |
| Adjusted weighted-average number of common shares(*1) | 78,906,375 |
| Diluted earnings per share | ₩ 39,126 |

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

| <i>(shares)</i> | <u>2022</u> |
|---|--------------------------|
| Weighted-average number of common shares outstanding | 75,814,870 |
| Weighted-average number of potential common shares | <u>3,091,505</u> |
| Adjusted weighted-average number of common shares | <u><u>78,906,375</u></u> |

The Company has potentially issuable common shares due to its exchangeable bonds and Share-based Payment Program as of December 31, 2023 and 2022. Diluted earnings per share is equal to basic earnings per share for the year ended December 31, 2023 due to anti-dilutive effect. Meanwhile, the effect from the Share-based Payment Program was excluded from the calculation of diluted earnings per share for year ended December 31, 2022 due to anti-dilutive effect.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

38. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

(in millions of Won)

| | Sales and others(*1) | | | Purchase and others | |
|--|----------------------|-----------|--------|--------------------------|--------|
| | Sales | Dividends | Others | Purchase of fixed assets | Others |
| Subsidiaries(*2) | | | | | |
| POSCO | ₩ 146,745 | 325,043 | - | - | 15,440 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | 9,354 | 11,037 | 440 | 23,007 | 5,875 |
| POSCO STEELEON CO., Ltd | 1,772 | - | - | - | 105 |
| POSCO DX(formerly, POSCO ICT) | 3,040 | 7,455 | - | 4,017 | 9,037 |
| eNtoB Corporation | - | - | 40 | 158 | 3,326 |
| POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD) | 8,902 | 13,878 | - | - | - |
| POSCO Mobility Solution Corporation | 1,035 | - | 55 | - | - |
| POSCO INTERNATIONAL Corporation | 9,278 | 77,616 | - | - | 48 |
| POSCO Maharashtra Steel Private Limited | 692 | - | 353 | - | - |
| POSCO ASSAN TST STEEL INDUSTRY Inc. | 17 | - | 430 | - | - |
| Others | 12,021 | 6,084 | 5,347 | 9,634 | 46,596 |
| | 192,856 | 441,113 | 6,665 | 36,816 | 80,427 |
| Associates and joint ventures(*2) | | | | | |
| SNNC | 629 | - | 55 | - | - |
| Roy Hill Holdings Pty Ltd | - | 293,956 | - | - | - |
| Others | 240 | 92,149 | 11,617 | - | 158 |
| | 869 | 386,105 | 11,672 | - | 158 |
| ₩ | 193,725 | 827,218 | 18,337 | 36,816 | 80,585 |

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

(*2) As of December 31, 2023, the Company provided guarantees to related parties (Note 39)

2) For the year ended December 31, 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 | ₩ 87,165 | - | 2 | - | - | - | 10,446 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | 7,502 | 16,555 | 7 | - | 80,306 | - | 13,086 |
| POSCO STEELEON CO., Ltd | 133,743 | - | 215 | - | - | 7,656 | 18 |
| POSCO DX(formerly, POSCO ICT)(*3) | 1,760 | 4,970 | 18 | - | 39,932 | 10,190 | 34,724 |
| eNtoB Corporation | 3 | 24 | - | 60,649 | 9,706 | 32 | 3,453 |
| POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD) | 89,535 | 13,878 | 44 | 84,301 | 4,757 | 56,325 | 908 |
| POSCO Mobility Solution Corporation | 176,534 | - | - | - | - | 8,902 | 28 |
| POSCO INTERNATIONAL Corporation | 2,102,356 | 62,093 | - | 244,230 | - | 768 | 1,049 |
| POSCO Trainox Public Company Limited | 49,359 | 22,867 | - | - | - | - | 1 |
| POSCO Canada Ltd. | - | - | - | 77,225 | - | - | - |
| Qingdao Pohang Stainless Steel Co., Ltd. | 32,584 | - | - | - | - | - | - |
| POSCO JAPAN Co., Ltd. | 28,790 | - | - | - | 835 | - | 16 |
| POSCO-VIETNAM Co., Ltd. | 44,840 | - | 513 | - | - | - | - |
| POSCO MEXICO S.A. DE C.V. | 102,776 | - | 562 | - | - | - | - |
| POSCO Maharashtra Steel Private Limited | 171,806 | - | 1,130 | - | - | - | 120 |
| POSCO(Suzhou) Automotive Processing Center Co., Ltd. | 42,320 | - | - | - | - | - | 15 |
| POSCO VST CO., LTD. | 28,475 | - | - | - | - | - | - |
| POSCO INTERNATIONAL SINGAPORE PTE LTD. | - | - | 179 | 379,823 | - | - | - |
| POSCO ASSAN TST STEEL INDUSTRY Inc. | 47,335 | - | 537 | - | - | - | 8 |
| Others | 208,200 | 2,452 | 6,574 | 68,139 | 18,844 | 53,139 | 227,147 |
| | 3,355,083 | 122,839 | 9,781 | 915,202 | 153,545 | 136,912 | 291,019 |
| Associates and joint ventures(*3) | | | | | | | |
| SNNC | 3,242 | 5,348 | 8 | 148,239 | - | - | - |
| POSCO-SAMSUNG-Slovakia Processing Center | 25,614 | - | - | - | - | - | - |
| Roy Hill Holdings Pty Ltd | - | 186,813 | - | 210,455 | - | - | - |
| Others | 78,048 | 209,457 | 14,704 | 14,015 | - | - | 197 |
| | 106,904 | 401,618 | 14,712 | 372,709 | - | - | 197 |
| ₩ | 3,461,987 | 524,457 | 24,493 | 1,287,911 | 153,545 | 136,912 | 291,216 |

(*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.

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(*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) The related account balances of significant transactions between the controlling company and related companies as of December 31, 2023 and 2022 are as follows:

1) December 31, 2023

(in millions of Won)

| | Receivables | | | Payables | | |
|--|-------------------------------------|----------------|----------------|------------------|---------------|---------------|
| | Trade accounts and notes receivable | Others | Total | Accounts payable | Others | Total |
| Subsidiaries | | | | | | |
| POSCO | ₩ 110,913 | 19,666 | 130,579 | 3,937 | 32,901 | 36,838 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | 9,262 | 1,714 | 10,976 | - | 170 | 170 |
| POSCO STEELEON CO., Ltd | 1,063 | - | 1,063 | - | - | - |
| POSCO DX(formerly, POSCO ICT) | 1,574 | - | 1,574 | 1,434 | 423 | 1,857 |
| eNtoB Corporation | - | - | - | 1,391 | 3 | 1,394 |
| POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD) | 14,299 | 463 | 14,762 | - | 31 | 31 |
| POSCO Mobility Solution Corporation | 981 | - | 981 | - | - | - |
| POSCO INTERNATIONAL Corporation | 6,449 | 25 | 6,474 | - | 163 | 163 |
| PT. KRAKATAU POSCO | - | 3,582 | 3,582 | - | - | - |
| Others | 3,345 | 11,152 | 14,497 | 9,022 | 151 | 9,173 |
| | <u>147,886</u> | <u>36,602</u> | <u>184,488</u> | <u>15,784</u> | <u>33,842</u> | <u>49,626</u> |
| Associates and joint ventures | | | | | | |
| SNNC | 334 | - | 334 | - | - | - |
| Roy Hill Holdings Pty Ltd | - | 88,008 | 88,008 | - | - | - |
| FQM Australia Holdings Pty Ltd(*1) | - | 218,900 | 218,900 | - | - | - |
| Others | 195 | 560 | 755 | - | - | - |
| | <u>529</u> | <u>307,468</u> | <u>307,997</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| ₩ | <u>148,415</u> | <u>344,070</u> | <u>492,485</u> | <u>15,784</u> | <u>33,842</u> | <u>49,626</u> |

(* 1) FQM Australia Holdings Pty Ltd's other receivable consists of long-term loans and accrued interest. During the year ended December 31, 2023, the Company provided additional loan to its associates by ₩6,448 million. Meanwhile, the Company has recognized allowance for doubtful accounts for all of other receivables amounting to ₩218,900 million during the year ended December 31, 2023.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

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 Corporation | 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 Inc. | - | 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.

(c) Significant transactions between the Company, excluding the controlling company, and related companies for the years ended December 31, 2023 and 2022 were as follows:

1) For the year ended December 31, 2023

(in millions of Won)

| | Sales and others | | | Purchase and others | |
|--|--------------------|----------------|--------------|----------------------|----------------|
| | Sales | Dividends | Others | Purchase of material | Others |
| Associates and joint ventures | | | | | |
| New Songdo International City Development, LLC | ₩ 208,536 | - | 1,484 | - | 279 |
| SNNC | 164,198 | - | 32 | 637,638 | 1,749 |
| Noeul Green Energy Co., Ltd. | 6,499 | - | 28 | - | 10,320 |
| POS-SEAH STEEL WIRE(TIANJIN)CO.,Ltd | 14,477 | - | - | - | - |
| POS SeAH Steel Wire(Nantong) Co., Ltd. | 43,811 | - | - | 73 | - |
| South-East Asia Gas Pipeline Company Ltd. | - | 59,295 | - | - | - |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | 113,542 | 9,000 | - | 6,861 | 1,564 |
| Samcheok Blue Power Co., Ltd. | 503,283 | 10,020 | - | - | - |
| Pocheon-Hwado Highway Corp. | 160,233 | - | - | - | - |
| Roy Hill Holdings Pty Ltd | - | 73,489 | - | 1,611,073 | - |
| UITrans LRT Co., Ltd. | 554 | - | - | - | - |
| Others | 474,052 | 120,429 | 3,353 | 590,717 | 101,909 |
| | <u>₩ 1,689,185</u> | <u>272,233</u> | <u>4,897</u> | <u>2,846,362</u> | <u>115,821</u> |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

2) For the year ended December 31, 2022

(in millions of Won)

| | Sales and others | | | Purchase and others | |
|---|------------------|-----------|---------|----------------------|---------|
| | Sales | Dividends | Others | Purchase of material | Others |
| Associates and joint ventures | | | | | |
| New Songdo International City Development, LLC | ₩ | 270,465 | - | - | 148 |
| SNNC | | 161,565 | - | 412 | 1,755 |
| Noeul Green Energy Co., Ltd. | | 5,531 | - | - | 1,716 |
| CSP - Compania Siderurgica do Pecem(*1) | | 7,173 | - | 126,123 | 22,663 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd(*2) | | 17,824 | - | 24,190 | - |
| POS-SEAH STEEL WIRE(TIANJIN)CO.,Ltd | | 14,863 | - | - | - |
| POS-SeAH Steel Wire(Nantong) Co., Ltd. | | 32,007 | - | 357 | - |
| South-East Asia Gas Pipeline Company Ltd. | | - | 14,541 | - | - |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | | 134,498 | 24,000 | 5,446 | - |
| Samcheok Blue Power Co., Ltd. | | 502,259 | 9,992 | 26 | - |
| Pocheon-Hwado Highway Corp. | | 93,428 | - | - | - |
| Roy Hill Holdings Pty Ltd | | - | 46,780 | 1,463,383 | - |
| Others | | 547,627 | 137,733 | 507,705 | 122,092 |
| | ₩ | 1,787,240 | 233,046 | 2,740,718 | 148,374 |

(* 1) CSP - Compania Siderurgica do Pecem was excluded from the subsidiaries due to the sale of its shares during the year ended December 31, 2023.

(* 2) Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd was excluded from the association due to the sale of its shares during the year ended December 31, 2022.

(d) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of December 31, 2023 and 2022 are as follows:

1) December 31, 2023

(in millions of Won)

| | Receivables(*1) | | | | Payables | | |
|---|-------------------------------------|---------|---------|---------|----------------------------------|---------|---------|
| | Trade accounts and notes receivable | Loans | Others | Total | Trade accounts and notes payable | Others | Total |
| Associates and joint ventures | | | | | | | |
| New Songdo International City Development, LLC | ₩ | 15,280 | - | 1,497 | 16,757 | - | 39,089 |
| Samcheok Blue Power Co., Ltd. | | 162,759 | - | 213 | 162,972 | - | 9,605 |
| Nickel Mining Company SAS | | - | 64,197 | 34 | 64,231 | - | 358 |
| POS-SeAH Steel Wire(Nantong) Co., Ltd. | | 14,162 | - | - | 14,162 | - | - |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | | 13,641 | - | 82 | 13,723 | 1,156 | 1,156 |
| Pocheon-Hwado Highway Corp. | | 33,944 | - | - | 33,944 | - | 7,712 |
| UITrans LRT Co., Ltd. | | - | 46,335 | 8,395 | 54,730 | - | 2,398 |
| Roy Hill Holdings Pty Ltd | | - | - | 22,002 | 22,002 | 263,440 | 263,440 |
| SNNC | | 14,738 | - | 60 | 14,798 | 25,482 | 27,213 |
| POSCO(Guangdong) Automotive Steel Co., Ltd. | | 59,913 | - | - | 59,913 | - | 52,961 |
| Others | | 54,211 | 167,388 | 134,795 | 356,374 | 6,642 | 14,585 |
| | ₩ | 388,628 | 277,900 | 167,078 | 813,606 | 349,681 | 75,478 |

(* 1) As of December 31, 2023, the Company recognizes bad-debt allowance for receivables amounting to ₩185,972 million.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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2) December 31, 2022

(in millions of Won)

| | Receivables(*1) | | | | Payables | | |
|---|--------------------------------------|---------|---------|---------|-------------------------------------|--------|---------|
| | Trade accounts and notes receivable | Loans | Others | Total | Trade accounts and notes receivable | Others | Total |
| | Associates and joint ventures | | | | | | |
| New Songdo International City Development, LLC | ₩ 63,413 | - | 16,858 | 80,271 | - | 39,664 | 39,664 |
| Chuncheon Energy Co., Ltd. | - | - | - | - | - | 50 | 50 |
| Samcheok Blue Power Co., Ltd. | 107,119 | - | - | 107,119 | - | 18,224 | 18,224 |
| Nickel Mining Company SAS | - | 63,024 | 263 | 63,287 | - | 358 | 358 |
| CSP - Companhia Siderurgica do Pecem | 3 | - | - | 3 | - | - | - |
| POS-SeAH Steel Wire(Thailand) Co., Ltd. | 7,096 | - | - | 7,096 | - | - | - |
| POSCO MC MATERIALS (formerly, POSCO MITSUBISHI CARBON TECHNOLOGY) | 12,589 | - | 52 | 12,641 | 1,198 | 4 | 1,202 |
| Pocheon-Hwado Highway Corp. | 16,297 | - | - | 16,297 | - | - | - |
| UITrans LRT Co., Ltd. | - | 36,510 | - | 36,510 | - | 1,999 | 1,999 |
| Roy Hill Holdings Pty Ltd | - | - | 7,110 | 7,110 | 571,084 | - | 571,084 |
| SNNC | 7,827 | - | 51 | 7,878 | 44,124 | 198 | 44,322 |
| POSCO(Guangdong) Automotive Steel Co., Ltd. | 98,920 | 35,131 | - | 35,131 | - | - | - |
| Others | 185,022 | 112,538 | 336,490 | 54,708 | 25,241 | 79,949 | 79,949 |
| | ₩ 313,264 | 319,687 | 136,872 | 769,823 | 671,114 | 85,738 | 756,852 |

(*1) As of December 31, 2022, the Company recognizes bad-debt allowance for receivables amounting to ₩131,588 million.

(e) Significant financial transactions between the Company, excluding the controlling company, and related companies for the years ended December 31, 2023 and 2022 were as follows:

1) December 31, 2023

(in millions of Won)

| | Beginning | Lend | Collect | Others(*1) | Ending |
|---|-----------|--------|----------|------------|---------|
| Associates and joint ventures | | | | | |
| UITrans LRT Co., Ltd. | ₩ 36,510 | 9,825 | - | - | 46,335 |
| PT. Tanggamus Electric Power | 5,014 | - | (270) | 82 | 4,826 |
| PT. Wampu Electric Power | 3,988 | - | (4,063) | 75 | - |
| Nickel Mining Company SAS | 63,024 | - | (2,322) | 3,495 | 64,197 |
| KRAKATAU POS-CHEM DONG-SUH CHEMICAL | 3,802 | - | (1,323) | 100 | 2,579 |
| POS-SeAH Steel Wire (Thailand) Co., Ltd. | 7,604 | - | (7,828) | 224 | - |
| AMCI (WA) PTY LTD | 104,281 | 6,620 | - | 1,276 | 112,177 |
| POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD | 10,138 | - | (5,321) | 341 | 5,158 |
| Hyo-chun Co., Ltd. | 2,382 | - | - | - | 2,382 |
| POS-AUSTEM Suzhou Automotive Co., Ltd | 12,673 | - | (13,219) | 546 | - |
| FQM Australia Holdings Pty Ltd | 35,040 | 2,637 | - | 923 | 38,600 |
| POHANG E&E Co., LTD | 100 | 1,546 | - | - | 1,646 |
| POSCO(Guangdong) Automotive Steel Co., Ltd. | 35,131 | - | (35,131) | - | - |
| | ₩ 319,687 | 20,628 | (69,477) | 7,062 | 277,900 |

(*1) Includes adjustments of foreign currency translation differences and others.

2) December 31, 2022

(in millions of Won)

| | Beginning | Lend | Collect | Others(*1) | Ending |
|---|-----------|--------|----------|------------|---------|
| Associates and joint ventures | | | | | |
| UITrans LRT Co., Ltd. | ₩ 29,099 | 7,460 | (5) | (44) | 36,510 |
| South-East Asia Gas Pipeline Company Ltd. | 47,423 | - | (45,639) | (1,784) | - |
| PT. Tanggamus Electric Power | 4,690 | - | - | 324 | 5,014 |
| PT. Wampu Electric Power | 5,651 | - | (1,876) | 213 | 3,988 |
| PT. POSMI Steel Indonesia | 2,371 | - | (2,371) | - | - |
| Nickel Mining Company SAS | 62,611 | - | - | 413 | 63,024 |
| KRAKATAU POS-CHEM DONG-SUH CHEMICAL | 4,742 | - | (1,264) | 324 | 3,802 |
| POS-SeAH Steel Wire (Thailand) Co., Ltd. | 7,113 | - | - | 491 | 7,604 |
| AMCI (WA) PTY LTD | 91,665 | 6,975 | - | 5,641 | 104,281 |
| POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD | 5,928 | - | (6,548) | 620 | - |
| POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD | 9,484 | - | - | 654 | 10,138 |
| Hyo-chun Co., Ltd. | 2,382 | - | - | - | 2,382 |
| POS-AUSTEM Suzhou Automotive Co., Ltd | 17,783 | - | (6,069) | 959 | 12,673 |
| FQM Australia Holdings Pty Ltd | 27,227 | 7,935 | - | (122) | 35,040 |
| POHANG E&E Co., LTD | - | 100 | - | - | 100 |
| POSCO(Guangdong) Automotive Steel Co., Ltd. | - | 35,131 | - | - | 35,131 |
| | ₩ 318,169 | 57,601 | (63,772) | 7,689 | 319,687 |

(*1) Includes adjustments of foreign currency translation differences and others.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(f) For the years ended December 31, 2023 and 2022, details of compensation to key management officers were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|-----------------------------|------------------|----------------|
| Short-term benefits | ₩ 199,608 | 174,629 |
| Long-term benefits | 9,641 | 9,182 |
| Retirement benefits | 38,934 | 22,106 |
| | <u>₩ 248,183</u> | <u>205,917</u> |

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

39. Commitments and Contingencies

(a) Contingent liabilities

Contingent liabilities may develop in a way not initially expected. Therefore, management continuously assesses contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Management makes estimates and assumptions that affect disclosures of commitments and contingencies. All estimates and assumptions are based on the evaluation of current circumstances and appraisals with the supports of internal specialists or external consultants.

Management regularly analyzes current information about these matters and provides for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for a provision, management considers whether the Company has an obligation as a result of a past event, whether it is probable that an outflow of cash or other resources embodying economic benefits will be required to settle the obligation and the ability to make a reliable estimate of the amount of the obligation.

POSCO HOLDINGS INC. and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2023 and 2022

(b) Details of guarantees

1) Contingent liabilities on outstanding guarantees and others provided by the Company as of December 31, 2023 are as follows:

| (in millions of Won) | | | | Guarantee limit | | Guarantee amount | |
|---|--|--|------------------|-------------------|------------------|-------------------|-----------|
| Guarantor | Guarantee beneficiary | Financial institution | Foreign currency | Won equivalent | Foreign currency | Won equivalent | |
| [The Company] | | | | | | | |
| POSCO HOLDINGS INC. | POSCO Asia Co., Ltd. | Credit Agricole and others | USD | 205,000,000 | 264,327 | - | - |
| | POSCO Argentina S.A.U | HSEC and others | USD | 411,900,000 | 531,104 | 319,895,483 | 412,472 |
| POSCO | POSCO MEXICO S.A. DE C.V. | BOA and others | USD | 60,000,000 | 77,364 | 60,000,000 | 77,364 |
| | POSCO-VIETNAM Co., Ltd. | SMBC and others | USD | 110,000,000 | 141,834 | 80,000,000 | 103,152 |
| | PT. KRAKATAU POSCO | Export-Import Bank of Korea and others | USD | 2,060,300,000 | 2,656,550 | 1,023,496,118 | 1,319,696 |
| | POSCO COATED STEEL (THAILAND) CO., LTD. | SMBC and others | THB | 4,800,000,000 | 180,576 | 3,936,000,000 | 148,072 |
| | POSCO Maharashtra Steel Private Limited | SMBC and others | USD | 40,000,000 | 51,576 | 40,000,000 | 51,576 |
| | POSCO ASSAN TST STEEL INDUSTRY Inc. | SOCIETE GENERALE and others | USD | 122,850,000 | 158,403 | 122,850,000 | 158,403 |
| POSCO INTERNATIONAL Corporation | POSCO INTERNATIONAL GLOBAL DEVELOPMENT PTE. LTD. | POSCO Asia Co., Ltd. | USD | 180,000,000 | 232,092 | 150,000,000 | 193,410 |
| | POSCO INTERNATIONAL POWER (PNG) LAE LIMITED | KDB bank | USD | 20,880,000 | 26,923 | 13,400,000 | 17,278 |
| | GOLDEN LACE POSCO INTERNATIONAL CO., LTD. | POSCO Asia Co., Ltd. | USD | 13,200,000 | 17,020 | 11,000,000 | 14,183 |
| | PT. Bio Inti Agrindo | BTPN and others | IDR | 1,232,000,000,000 | 102,995 | 1,160,000,000,000 | 96,976 |
| | POSCO ASSAN TST STEEL INDUSTRY Inc. | ING | USD | 13,700,000 | 17,665 | 13,700,000 | 17,665 |
| | POSCO INTERNATIONAL Deutschland GmbH | Bank Mendes Gans Amsterdam | USD | - | - | 20,005,200 | 25,795 |
| | POSCO INTERNATIONAL AMERICA Corp. | | | | | - | - |
| | POSCO INTERNATIONAL JAPAN Corp. | | | | | 7,106,727 | 9,163 |
| | POSCO INTERNATIONAL SINGAPORE PTE. LTD. | | | | | - | - |
| | POSCO INTERNATIONAL Malaysia SDN BHD | | | | | - | - |
| | POSCO INTERNATIONAL Italia S.R.L. | | | | | - | - |
| | POSCO INTERNATIONAL MEXICO S.A. de C.V. | | USD | 50,000,000 | 64,470 | 17,250,570 | 22,243 |
| | GRAIN TERMINAL HOLDING PTE. LTD. | Export-Import Bank of Korea and others | USD | 27,000,000 | 34,814 | 27,000,000 | 34,814 |
| | POSCO INTERNATIONAL E&P MALAYSIA SDN. BHD. | SC MALAYSIA | USD | 6,000,000 | 7,736 | 6,000,000 | 7,736 |
| | PT. KRAKATAU POSCO ENERGY | POSCO Asia Co., Ltd. and others | USD | 88,903,407 | 114,632 | 53,201,703 | 68,598 |
| | Posco International Mexico e-Mobility S.A DE C.V. | Export-Import Bank of Korea and others | USD | 27,000,000 | 34,814 | 27,000,000 | 34,814 |
| | PT POSCO INTERNATIONAL ENP INDONESIA | PT Bank Negara Indonesia | USD | 750,000 | 967 | 750,000 | 967 |
| | POSCO E&C Vietnam Co., Ltd. | POSCO Asia Co., Ltd. and others | | | | | |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | | | USD | 36,000,000 | 46,418 | 31,000,000 | 39,971 |
| | PT. POSCO E&C INDONESIA | POSCO Asia Co., Ltd. and others | USD | 25,900,000 | 33,395 | 25,900,000 | 33,395 |
| POSCO STEEL LEON CO.,LTD. | Myanmar POSCO C&C Company, Limited. | POSCO Asia Co., Ltd. | USD | 13,986,947 | 18,035 | 11,952,170 | 15,411 |
| POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD) | ULTIUM GAM GP INC. | Investissement Quebec, Strategic Innovation Fund | CAD | 299,562,500 | 291,966 | - | - |
| [Associates and joint ventures] | | | | | | | |
| POSCO HOLDINGS INC. | Nickel Mining Company SAS | SMBC | EUR | 46,000,000 | 65,623 | 46,000,000 | 65,623 |
| POSCO | LLP POSUK Titanium | SMBC | USD | 13,250,000 | 17,085 | 13,250,000 | 17,085 |
| POSCO INTERNATIONAL Corporation | GLOBAL KONGSO Daewoo LLC | Hana Bank | USD | 6,650,000 | 8,576 | 6,300,000 | 8,123 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)(*1) | Chuncheon Energy Co., Ltd | Kookmin Bank and others | | | | | |
| | | | KRW | 149,200 | 149,200 | 137,500 | 137,500 |
| [Others] | | | | | | | |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.)(*2) | Subcontractors for maintenance projects, etc. | Kookmin Bank and others | | | | | |
| | | | KRW | 1,535,263 | 1,535,263 | 674,016 | 674,016 |
| POSCO DX(formerly, POSCO ICT)(*1) | Busan Sansaeng Tunnel | Kookmin Bank | KRW | 7,621 | 7,621 | 6,394 | 6,394 |
| POSCO WIDE Co., Ltd. (formerly, POSCO O&M Co., Ltd.) | Korea Electric Power Corporation and others | Seoul Guarantee Insurance | | | | | |
| | | | KRW | 4,527 | 4,527 | 4,527 | 4,527 |
| POSCO AUSTRALIA PTY LTD | Department of Trade and Investment (NSW Government) and others | Woori Bank and others | AUD | 16,754,695 | 14,745 | 16,754,695 | 14,745 |
| PT. Bio Inti Agrindo | KSU Mandob | Bank Muamalat | IDR | 80,000,000,000 | 6,688 | 80,000,000,000 | 6,688 |
| POSCO Maharashtra Steel Private Limited | Gail India and others | HSBC and others | INR | 808,823,105 | 12,537 | 808,823,105 | 12,537 |
| | | | USD | 3,533,270,354 | 4,555,799 | 2,081,097,971 | 2,683,314 |
| | | | KRW | 1,696,611 | 1,696,611 | 922,437 | 922,437 |
| | | | IDR | 1,312,000,000,000 | 109,683 | 1,240,000,000,000 | 103,664 |
| | | | INR | 808,823,105 | 12,537 | 808,823,105 | 12,537 |
| | | | THB | 4,800,000,000 | 180,576 | 3,936,000,000 | 148,072 |
| | | | EUR | 46,000,000 | 65,623 | 46,000,000 | 65,623 |
| | | | AUD | 16,754,695 | 14,745 | 16,754,695 | 14,745 |
| | | | CAD | 299,562,500 | 291,966 | - | - |

(*1) The contingencies include PF contracts, which provide credit enhancement through payment guarantee in relation to the SOC projects as of December 31, 2023.

(*2) The contingencies include PF contracts, which guarantee the subcontractors progress payment loans in relation to the maintenance projects and others, as of December 31, 2023

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

2) The details of credit enhancements by types of the Company's PF business as of December 31, 2023 are as follows:

① Maintenance projects and others

a. PF credit enhancements such as debt assumption, supplemental funding agreement etc., maturity of the related loans are as follows:

(in millions of Won)

| Provider | Project(*1) | Borrower | Type | Credit enhancement measures | Agreed amount | Executed amount | Balance of the loans | | | | | | | |
|---|----------------------|--|---------------|--------------------------------|---------------|-----------------|----------------------|-----------------|------------|------------------|-----------------|------------------|---------------|---------|
| | | | | | | | Total | Within 3 months | 3-6 months | 6 months -1 year | 1 year -2 years | 2 years -3 years | After 3 years | |
| [The Company] | | | | | | | | | | | | | | |
| POSCO Eco & Challenge Co., Ltd. (Formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | Other projects | JB CLARK HILLS | Main PF | Debt assumption | ₩ 42,550 | 35,459 | 35,459 | - | - | - | 35,459 | - | - | - |
| [Associates and joint venture] | | | | | | | | | | | | | | |
| POSCO Eco & Challenge Co., Ltd. (Formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | Other projects | New Songdo International City Development, LLC | Mortgage loan | Debt assumption | 676,000 | 520,000 | 467,500 | - | 446,000 | 21,500 | - | - | - | - |
| [Others] | | | | | | | | | | | | | | |
| POSCO Eco & Challenge Co., Ltd. (Formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | Maintenance projects | Bangbae Shindonga Apartment Reconstruction and Maintenance Project Association, etc. | Main PF | Debt assumption | 922,476 | 730,020 | 404,799 | - | 38,354 | 134,861 | 121,945 | 13,100 | 96,539 | - |
| | Other projects | Masters 123 Yeosu Samgyo PFV co., Ltd. | Main PF | Debt assumption | 175,500 | 135,000 | 133,700 | 45,000 | - | 49,000 | - | 39,700 | - | - |
| | Other projects | Civic Center PFV | Bridge loan | Debt assumption | 45,000 | 45,000 | 45,000 | - | - | - | 45,000 | - | - | - |
| POSCO Dk (Formerly, POSCO ICT) | Other projects | Jeanjung schoo kaeper co. and others | Main PF | Supplemental funding agreement | 1,122,320 | 123,309 | 474,888 | - | - | - | - | - | - | 474,888 |
| | | | | | ₩ 2,285,296 | 1,933,329 | 1,958,387 | 45,000 | 38,354 | 183,861 | 166,945 | 52,800 | 571,427 | - |
| | | | | | ₩ 2,863,846 | 1,588,798 | 1,661,346 | 45,000 | 484,354 | 205,361 | 207,404 | 52,800 | 571,427 | - |

(*1) The maintenance project mainly consists of reconstruction and condominium construction projects, and other projects such as office buildings, retail spaces, warehouses, and educational facilities.

b. The details of conditional debt assumption and principal and interest repayment contingencies in the event of non-compliance of responsibility completion as of December 31, 2023 are as follows:

(in millions of Won)

| | Number of constructions | Contract amount | Contingency amount(*1)(*2) | Balance of loans |
|----------------------|-------------------------|-----------------|----------------------------|------------------|
| Maintenance projects | 23 | ₩ 6,327,707 | 3,478,950 | 1,834,196 |
| Other projects | 1 | 110,341 | 35,000 | 22,523 |
| | 24 | ₩ 6,438,048 | 3,513,950 | 1,856,719 |

(*1) The overlapping amount with other credit enhancement measures such as the agreed debt assumption upon loan origination amounts to ₩132,300 million for the maintenance projects.

(*2) In the case of joint subcontracting projects, the total joint guarantee amount of the project participants has been disclosed. However, the final execution amount of completion guarantee may vary depending on factors such as the reasons attributable to the project participants upon actual execution of the responsibility completion.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

c. The details of contingencies of claim for damages in the event of non-compliance of responsibility completion as of December 31, 2023 are as follows:

| <i>(in millions of Won)</i> | <u>Number of constructions</u> | <u>Contract amount</u> | <u>Contingency amount(*1)(*2)</u> | <u>Balance of loans</u> |
|-----------------------------|--------------------------------|------------------------|-----------------------------------|-------------------------|
| Maintenance projects | 2 | ₩ 463,742 | 324,000 | 77,138 |
| Other projects | 53 | 10,797,925 | 8,648,087 | 6,270,750 |
| | 55 | ₩ 11,261,667 | 8,972,087 | 6,347,888 |

(*1) The overlapping amount with other credit enhancement measures such as the agreed debt assumption upon loan origination amounts to ₩122,200 million for the maintenance projects.

(*2) In the case of joint subcontracting projects, the total joint guarantee amount of the project participants has been disclosed. However, the final execution amount of completion guarantee may vary depending on factors such as the reasons attributable to the project participants upon actual execution of the responsibility completion.

② SOC projects

(in millions of Won)

| <u>Provider</u> | <u>Recipient</u> | <u>Credit enhancement measures</u> | <u>Number of constructions</u> | <u>Approved amount</u> | <u>Remaining balance after repayment</u> |
|--|--|--|--------------------------------|------------------------|--|
| [Associates and joint ventures] | | | | | |
| POSCO DX | UITrans LRT Co., Ltd(*1) | Providing funds and debt assumption | 1 | ₩ 81,883 | 32,952 |
| | Pocheon-Hwado Highway Corp.(*2) | Providing funds | 1 | 24,923 | 16,941 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | UITrans LRT Co., Ltd(*1) | Providing funds and debt assumption | 1 | 205,051 | 165,045 |
| | Pocheon-Hwado Highway Corp.(*2) | Providing funds | 1 | 319,526 | 217,171 |
| | POHANG E&E Co., LTD(*3) | Providing funds and supplemental funding agreement | 1 | 71,930 | 50,946 |
| | Pureun Tongyeong Enviro Co., Ltd.(*3) | Providing funds | 1 | 22,714 | 12,251 |
| | Pure Gimpo.Co.,Ltd(*3) | Providing funds | 1 | 51,559 | 25,189 |
| | Clean Iksan Co.,Ltd(*3) | Providing funds | 1 | 44,054 | 25,650 |
| | | | 8 | 821,640 | 546,145 |
| [Others] | | | | | |
| POSCO DX | Western Inland highway CO.,LTD. | Providing funds | 1 | 47,348 | 15,678 |
| | SK Solar Energy Co., Ltd. | Debt assumption | 1 | 5,850 | 3,114 |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | Western Seoul highway CO.,LTD. and others | Supplemental funding agreement | 11 | 62,720 | 30,646 |
| | Western Inland highway CO.,LTD. and others | Providing funds | 44 | 2,884,686 | 1,266,872 |
| | Pohang Youngil Bay New Port | Debt assumption | 1 | 2,250 | 1,440 |
| | Busan Sansong Tunnel | Refinancing | 1 | 35,296 | 26,750 |
| | | | | 59 | 3,038,150 |
| | | | 67 | ₩ 3,859,790 | 1,890,645 |

(*1) The Company provides a funding obligation agreement of ₩153,260 million (including other shares: ₩385,000 million) equivalent to the Company's share of the loan balance for the private investment project.

(*2) The Company provides a funding obligation agreement of ₩344,449 million (including other shares: ₩623,079 million) equivalent to the Company's share of the loan balance for the private investment project.

(*3) The Company provides a funding obligation agreement of ₩183,756 million (including other shares: ₩354,092 million) equivalent to the Company's share of the loan balance for the private investment project.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

3) Other guarantees

- ① As of December 31, 2023, the payment guarantees that the Company provides to clients, such as contract performance guarantees, installment guarantees, and defect guarantees, by subscribing to insurance policies with guarantee insurance companies or issuing guarantee certificates are as follows:

(in millions of Won)

| Provider of credit enhancement | Recipient of credit enhancement | Types of guarantees | Agreed amount | Executed amount | Guarantor |
|--|--|--|--------------------|------------------|---------------------------------------|
| [Subsidiaries] | | | | | |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | Ventanas Philippines Construction Inc | Guarantee on performance for contracts and others | ₩ 14,601 | 14,601 | Credit Agricole and others |
| | PT POSCO E&C INDONESIA | Guarantee on defects | 1,805 | 1,805 | Woori Bank and others |
| | | | <u>16,406</u> | <u>16,406</u> | |
| [Associates and joint ventures] | | | | | |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | PT.Tanggamus Electric Power | Letter of credit | 2,615 | 2,615 | Hana Bank |
| | PT. Wampu Electric Power | Letter of credit | 2,837 | 2,837 | Hana Bank |
| | Pocheon-Hwado Highway Corp. (formerly, Metropolitan Outer Ring Expressway co., Ltd.) | Guarantee on performance for projects | 23,315 | 23,315 | Construction Guarantee Cooperative |
| | | | <u>28,767</u> | <u>28,767</u> | |
| [Others] | | | | | |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | DAEWOO ENGINEERING & CONSTRUCTION Co., Ltd | Guarantee on performance for construction | 8,381,876 | 6,686,305 | Construction Guarantee Cooperative |
| | | | <u>₩ 8,427,049</u> | <u>6,731,478</u> | |

- ② As of December 31, 2023, the primary payment guarantees, etc. that the Company provided from the guarantee institution are as follows:

(in millions of Won)

| Provider | Types of guarantees | Agreed amount | Executed amount |
|--|--|---------------------|-------------------|
| Construction Guarantee Cooperative | Subcontractor Payment Guarantee and others | ₩ 6,806,423 | 6,793,235 |
| Engineering guarantee insurance | Guarantee on performance for EPC contracts and others | 896,888 | 540,075 |
| Seoul Guarantee Insurance | Construction performance guarantee and others | 571,775 | 571,775 |
| Korea Housing & Urban Guarantee Corporation | Housing Guarantee and others | 4,933,080 | 4,927,830 |
| Korea software financial cooperative | Guarantee on performance for contracts | | |
| Woori Bank and others | Foreign currency guarantee | 2,042,804 | 786,129 |
| | | <u>₩ 15,358,838</u> | <u>13,724,120</u> |

POSCO HOLDINGS INC. and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2023 and 2022

(c) Other commitments

Details of other commitments of the Company as of December 31, 2023 are as follows:

| (3) Other Commitments | |
|---|--|
| Company | Description |
| POSCO HOLDINGS INC. | <p>As of December 31, 2023, POSCO HOLDINGS INC. entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are 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 borrowings depends on the success of the projects. POSCO HOLDINGS INC. is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO HOLDINGS INC. has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of December 31, 2023, the ending balance of the borrowing amounts to USD 1.02 million.</p> <p>POSCO HOLDINGS INC. has deposited 3,211,795 treasury shares for exchange with the Korea Securities Depository in relation to foreign currency exchangeable bonds as of December 31, 2023.</p> |
| POSCO | <p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The long-term purchase contract period is more than two years for iron ore, three years for coal, and one year for nickel. These contracts provide for periodic price adjustments based on the market price. As of December 31, 2023, 43 million tons of iron ore and 15 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. Due to decrease of purchase volume in 2023, the purchase volume will be 190 thousand tons from September 2025 to December 2026. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>POSCO has a long-term service contract for the transportation of raw material. As of December 31, 2023, there are 36 vessels under contract, and the average remaining contract period is about 7 years.</p> <p>POSCO entered into an agreement (LNG SPA) with POSCO INTERNATIONAL SINGAPORE PTE LTD. to purchase 370 thousand tons of LNG annually for 15 years commencing in November 2026. The purchase price is subject to change based on changes of U.S. Henry Hub Natural Gas Spot Price. POSCO has extension option of extending the purchase contract by five years. Meanwhile, POSCO INTERNATIONAL Corporation has signed an LNG SPA with Cheniere Marketing, LLC for the purpose of supplying LNG to POSCO. As an actual buyer of LNG, POSCO provides performance guarantee for POSCO INTERNATIONAL Corporation's SPA to producer, Cheniere Marketing, LLC. The performance guarantee contract period is from September 30, 2022 to the date of expiration of SPA contract which is September 30, 2046, or the date of termination of payment obligation under the guarantee contract.</p> |
| POSCO INTERNATIONAL Corporation | <p>POSCO INTERNATIONAL Corporation operates a ship-to-ship business in which ships are chartered from ship's owners and leased out to shippers. The Company has entered into a ship purchase agreement with the ship owners and the shippers, which obliges the shippers to pay the agreed amount either at the end of the contract terms or at the agreed termination and to take over the ownership of the vessel from the ship owners. Only if the shipper fails to fulfill its obligation including payment obligation for the purchase of the vessel, the Company is obliged to take over the ship based on the condition that the shipper's contractual obligations and rights are transferred to the Company. As of December 31, 2023, the amount which is exposed to the ship purchase agreements entered into is USD 31 million.</p> <p>The Company invested in the Ambatovy Nickel Project (DMSA/AMSA) in Madagascar through the Korea Ambatovy Consortium (KAC) formed with Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR) and STX Corporation. SHERRITT INTERNATIONAL CORP., the operator, transferred a portion of the project's interests to Sumitomo and AHL (Ambatovy Holdings Limited) in November 2017, and transferred the remaining interests of the project to Sumitomo and AHL2 (Ambatovy Holdings II Limited) in August 2020. KAC has the rights and obligations to the 15.33% stake held by AHL and AHL2.</p> |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | <p>As of December 31, 2023, according to the investor agreement for the construction of Samcheok Thermal Power Plant, POSCO Eco & Challenge Co., Ltd. is obligated to make contributions for core capital, unqualified investment, excess expenses occurred for business, and acceleration of payment. Among them, the remaining amount of the core capital investment obligation is ₩43,189 million. Meanwhile, the Company invested ₩25,700 million in January, 2024 and plans to invest ₩17,489 million in March, 2024.</p> |
| POSCO FUTURE MATERIALS CANADA INC. (formerly, POSCO CHEMICAL CANADA INC.) | <p>In accordance with the GP Shareholders Agreement between POSCO FUTURE MATERIALS CANADA INC. and GM Battery Raw Materials Corporation (hereinafter referred to as GM), if, POSCO FUTURE M Co., LTD. (POSCO FUTURE MATERIALS CANADA INC's shareholders) fails to obtain approval for the export of national core technology under the 'Act On Prevention Of Divulgence And Protection Of Industrial Technology' in Korea within two years from the date of signing the agreement, GM may sell its shares of ULTIUM CAM GP INC. and ULTIUM CAM LIMITED PARTNERSHIP held by Posco Future Materials Canada Inc.. GM has the right to exercise this put option until the 27th month from the date of signing the agreement. When GM exercises the put option, Posco Future Materials Canada Inc. is required to immediately purchase GM's shares at a price of the fair market value of GM's shares or 125% of the total amount of capital contributions made by GM before the closing of the sale, whichever amount is greater. As of December 31, 2023, the Company recognized ₩119,258 million as other financial liabilities related to the terms of this agreement.</p> |

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Notes to the Consolidated Financial Statements, Continued
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(d) Litigation in progress

As of December 31, 2023, litigations in progress that POSCO HOLDINGS INC. and certain subsidiaries are defendants in legal actions arising from the normal course of business are as follows:

(in millions of Won, in thousands of foreign currencies)

| Company | Legal actions | Claim amount | Won equivalent | Description |
|--|---------------|---------------|----------------|---|
| POSCO HOLDINGS INC. | 4 | KRW 9,945 | 9,945 | Lawsuit on claim for damages and others |
| POSCO | 35 | KRW 205,234 | 205,234 | Lawsuit on claim for employee right and others |
| POSCO INTERNATIONAL Corporation | 2 | INR 4,469,396 | 69,276 | Lawsuit on claim for payment on guarantees and others(*1) |
| | 6 | KRW 75,458 | 75,458 | Lawsuit on claim for damages and others |
| | 1 | PKR 124,775 | 570 | Lawsuit on claim for damages |
| | 6 | USD 75,389 | 97,207 | Lawsuit on claim for damages and others(*1) |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | 106 | KRW 428,767 | 428,767 | Lawsuit on claim for damages and others(*1) |
| POSCO DXI(formerly, POSCO ICT) | 1 | BRL 14,819 | 3,938 | Lawsuit on claim for damages |
| | 11 | KRW 6,789 | 6,789 | Lawsuit on claim for damages and others |
| POSCO FUTURE M CO., LTD. (formerly, POSCO CHEMICAL CO., LTD) | 3 | KRW 5,789 | 5,789 | Lawsuit on claim for damages and others |
| POSCO M-TECH | 1 | KRW 67 | 67 | Lawsuit on claim for damages |
| POSCO A&C | 3 | KRW 2,181 | 2,181 | Lawsuit on claim for payment on construction and others(*1) |
| POSCO WIDE Co., Ltd. | 2 | KRW 563 | 563 | Lawsuit on claim for damages and others |
| eNtoB Corporation | 1 | KRW 14 | 14 | Lawsuit on claim for damages |
| POSCO ASIA COMPANY LIMITED | 1 | USD 80 | 103 | Lawsuit on claim for damages(*1) |
| POSCO-China Holding Corp. | 1 | USD 1,290 | 1,663 | Lawsuit on claim for damages |
| POSCO-INDIA STEEL DISTRIBUTION CENTER PRIVATE LIMITED | 1 | INR 525,000 | 8,138 | Lawsuit on claim for damages |
| POSCO(Suzhou) Automotive Processing Center Co., LTD. | 2 | CNY 31 | 6 | Lawsuit on claim for invalidation of dismissal |
| Shinan Green Energy Co., LTD | 1 | KRW - | - | Lawsuit on claim for land delivery |
| POSCO INTERNATIONAL TEXTILE LLC. | 1 | USD 2,389 | 3,081 | Lawsuit on claim for payment on contract(*1) |
| Qingdao Pohang Stainless Steel Co., Ltd. | 1 | CNY 13,260 | 2,398 | Lawsuit on claim for contract termination |
| POSCO Center Beijing | 1 | CNY 80 | 15 | Lawsuit on claim for contract termination |
| POSCO Engineering and Construction India Private Limited | 2 | INR 493,968 | 7,657 | Lawsuit on claim for payment and others(*1) |
| POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA. | 78 | BRL 185,366 | 49,257 | Lawsuit on claim for payment on construction and others(*1) |
| POSCO INDIA PROCESSING CENTER PRIVATE LIMITED | 1 | INR 54,420 | 844 | Lawsuit on claim for damages |
| POSCO E&C CHINA Co., Ltd. | 1 | CNY 765 | 138 | Lawsuit over contract dispute |
| Pos-Sea Pte Ltd | 1 | USD 3,200 | 4,126 | Lawsuit over contract dispute |
| Brazil Sao Paulo Steel Processing Center | 7 | BRL 6,729 | 1,788 | Lawsuit on claim for labor and others |
| POSCO Thainox Public Company Limited | 1 | THB 3,000 | 113 | Lawsuit on invalidation of a check |
| POSCO ASSAN TST STEEL INDUSTRY Inc | 13 | USD 80 | 103 | Lawsuit on claim for labor and others(*1) |
| POSCO TNPC Otomotiv Calik San. Ve Tic. A.S | 4 | TRY 1,132 | 49 | Lawsuit over industrial accidents and others(*1) |
| POSCO-India Private Limited | 1 | INR 2,466 | 38 | Lawsuit on claim for wages |

(*1) The Company made a reliable estimate in 66 lawsuits by considering the possibility and amount of expected outflow of resources and recognized ₩45,712 million as provision for legal contingencies and claims.

For all the other lawsuits and claims, management does not believe the Company has any present obligations and therefore, the Company has not recognized any provisions as of December 31, 2023 for the matters.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(e) Other contingent circumstances

Other major contingencies for the Company as of December 31, 2023 are as follows:

| Company | Description |
|--|---|
| POSCO HOLDINGS INC. | POSCO HOLDINGS INC. has provided 3 blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings. 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 INTERNATIONAL Corporation | As of December 31, 2023, POSCO INTERNATIONAL Corporation has provided 29 blank promissory notes and 18 blank checks to Korea Energy Agency and others as collateral for the guarantee on performance for contracts and others. |
| POSCO Eco & Challenge Co., Ltd. (formerly, POSCO ENGINEERING & CONSTRUCTION CO.,LTD.) | As of December 31, 2023, POSCO Eco & Challenge Co., Ltd. has provided 41 blank checks and 4 blank promissory notes as collateral for agreements and outstanding loans. |
| POSCO DX (formerly, POSCO ICT) | As of December 31, 2023, POSCO DX has provided 7 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others. |

40. Statements of Cash Flows

(a) Changes in operating assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

| <i>(in millions of Won)</i> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|----------------------|------------------|
| Trade accounts and notes receivable | ₩ (1,127,629) | 547,480 |
| Other receivables | 32,827 | (96,141) |
| Inventories | 1,383,720 | (415,596) |
| Other current assets | 265,296 | (230,084) |
| Other non-current assets | (214,331) | 42,767 |
| Trade accounts and notes payable | (118,796) | 141,925 |
| Other payables | (301,561) | 611,932 |
| Other current liabilities | (344,490) | (272,505) |
| Provisions | (318,955) | (295,624) |
| Payments of severance benefits | (263,548) | (300,353) |
| Plan assets | (45,535) | (59,461) |
| Other non-current liabilities | (34,255) | (9,704) |
| | <u>₩ (1,087,257)</u> | <u>(335,364)</u> |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(b) Changes in liabilities arising from financial activities for the year ended December 31, 2023 and 2022 were as follows:

1) December 31, 2023

(in millions of Won)

| | Liabilities | | | | Derivatives that hedge borrowings |
|---|-----------------------|----------------------|------------------|---------------------------|-----------------------------------|
| | Short-term borrowings | Long-term borrowings | Dividend payable | Finance lease liabilities | |
| Beginning | ₩ 6,833,120 | 17,472,542 | 4,371 | 823,482 | (191,497) |
| Changes from financing cash flows | (2,524,077) | 3,356,103 | (825,495) | (222,829) | 102,707 |
| The effect of changes in foreign exchange rates | 650,237 | (139,863) | - | 38,909 | - |
| Changes in fair values | - | 305,562 | - | - | (41,201) |
| Other changes: | | | | | |
| Decrease in retained earnings | - | - | 720,770 | - | - |
| Decrease in non-controlling interest | - | - | 103,615 | - | - |
| Interest expenses | - | 16,755 | - | 41,109 | - |
| Increase in lease assets | - | - | - | 243,649 | - |
| Ending | ₩ 4,959,280 | 21,011,099 | 3,261 | 924,320 | (129,991) |

2) December 31, 2022

(in millions of Won)

| | Liabilities | | | | Derivatives that hedge borrowings |
|--|-----------------------|----------------------|------------------|---------------------------|-----------------------------------|
| | Short-term borrowings | Long-term borrowings | Dividend payable | Finance lease liabilities | |
| Beginning | ₩ 5,110,424 | 16,630,792 | 4,046 | 778,014 | (107,982) |
| Changes from financing cash flows | 1,764,569 | 415,692 | (1,234,899) | (268,082) | 102,973 |
| Changes arising from obtaining or losing control of subsidiaries or other business | - | 142,290 | - | 193,572 | - |
| The effect of changes in foreign exchange rates | (41,873) | 355,540 | - | (96,771) | - |
| Changes in fair values | - | (85,790) | - | - | (186,488) |
| Other changes: | | | | | |
| Decrease in retained earnings | - | - | 1,138,107 | - | - |
| Decrease in non-controlling interest | - | - | 97,117 | - | - |
| Interest expenses | - | 14,018 | - | 34,935 | - |
| Increase in lease assets | - | - | - | 181,814 | - |
| Ending | ₩ 6,833,120 | 17,472,542 | 4,371 | 823,482 | (191,497) |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

41. Operating Segments and Geographic Information

(a) The Company's operating businesses are organized based on the nature of markets and customers. During the year ended December 31, 2023, the Company changed the internal organization and internal reporting structures. As a result, operating segments were recategorized according to the revised reporting materials provided to the management for decision-making. The Company restated the reportable segment information for the year ended December 31, 2022 to conform to the 2023 segment classifications.

Segment assets, liabilities and profit (loss) are generally measured based on separate financial statements in accordance with K-IFRS of the subsidiaries that constitute reportable operating segments.

Meanwhile, the Company has classified the business segment and the subsidiaries in each segment as follows:

| Operating segments | | Main Business |
|----------------------------|----------------------|--|
| Steel | | Manufacture and sales of steel products |
| Green infrastructure | Trading | Supply and purchase transactions between domestic and foreign companies, power generation, and resource development |
| | Construction | Design, production and construction of steel mills and their facilities, commercial and residential facilities, etc. |
| | Logistics and others | Logistics, network and system integration business |
| Green Materials and energy | | EV battery materials such as lithium, nickel, negative/cathode materials, and hydrogen business |
| Others | | POSCO HOLDINGS, INC., Controlling company and Investment business |

(b) The segment profit or loss does not reflect the consolidation adjustments allocated to each entity and is determined in the same way as the consolidated net income determined by K-IFRS. Segment assets and liabilities are determined based on separate financial statements. There are various transactions of transactions between reporting segments, including disposal of property, plant and equipment and provision of construction services.

(c) Information about reportable segments as of and for the years ended December 31, 2023 and 2022 were as follows:

1) As of and for the year ended December 31, 2023

| (in millions of Won) | Steel | Green infrastructure | | | | Green materials and Energy | Others | Total |
|---|--------------|----------------------|--------------|----------------------|------------|----------------------------|-------------|-------|
| | | Trading | Construction | Logistics and others | | | | |
| External revenues | ₩ 40,393,273 | 24,033,506 | 8,301,130 | 470,613 | 3,816,042 | 112,633 | 77,127,197 | |
| Internal revenues | 23,145,425 | 18,910,246 | 1,966,373 | 3,475,340 | 1,005,844 | 1,449,581 | 49,952,809 | |
| Inter segment revenues | 15,293,780 | 8,906,571 | 1,864,723 | 3,431,594 | 972,511 | 1,422,313 | 31,891,492 | |
| Total revenues | 63,538,698 | 42,943,752 | 10,267,503 | 3,945,953 | 4,821,886 | 1,562,214 | 127,080,006 | |
| Interest income | 281,530 | 66,398 | 100,682 | 15,837 | 39,339 | 73,550 | 577,336 | |
| Interest expenses | (718,937) | (284,056) | (105,102) | (14,091) | (57,638) | (272) | (1,180,096) | |
| Depreciation and amortization | (3,044,565) | (508,161) | (66,854) | (54,219) | (155,567) | (16,126) | (3,845,492) | |
| Impairment loss on property, plant and equipment and others | (305,437) | (9,826) | (28,031) | - | (55,601) | (10,657) | (405,552) | |
| Share of income (loss) of equity-accounted investees, net | (182,668) | (37,368) | 13,622 | - | (67,248) | (109,568) | (383,220) | |
| Income tax expense | (595,457) | (239,164) | (95,364) | (39,250) | 13,281 | 113,895 | (842,059) | |
| Segment profits (losses) | 1,241,211 | 723,929 | 183,453 | 170,959 | (235,603) | 827,298 | 2,911,247 | |
| Segment total assets | 66,224,069 | 19,650,557 | 9,631,691 | 2,476,842 | 10,909,515 | 51,957,529 | 160,850,203 | |
| Investment in subsidiaries, associates and joint ventures | 3,855,038 | 2,933,140 | 481,672 | 9,999 | 1,550,524 | 45,084,972 | 53,915,345 | |
| Acquisition of non-current assets | 3,748,163 | 553,955 | 119,438 | 137,237 | 2,795,447 | 162,639 | 7,516,879 | |
| Segment total liabilities | 24,154,043 | 11,842,508 | 5,589,827 | 993,071 | 4,972,568 | 4,301,310 | 51,853,327 | |

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2) As of and for the year ended December 31, 2022

① The segment results as previously disclosed are as follows:

| (in millions of Won) | Steel | Green Infrastructure | | | Green materials and Energy | Others | Total |
|---|--------------|----------------------|--------------|-------------------|----------------------------|-------------|-------------|
| | | Trading | Construction | Energy and Others | | | |
| External revenues | ₩ 44,546,966 | 26,956,468 | 7,667,696 | 3,998,959 | 2,451,785 | 129,340 | 84,750,204 |
| Internal revenues | 26,102,681 | 23,634,302 | 1,217,795 | 3,426,549 | 936,975 | 1,040,196 | 56,358,498 |
| Inter segment revenues | 18,226,727 | 11,853,034 | 1,074,088 | 3,442,447 | 923,552 | 1,818,578 | 37,338,426 |
| Total revenues | 70,649,647 | 49,589,780 | 8,895,491 | 7,425,508 | 3,388,760 | 1,189,536 | 141,108,702 |
| Interest income | 141,047 | 37,603 | 68,774 | 23,928 | - | (13,319) | 280,741 |
| Interest expenses | (446,058) | (156,663) | (44,309) | (56,799) | (11,770) | (84) | (715,683) |
| Depreciation and amortization | (3,036,041) | (392,969) | (64,813) | (149,754) | (94,416) | (20,811) | (3,758,804) |
| Impairment loss on property, plant and equipment and others | (234,904) | (23,036) | (32) | (23) | (1,053) | - | (259,318) |
| Share of loss of equity-accounted investees, net | (6,239) | (29,541) | (2,792) | 955,873 | - | (263,264) | (310,388) |
| Income tax expense | (565,353) | (189,535) | (92,715) | (93,210) | (14,120) | (1,785,487) | (2,740,420) |
| Segment profits (losses) | 1,711,940 | 525,500 | 137,911 | 293,859 | 109,209 | (1,087,428) | 1,690,991 |
| Segment total assets | 66,143,103 | 16,693,605 | 8,878,530 | 6,612,825 | 6,652,469 | 51,421,190 | 155,401,722 |
| Investment in subsidiaries, associates and joint ventures | 2,659,443 | 1,821,243 | 565,873 | 957,168 | 600,277 | 44,951,810 | 51,555,814 |
| Acquisition of non-current assets | 3,287,878 | 622,678 | 53,708 | 125,942 | 1,169,725 | 370,837 | 5,630,768 |
| Segment total liabilities | 25,111,665 | 10,097,503 | 4,937,907 | 3,683,068 | 2,127,424 | 4,156,863 | 50,114,430 |

② The restated segment results due to the change of operating segments are as follows:

| (in millions of Won) | Steel | Green Infrastructure | | | Green materials and Energy | Others | Total |
|---|--------------|----------------------|--------------|----------------------|----------------------------|-------------|-------------|
| | | Trading | Construction | Logistics and others | | | |
| External revenues | ₩ 44,546,966 | 29,517,938 | 7,667,696 | 436,479 | 2,451,785 | 129,340 | 84,750,204 |
| Internal revenues | 26,102,681 | 23,677,786 | 1,217,795 | 3,383,065 | 936,975 | 1,040,196 | 56,358,498 |
| Inter segment revenues | 18,226,727 | 11,148,030 | 1,074,088 | 3,414,385 | 923,552 | 1,818,578 | 36,605,360 |
| Total revenues | 70,649,647 | 53,195,724 | 8,895,491 | 3,819,544 | 3,388,760 | 1,189,536 | 141,108,702 |
| Interest income | 141,047 | 51,889 | 68,774 | 9,952 | 22,708 | (13,319) | 280,741 |
| Interest expenses | (446,058) | (202,000) | (44,309) | (11,462) | (11,770) | (84) | (715,683) |
| Depreciation and amortization | (3,036,041) | (495,524) | (64,813) | (47,199) | (94,416) | (20,811) | (3,758,804) |
| Impairment loss on property, plant and equipment and others | (234,904) | (23,096) | (32) | (23) | (1,053) | - | (259,318) |
| Share of loss of equity-accounted investees, net | (6,239) | (38,093) | (2,792) | - | - | (263,264) | (310,388) |
| Income tax expense | (565,353) | (249,395) | (92,715) | (33,350) | (14,120) | (1,785,487) | (2,740,420) |
| Segment profits (losses) | 1,711,940 | 716,204 | 137,911 | 103,155 | 109,209 | (1,087,428) | 1,690,991 |
| Segment total assets | 66,143,103 | 20,014,447 | 8,878,530 | 2,291,983 | 6,652,469 | 51,421,190 | 155,401,722 |
| Investment in subsidiaries, associates and joint ventures | 2,659,443 | 2,771,602 | 565,873 | 6,809 | 600,277 | 44,951,810 | 51,555,814 |
| Acquisition of non-current assets | 3,287,878 | 700,425 | 53,708 | 48,195 | 1,169,725 | 370,837 | 5,630,768 |
| Segment total liabilities | 25,111,665 | 12,736,310 | 4,937,907 | 1,044,261 | 2,127,424 | 4,156,863 | 50,114,430 |

(d) Reconciliations of total segment revenues, profit or loss, assets and liabilities, and other significant items to their respective consolidated financial statement line items are as follows:

1) Revenues

| (in millions of Won) | | 2023 | 2022 |
|---------------------------------------|---|--------------|--------------|
| Total revenue for reportable segments | ₩ | 127,080,006 | 141,108,702 |
| Elimination of inter-segment revenue | | (49,952,809) | (56,358,498) |
| | ₩ | 77,127,197 | 84,750,204 |

2) Profit

| (in millions of Won) | | 2023 | 2022 |
|---------------------------------------|---|-------------|-----------|
| Total profit for reportable segments | ₩ | 2,911,247 | 1,690,991 |
| Goodwill and corporate FV adjustments | | 172,493 | (68,771) |
| Elimination of inter-segment profit | | (1,237,891) | 1,938,263 |
| Income tax expense | | 789,305 | 453,883 |
| Profit before income tax expense | ₩ | 2,635,154 | 4,014,366 |

POSCO HOLDINGS INC. and Subsidiaries
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3) Assets

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|--|---|---------------------|---------------------|
| Total assets for reportable segments | ₩ | 160,850,203 | 155,401,722 |
| Investment in subsidiaries, associates and joint ventures | | (48,895,081) | (46,559,264) |
| Goodwill and corporate FV adjustments | | 2,630,009 | 2,366,408 |
| Elimination of inter-segment assets | | <u>(13,639,737)</u> | <u>(12,802,085)</u> |
| | ₩ | <u>100,945,394</u> | <u>98,406,781</u> |

4) Liabilities

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|---|---|---------------------|---------------------|
| Total liabilities for reportable segments | ₩ | 51,853,327 | 50,114,430 |
| Goodwill and corporate FV adjustments | | 242,251 | 215,760 |
| Elimination of inter-segment liabilities | | <u>(10,814,081)</u> | <u>(10,180,810)</u> |
| | ₩ | <u>41,281,497</u> | <u>40,149,380</u> |

5) Other significant items

a) December 31, 2023

(in millions of Won)

| | | <u>Total segment</u> | <u>Goodwill and corporate FV adjustments</u> | <u>Elimination of inter-segment transactions</u> | <u>Consolidated</u> |
|--|---|----------------------|--|--|---------------------|
| Interest income | ₩ | 577,336 | - | (75,189) | 502,147 |
| Interest expenses | | (1,180,096) | - | 178,807 | (1,001,289) |
| Depreciation and amortization | | (3,845,492) | (99,347) | 121,559 | (3,823,280) |
| Share of profit of equity-accounted investees, net | | (383,220) | - | 652,898 | 269,678 |
| Income tax expense | | (842,059) | 46,116 | 6,638 | (789,305) |
| Impairment loss on property, plant and equipment and others | | (409,552) | - | 3,799 | (405,753) |

b) December 31, 2022

(in millions of Won)

| | | <u>Total segment</u> | <u>Goodwill and corporate FV adjustments</u> | <u>Elimination of inter-segment transactions</u> | <u>Consolidated</u> |
|--|---|----------------------|--|--|---------------------|
| Interest income | ₩ | 280,741 | - | (33,736) | 247,005 |
| Interest expenses | | (715,683) | - | 108,225 | (607,458) |
| Depreciation and amortization | | (3,758,804) | (95,195) | 166,378 | (3,687,621) |
| Share of profit of equity-accounted investees, net | | (310,388) | - | 986,648 | 676,260 |
| Income tax expense | | (2,740,420) | 25,803 | 2,260,734 | (453,883) |
| Impairment loss on property, plant and equipment and others | | (259,316) | - | (324,529) | (583,845) |

POSCO HOLDINGS INC. and Subsidiaries
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As of December 31, 2023 and 2022

(e) Revenue by geographic area for the years ended December 31, 2023 and 2022 was as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-----------------------------|---|-------------------|-------------------|
| Domestic | ₩ | 50,658,510 | 54,519,647 |
| Japan | | 2,691,788 | 2,651,584 |
| China | | 6,152,191 | 7,430,619 |
| Indonesia | | 3,422,647 | 3,282,888 |
| Asia-other | | 7,287,382 | 9,331,724 |
| North America | | 2,095,705 | 2,413,054 |
| Europe | | 2,468,508 | 2,811,444 |
| Others | | 2,350,466 | 2,309,244 |
| | ₩ | <u>77,127,197</u> | <u>84,750,204</u> |

(f) Non-current assets by geographic area as of December 31, 2023 and 2022 are as follows:

| <i>(in millions of Won)</i> | | <u>2023</u> | <u>2022</u> |
|-----------------------------|---|-------------------|-------------------|
| Domestic | ₩ | 31,585,233 | 28,623,582 |
| Japan | | 132,229 | 139,636 |
| China | | 1,222,358 | 1,199,461 |
| Indonesia | | 2,859,375 | 3,025,737 |
| Asia-other | | 1,662,482 | 1,742,673 |
| North America | | 526,654 | 323,543 |
| Europe | | 268,787 | 282,170 |
| Others | | 3,280,208 | 2,356,875 |
| | ₩ | <u>41,537,326</u> | <u>37,693,677</u> |

Non-current assets by geographic area include investment property, property, plant and equipment, goodwill and other intangible assets.

(g) There are no customers whose revenue is 10% or more of the consolidated revenue.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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42. Business Combination

(a) General Information

As of March 30, 2023, the Company acquired 50% of the remaining shares of QSONE Co.,Ltd. which had previously been classified as an associate, and classified the entity as a wholly owned subsidiary. QSONE Co.,Ltd. owns POSCO Tower Yeoksam, located in Seoul, South Korea, and operates in the business of real estate rental and facility management. With QSONE Co.,Ltd.'s inclusion as a subsidiary, the Company plans to reallocate some of consolidated entities which are dispersed due to space limitation, and expects that the Company will ultimately be able to promote collaboration and improve work efficiency.

Had QSONE Co.,Ltd. been acquired on January 1, 2023, the Company's revenue and profit would have been ₩77,130,652 million and ₩1,846,904 million. In addition, revenue and profit based on separate financial statements of QSONE Co.,Ltd. after the acquisition are ₩18,044 million and ₩6,307 million.

(b) Consideration transferred

As of the acquisition date, the fair values of the major categories of the consideration transferred in the acquisition are as follows:

| <i>(in millions of Won)</i> | <u>March 30, 2023</u> |
|-------------------------------|-----------------------|
| Cash | ₩ 152,749 |
| Investments in associates(*1) | 268,951 |

(*1) As a result of reassessing 50% of the shares previously held by the Company at fair value, a gain on disposal of ₩184,556 million has been recognized as other non-operating income in the consolidated statement of comprehensive income.

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2023 and 2022

(c) Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets acquired and liabilities assumed as of the date of acquisition is as follows:

| <i>(in millions of Won)</i> | March 30, 2023 |
|--|-----------------------|
| Assets | |
| Cash and cash equivalents | ₩ 2,220 |
| Trade accounts, notes receivable and other receivables, net | 205 |
| Other financial assets | 12,000 |
| Other current assets | 132 |
| Total current assets | 14,557 |
| Other receivables, net | 41 |
| Investment property, net | 557,040 |
| Property, plant and equipment, net | 42,641 |
| Deferred tax assets | 10 |
| Total non-current assets | 599,732 |
| Total assets | ₩ 614,289 |
| Liabilities | |
| Short-term borrowings | ₩ 10,000 |
| Other payables | 5,612 |
| Current income tax liabilities | 401 |
| Other current liabilities | 812 |
| Total current liabilities | 16,825 |
| Long-term borrowings | 48,000 |
| Other payables | 6,546 |
| Other non-current liabilities | 967 |
| Deferred tax liabilities | 77,019 |
| Total non-current liabilities | 132,532 |
| Total liabilities | ₩ 149,357 |
| Net assets | ₩ 464,932 |

POSCO HOLDINGS INC. and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(d) Gain on bargain purchase

The acquisition cost for the remaining 50% shares held by the seller was determined by comprehensively considering factors based on the sales contract, such as the fair value increase of POSCO Tower Yeoksam during the seller's investment period, target earnings which is calculated by deducting amounts paid by QSONE Co.,Ltd. to the seller as a right of shareholder and creditor, from the seller's initial investment. Therefore, gain on bargain purchase from this business combination is ₩41,072 million which the Company recognized as other non-operating income.

(e) Costs related to business combination

During the year ended December 31, 2023 expenses related to the business combination, including evaluation fees were ₩179 million, which the Company recognized as other administrative expenses in the consolidated statements of comprehensive income.

43. Events after the reporting period

On January 23, 2024, POSCO, a subsidiary, issued non-guaranteed senior dollar bonds (issued amount \$500 million, nominal interest rate 4.875%). The maturity of the bonds is January 23, 2027.

Notice to Readers

This report is annexed in relation to the audit of the consolidated financial statements as of December 31, 2023 and the audit of internal accounting control system for consolidation purposes pursuant to Article 8-7 of the Act on External Audit for Joint-stock Companies of the Republic of Korea.

Independent Auditors' Report on Internal Control over Financial Reporting for Consolidation Purposes

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
POSCO HOLDINGS INC.:

Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We have audited POSCO HOLDINGS INC. and its subsidiaries' (the "Company") internal control over financial reporting ("ICFR") for consolidation purposes as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the consolidated financial statements of the Company, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising summary of material accounting policy information and other explanatory information, and our report dated March 13, 2024 expressed an unmodified opinion on those consolidated financial statements.

Basis for Opinion on internal Control over Financial Reporting for Consolidation Purposes

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting consolidation purposes section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting for Consolidation Purposes

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting for consolidation purposes and for its assessment of the effectiveness of internal control over financial reporting for consolidation purposes, included in the accompanying Report on Operating Status of Internal Control over Financial Reporting for Consolidation Purposes,

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting for consolidation purposes.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting for Consolidation Purposes

Our responsibility is to express an opinion on the Company's internal control over financial



reporting for consolidation purposes based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting for consolidation purposes was maintained in all material respects.

Our audit of internal control over financial reporting for consolidation purposes included obtaining an understanding of internal control over financial reporting for consolidation purposes, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting for Consolidation Purposes

A company's internal control over financial reporting for consolidation purposes is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting for consolidation purposes includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with K-IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting for consolidation purposes may not prevent or detect material misstatements in the consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditors' report is Jae Nam Hwang.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 13, 2024

This report is effective as of March 13, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Report on Operating Status of Internal Control over Financial Reporting for Consolidation Purposes

English Translation of a Report Originally Issued in Korean

To the Shareholders, Board of Directors and Audit Committee of POSCO HOLDINGS INC.

We, as the Chief Executive Officer and the Internal Control Officer of POSCO HOLDINGS INC. and its subsidiaries(the "Company"), assessed operating status of the Company's Internal Control over Financial Reporting("ICFR") for Consolidation Purposes as of December 31, 2023.

Design and operation of ICFR for Consolidation Purposes is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Control Officer (collectively, "We").

We evaluated whether the Company effectively designed and operated its ICFR for Consolidation Purposes to prevent and detect errors or frauds which may cause a misstatement in consolidated financial statements to ensure preparation and disclosure of reliable financial information.

We used the 'Guidelines for Internal Control over Financial Reporting' for evaluating design and operation of the Company's ICFR for Consolidation Purposes, established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee").

Based on our assessment, we concluded that the Company's ICFR for Consolidation Purposes is designed and operated effectively as of December 31, 2023, in all material respects, in accordance with the 'Guidelines for Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

January 26, 2024

/s/ Jeong, Ki-Seop, Chief Executive Officer

/s/ Kim, Seung-Jun, Internal Control Officer