POSCO HOLDINGS INC.

Condensed Separate Interim Financial Statements
(Unaudited)
June 30, 2022

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO HOLDINGS INC.

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO HOLDINGS INC.(the "Company"), which comprise the condensed separate interim statement of financial position as of June 30, 2022, the condensed separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2022 and 2021, the condensed separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2022 and 2021, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 1034 "Interim Financial Reporting". The Company's management is also responsible for the internal controls determined necessary to prepare condensed separate interim financial statements free of material misstatements due to error or fraud.

Auditor's review responsibility

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

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

Conclusion

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

Emphasis of matter
Without qualifying our review conclusion, we draw attention to Note 1 and Note 35 to the condensed separate interim financial statements, which describes the spin-off by the former POSCO, the controlling company on March 1, 2022. Upon completion of the spin-off, the surviving company was renamed as POSCO HOLDINGS INC., and a new subsidiary, POSCO, was established.

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

The separate statement of financial position of the Company as of December 31, 2021, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 10, 2022, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2021, presented for comparative purposes, is consistent, in all material respect, with the audited separate financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
August 12, 2022

This report is effective as of August 12, 2022, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Financial Position
As of June 30, 2022 and December 31, 2021
(Unaudited)

(in millions of Won)	Notes		June 30, 2022	December 31, 2021
Assets				
Cash and cash equivalents	20	₩	251,505	2,042,274
Trade accounts and notes receivable, net	4,14,20,25,32		56,977	6,017,508
Other receivables, net	5,20,32		65,831	545,341
Other short-term financial assets	6,20		3,681,782	9,605,522
Inventories	7,29		-	7,623,202
Assets held for sale	8		-	29,789
Other current assets	13		4,509	55,244
Total current assets			4,060,604	25,918,880
Long-term trade accounts and notes receivable, net	4,20		-	5,675
Other receivables, net	5,20		226,097	274,253
Other long-term financial assets	6,20		1,100,410	1,326,565
Investments in subsidiaries, associates and joint ventures	9		45,714,797	16,002,640
Investment property, net	10		224,643	144,140
Property, plant and equipment, net	11		143,189	19,772,299
Intangible assets, net	12		13,514	551,410
Defined benefit assets, net	18		-	212,531
Other non-current assets	13		9	34,366
Total non-current assets			47,422,659	38,323,879
Total assets		₩	51,483,263	64,242,759

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Financial Position, Continued
As of June 30, 2022 and December 31, 2021
(Unaudited)

(in millions of Won)	Notes		June 30, 2022	December 31, 2021
Liabilities				
Trade accounts and notes payable	20,32	₩	-	2,453,068
Short-term borrowings and current installments of long-term borrowings	4,14,20		1,319	2,072,354
Other payables	15,20,32		63,719	1,267,459
Other short-term financial liabilities	16,20		10,520	13,755
Current income tax liabilities			259,424	1,832,078
Liabilities directly associated with the assets held for sale	8		-	185
Provisions	17		9,075	84,409
Other current liabilities	19,25		1,562	144,961
Total current liabilities			345,619	7,868,269
Long-term borrowings, excluding current installments	14,20		1,342,446	6,129,778
Other payables	15,20		846	399,144
Other long-term financial liabilities	16,20		19,175	21,991
Defined benefit liabilities, net	18		8,153	-
Deferred tax liabilities			2,947,065	747,653
Long-term provisions	17,33		442	36,755
Other non-current liabilities	19,25		-	3,744
Total non-current liabilities			4,318,127	7,339,065
Total liabilities			4,663,746	15,207,334
Equity				
Share capital	21		482,403	482,403
Capital surplus	21		1,348,780	1,339,289
Hybrid bonds	22		-	199,384
Reserves	23		(299,689)	(211,849)
Treasury shares	24		(2,459,781)	(2,508,294)
Retained earnings			47,747,804	49,734,492
Total equity			46,819,517	49,035,425
Total liabilities and equity		₩	51,483,263	64,242,759

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.

Condensed Separate Interim Statements of Comprehensive Income
For the three-month periods and six-month periods ended June 30, 2022 and 2021
(Unaudited)

(in millions of Won, except per share informations)			For the three-month periods ended June 30		For the six-month periods ended June 30	
	Notes		**2022**	**2021**	**2022**	**2021**
Operating revenue	25,32					
Revenue		₩	142,386	9,277,353	7,921,663	17,077,800
Operating expenses	7,29,32					
Cost of sales			190	(7,412,042)	(6,465,070)	(13,878,939)
Impairment loss on trade accounts and notes receivable			-	(37)	-	(6)
Other administrative expenses	26		(66,295)	(207,409)	(273,040)	(417,312)
Selling expenses	26		-	(49,792)	(37,594)	(100,587)
			(66,105)	(7,669,280)	(6,775,704)	(14,396,844)
Operating profit			76,281	1,608,073	1,145,959	2,680,956
Finance income and costs						
Finance income	20,27		136,600	270,466	306,913	839,740
Finance costs	20,27		(2,964)	(82,518)	(153,282)	(401,276)
Other non-operating income and expenses	32					
Reversal of (impairment loss) on other receivables			-	27	(128)	(321)
Other non-operating income	28		5,983	76,644	21,351	111,891
Other non-operating expenses	28,29		(450)	(42,238)	(27,207)	(94,435)
Profit before income tax			215,450	1,830,454	1,293,606	3,136,555
Income tax expense	30		(36,372)	(512,294)	(2,518,755)	(866,220)
Profit (loss)			179,078	1,318,160	(1,225,149)	2,270,335
Other comprehensive income (loss)						
Items that will not be reclassified subsequently to profit or loss:						
Remeasurements of defined benefit plans	18		(36)	(11,072)	(80,047)	(11,362)
Net changes in fair value of equity investments at fair value through other comprehensive income	6,20,23		(180,783)	44,653	(86,320)	119,960
Total comprehensive income (loss)		₩	(1,741)	1,351,741	(1,391,516)	2,378,933
Earnings (loss) per share (in Won)	31					
Basic earnings (loss) per share (in Won)			2,361	17,408	(16,181)	29,921
Diluted earnings (loss) per share (in Won)		₩	1,464	17,408	(16,408)	29,921

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.

Condensed Separate Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2022 and 2021
(Unaudited)

(in millions of Won)		Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2021	₩	482,403	1,339,289	199,384	(296,626)	(2,391,523)	45,781,777	45,114,704
Comprehensive income:								
Profit		-	-	-	-	-	2,270,335	2,270,335
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(11,362)	(11,362)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax		-	-	-	122,038	-	(2,078)	119,960
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(342,565)	(342,565)
Interim dividends		-	-	-	-	-	(226,877)	(226,877)
Interest of hybrid bonds		-	-	-	-	-	(4,562)	(4,562)
Acquisition of treasury shares		-	-	-	-	(116,771)	-	(116,771)
Balance as of June 30, 2021	₩	482,403	1,339,289	199,384	(174,588)	(2,508,294)	47,464,668	46,802,862
Balance as of January 1, 2022	₩	482,403	1,339,289	199,384	(211,849)	(2,508,294)	49,734,492	49,035,425
Comprehensive income:								
Loss		-	-	-	-	-	(1,225,149)	(1,225,149)
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(80,047)	(80,047)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax		-	-	-	(87,840)	-	1,520	(86,320)
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(378,128)	(378,128)
Interim dividends		-	-	-	-	-	(303,397)	(303,397)
Interest of hybrid bonds		-	-	-	-	-	(1,487)	(1,487)
Disposal of treasury shares		-	9,491	-	-	48,513	-	58,004
Changes from spin-off		-	-	(199,384)	-	-	-	(199,384)
Balance as of June 30, 2022	₩	482,403	1,348,780	-	(299,689)	(2,459,781)	47,747,804	46,819,517

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Cash Flows
For the six-month periods ended June 30, 2022 and 2021
(Unaudited)

(in millions of Won)	Notes		June 30, 2022	June 30, 2021
Cash flows from operating activities				
Profit (loss)		₩	(1,225,149)	2,270,335
Adjustments for :				
Expenses related to post-employment benefit			18,904	60,154
Depreciation			387,645	1,146,592
Amortization			16,816	54,868
Impairment loss on trade and other receivables			128	327
Finance income			(258,484)	(250,635)
Dividend income			(356,756)	(431,642)
Finance costs			110,868	231,212
Loss on valuation of inventories			1,722	837
Gain on disposal of property, plant and equipment			(5,443)	(5,687)
Loss on disposal of property, plant and equipment			18,281	46,270
Impairment loss on property, plant and equipment			3	3,113
Impairment loss on intangible assets			-	7,180
Gain on investments in subsidiaries, associates and joint venture			(3,358)	-
Impairment loss on investments in subsidiaries, associates and joint venture			-	1,500
Gain on disposal of assets held for sale			(2,706)	(45,736)
Loss on disposal of emission rights			-	5,843
Increase to provisions			5,562	5,284
Income tax expense			2,518,755	866,220
Employee benefits			61,603	-
Others			(954)	5,254
Changes in operating assets and liabilities	34		(723,180)	(2,509,304)
Interest received			62,434	66,343
Interest paid			(50,424)	(100,350)
Dividends received			343,866	339,108
Income taxes paid			(1,805,338)	(81,599)
Net cash provided by (used in) operating activities		₩	(885,205)	1,685,487

See accompanying notes to the condensed separate interim financial statements.

POSCO HOLDINGS INC.
Condensed Separate Interim Statements of Cash Flows, Continued
For the six-month periods ended June 30, 2022 and 2021
(Unaudited)

(in millions of Won)	Notes		June 30, 2022	June 30, 2021
Cash flows from investing activities				
Decrease in deposits		₩	450,017	1,092,636
Proceeds from disposal of short-term financial instruments			18,814,019	15,642,485
Proceeds from disposal of long-term financial instruments			5	2
Collection of short-term loans			1,416	3,216
Proceeds from disposal of debt securities			50,000	150,070
Proceeds from disposal of long-term debt securities			-	1,743
Proceeds from disposal of equity securities			3,229	12,868
Proceeds from disposal of other securities			19,439	2,534
Proceeds from disposal of derivatives			-	1,482
Proceeds from disposal of investments in subsidiaries, associates and joint ventures			9,396	720
Proceeds from disposal of intangible assets			-	727
Proceeds from disposal of assets held for sale			3,074	58,721
Proceeds from disposal of emissions rights			-	5,503
Increase in deposits			(550,571)	(1,066,139)
Acquisition of short-term financial instruments			(16,383,014)	(14,854,667)
Payment of long-term loans			(3,618)	(13,207)
Acquisition of debt securities			(50,000)	(50,033)
Acquisition of equity securities			(63,849)	(8,385)
Acquisition of other securities			(22,625)	(16,806)
Acquisition of investment in subsidiaries, associates and joint ventures			(520,510)	(944,171)
Acquisition of property, plant and equipment			(355,822)	(753,743)
Payment for disposal of property, plant and equipment			(14,485)	(31,684)
Acquisition of intangible asstes			(8,667)	(23,448)
Cash outflow for spin-off			(1,910,211)	-
Net cash used in investing activities		₩	(532,777)	(789,576)
Cash flows from financing activities				
Proceeds from borrowings			537,165	2,338,590
Increase in long-term financial liabilities			15,515	843
Proceeds from disposal of derivatives			-	14,725
Receipt of government grants			-	12
Repayment of borrowings			(232,976)	(2,689,014)
Decrease in long-term financial liabilities			(279)	(1,235)
Repayment of lease liabilities			(7,493)	(23,009)
Payment for disposal of derivatives			(7,103)	-
Payment of cash dividends			(681,534)	(569,466)
Acquisition of treasury shares			-	(116,771)
Payment of interest of hybrid bonds			-	(4,587)
Net cash used in financing activities		₩	(376,705)	(1,049,912)
Effect of exchange rate fluctuation on cash held			3,918	12,467
Net decrease in cash and cash equivalents			(1,790,769)	(141,534)
Cash and cash equivalents at beginning of the period			2,042,274	1,822,660
Cash and cash equivalents at end of the period		₩	251,505	1,681,126

See accompanying notes to the condensed separate interim financial statements.

1. Reporting Entity

POSCO HOLDINGS INC. (the "Company") was incorporated 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.

The Company established a new subsidiary, POSCO, by a vertical spin-off of its steel business on March 1, 2022, and changed the name of the surviving company to POSCO HOLDINGS INC..

As of June 30, 2022, the shares of the Company are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchanges.

2. Statement of Compliance

Statement of compliance

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

These condensed separate interim financial statements have been prepared in accordance with K-IFRS No. 1034 "Interim Financial Reporting" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2021. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

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

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

(b) Measurement of fair value

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2021.

Revenue from contracts with customers

As the Company vertically spun off its steel business at the spin-off date on March 1, 2022, the Company's main business has changed from manufacturing and sales of steel, rolled products, and plates to investment business that controls and manages through ownership of shares of subsidiaries etc., and rental business for real estate, etc.

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) Accounting policies applied from March 1, 2022

1) Dividend income

Dividend income from subsidiaries and others is recognized as revenue when the Company's right to receive the dividend is established.

2) Rental income

Rental income from the Company's real estate is recognized as revenue over the service offering period.

3) Trademark usage income

Trademark usage income is recognized in accordance with the related arrangements over the term of use of trademark.

(b) Accounting policies applied before March 1, 2022

1) Steel products

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. Only when the price discount period has passed, only the amount of the cumulative revenue that has already been recognized, income recognized including income.

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.

2) Transportation services

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

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted but the Company has not early adopted the new or amended standards in preparing these financial statements.

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

The amendment clarifies the coverage of initial recognition exemptions accounting for deferred tax related to both assets and liabilities arising from a single transaction. A transaction that is not a business combination may lead to the initial recognition of deferred tax asset and deferred tax liability, and at the time of the transaction, affect neither accounting profit nor tax profit. The amendment is effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company does not expect the effect of the amendments to the financial statements to be significant.

(b) 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, 2023. Early adoption is permitted. The Company expects that an exchangeable bond(₩1,342,446 million as of June 30, 2022) will be reclassified from non-current liabilities to current liabilities with the adoption of the amendments.

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Current			
Trade accounts and notes receivable	₩	56,977	6,031,878
Less: Allowance for doubtful accounts		-	(14,370)
	₩	56,977	6,017,508
Non-current			
Trade accounts and notes receivable	₩	-	7,901
Less: Present value discount		-	(1,555)
Less: Allowance for doubtful accounts		-	(671)
	₩	-	5,675

The Company sold trade accounts and notes receivable with recourse to financial institutions. These trade accounts and notes receivable have not been derecognized from the statement of financial position because the Company retains substantially all of the risks and rewards associated with the transferred assets. The amounts received on transfer have been recognized as secured borrowings. The carrying amounts of such secured borrowings are none as of June 30, 2022 and ₩214,465 million as of December 31, 2021, which are presented in the statements of financial position as short-term borrowings.

5. Other Receivables

Other receivables as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Current			
Other accounts receivable	₩	25,641	506,040
Others		40,190	41,361
Less: Allowance for doubtful accounts		-	(2,060)
	₩	65,831	545,341
Non-current			
Loans	₩	201,343	244,895
Long-term other accounts receivable		24,740	34,260
Others		14	4,185
Less: Allowance for doubtful accounts		-	(9,087)
	₩	226,097	274,253

6. Other Financial Assets

(a) Other financial assets as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Current			
Debt securities	₩	101,250	154,750
Deposit instruments(*1)		-	1,436,915
Short-term financial instruments		3,580,532	8,013,857
	₩	3,681,782	9,605,522
Non-current			
Long-term derivative assets	₩	-	170,471
Equity securities		1,025,532	1,084,574
Other securities		74,878	71,492
Deposit instruments(*2)		-	28
	₩	1,100,410	1,326,565

(*1) As of December 31, 2021, ₩3,915 million are restricted in relation to government assigned project.

(*2) As of December 31, 2021, the Company is required to provide deposits to maintain checking accounts and accordingly the withdrawal of these deposits is restricted.

(b) Equity securities as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)	June 30, 2022						December 31, 2021
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value	Book value
Marketable equity securities							
Nippon Steel Corporation	15,698,500	1.65	₩ 473,962	282,150	(191,812)	282,150	303,814
KB Financial group Inc.	3,863,520	0.94	178,839	186,028	7,189	186,028	212,493
Woori Financial Group Inc.	20,280,000	2.79	244,447	245,388	941	245,388	257,556
CSN Mineracao S.A.	102,186,675	1.83	206,265	98,401	(107,864)	98,401	146,550
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	8,930	14,621	5,691	14,621	18,041
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82	11,911	7,823	(4,088)	7,823	9,260
Kyeong Nam Steel Co., LTD. (*1)	1,329,604	4.93	2,216	4,248	2,032	4,248	
Others (8 companies)			62,753	41,830	(20,923)	41,830	51,717
			1,189,323	880,489	(308,834)	880,489	999,431
Non-marketable equity securities							
POSCO PLANTEC Co., Ltd.	18,337,912	10.99	19,437	19,437	-	19,437	19,437
Korea Nickel CO.LTD	75,600	14.00	10,194	10,194	-	10,194	10,194
Poongsan Special Metal Corp.	315,790	5.00	7,657	7,657	-	7,657	7,657
HANKUM.CO.LTD	21,000	4.99	4,599	4,599	-	4,599	4,599
Core-Industry Co., Ltd.	490,000	19.84	4,214	4,214	-	4,214	4,214
PROLOGIUM HOLDING INC. (*2)	1,968,290	2.06	63,876	63,876	-	63,876	-
Others (24 companies)			139,596	35,066	(104,530)	35,066	39,042
			249,573	145,043	(104,530)	145,043	85,143
			₩ 1,438,896	1,025,532	(413,364)	1,025,532	1,084,574

(*1) During the six-month period ended June 30, 2022, the Company acquired new shares by exercising the right to convert convertible bonds of Kyeong Nam Steel Co., LTD.

(*2) During the six-month period ended June 30, 2022, the Company acquired new shares of PROLOGIUM HOLDING INC., which operates Solid-state battery business in Taiwan.

7. Inventories

Inventories as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Finished goods	₩	-	1,164,685
Semi-finished goods		-	2,227,433
By-products		-	19,317
Raw materials		-	1,682,946
Fuel and materials		-	459,784
Materials-in-transit		-	2,073,218
Others		-	673
		-	7,628,056
Less: Allowance for inventories valuation		-	(4,854)
	₩	-	7,623,202

The amount of loss on valuation of inventories recognized in cost of sales during the six-month period ended June 30, 2022 and the year ended December 31, 2021 were ₩1,722 million and ₩4,854 million, respectively. Meanwhile, inventories were transferred to the newly established company (POSCO) upon a vertical spin-off during the six-month period ended June 30, 2022.

8. Assets Held for Sale

Assets held for sale as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Assets			
Property, plant and equipment(*1)	₩	-	29,236
Intangible assets		-	553
	₩	-	29,789
Liabilities			
Others	₩	-	185

(*1) During the year ended December 31, 2021, the Company decided to dispose Synthetic Natural Gas (SNG) facility for which use was discontinued, and classified as asset held for sale. Meanwhile, the facility was transferred to the newly established company (POSCO) through spin-off during the six-month period ended June 30, 2022.

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying amounts as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 2022 Ownership (%)	June 30, 2022 Book value	December 31, 2021 Book value
[Domestic]					
POSCO(*1)	Korea	Steel, rolled products, and plates manufacturing and sales	100.00	₩ 29,441,678	-
POSCO INTERNATIONAL Corporation	Korea	Trading and natural resources exploration	62.91	3,156,434	3,156,434
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	Korea	Engineering and construction	52.80	1,014,314	1,014,314
POSCO ENERGY CO., LTD.	Korea	Power generation, fuel cell manufacturing and sales	89.02	658,176	658,176
POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.)(*2,5)	Korea	Coated steel manufacturing and sales	-	-	108,421
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780
POSCO CHEMICAL CO., LTD	Korea	Refractory and anode/cathode material manufacturing and sales	59.72	895,707	895,707
POSCO O&M Co., Ltd(*3)	Korea	Business facility maintenance	47.17	73,374	73,374
POSCO ICT	Korea	Computer hardware and software distribution	65.38	70,990	70,990
POSCO M-TECH(*2)	Korea	Packing materials manufacturing and sales	-	-	107,278
Busan E&E Co,. Ltd.	Korea	Municipal solid waste fuel and power generation	70.00	30,148	30,148
POSCO-Pilbara LITHIUM SOLUTION (formerly, POSCO Lithium Solution Co., Ltd.)(*6)	Korea	Lithium manufacturing and sales	82.00	314,940	150,000
Others (12 companies)(*2)				377,558	384,735
				36,137,099	6,753,357
[Foreign]					
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	633,421	633,421
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	100.00	646,574	646,574
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	722,569	722,569
POSCO Canada Ltd.	Canada	Coal sales	100.00	560,879	560,879
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	100.00	330,623	330,623
POSCO (Zhangjiagang) Stainless Steel Co.,Ltd.	China	Stainless steel manufacturing and sales	58.60	283,845	283,845
POSCO Thainox Public Company Limited	Thailand	Cold rolled STS manufacturing and sales	74.56	178,785	178,785
POSCO-China Holding Corp.	China	Holding company	100.00	593,841	593,841
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99	75,567	75,567
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	83.28	180,072	180,072
POSCO America Corporation	USA	Researching and consulting	99.45	192,156	192,156
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	160,572	160,572
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65	144,573	144,573
POSCO COATED STEEL (THAILAND) CO., LTD.	Thailand	Plate steel manufacturing and sales	100.00	121,592	121,592
POSCO Asia Co., Ltd.	Hong Kong	Activities Auxiliary to financial service	100.00	117,710	117,710
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00	71,707	71,707
POSCO JAPAN Co., Ltd.	Japan	Steel marketing, demand development, and technology research	100.00	68,436	68,436
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	70.00	65,982	65,982
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	90.00	62,494	62,494
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	100.00	50,297	50,297
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79	45,479	45,479
POSCO Argentina S.A.U.(*4)	Argentina	Mineral exploration, manufacturing and sales	100.00	630,264	376,906
POSCO YAMATO VINA STEEL JOINT STOCK COMPANY	Vietnam	Steel manufacturing and sales	51.00	130,526	130,526
Others (29 companies)				529,080	529,080
				6,597,044	6,343,686
				₩ 42,734,143	13,097,043

(*1) During the six-month period ended June 30, 2022, the Company acquired the shares of the newly established company(POSCO) by a vertical spin-off of its steel business. The acquisition cost of the investments in subsidiary was calculated by deducting the book value of liabilities and hybrid bonds from the assets succeeded to the newly established company(POSCO) by a vertical spin-off.

(*2) During the six-month period ended June 30, 2022, the shares of POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.), POSCO M-TECH, POSCO Humans and POSCO NIPPON STEEL RHF JOINT VENTURE.CO.,Ltd. were transferred to the newly established company(POSCO) by a vertical spin-off.

(*3) The Company classified POSCO O&M Co., Ltd. as the investments in a subsidiary, considering additional facts and circumstances, such as the relative size of the voting rights held by the Company and the degree of diversification of other voting rights holders, although the Company holds less than half of the voting rights of POSCO O&M Co., Ltd.

(*4) During the six-month period June 30, 2022, the Company acquired ₩253,358 million in additional subsidiary investment shares by participating in POSCO Argentina S.A.U's capital increase to invest in an Argentine brine lithium commercialization plant.

(*5) During the six-month period June 30, 2022, POSCO COATED & COLOR STEEL Co., Ltd. changed the name to POSCO STEELEON Co., Ltd..

(*6) During the six-month period June 30, 2022, POSCO Lithium Solution Co., Ltd. changed the name to POSCO-Pilbara LITHIUM SOLUTION. Meanwhile, the Company acquired ₩164,732 million in additional subsidiary investment shares by participating in POSCO-Pilbara LITHIUM SOLUTION's paid-in capital increase during the six-month period June 30, 2022.

(b) Details of associates and carrying amounts as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)

			June 30, 2022			December 31, 2021
	Country	Principal operations	Ownership (%)		Book value	Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	Korea	Investment in venture companies	45.18	₩	169,316	169,316
SNNC	Korea	STS material manufacturing and sales	49.00		100,655	100,655
QSONE Co.,Ltd.	Korea	Real estate rental business and facility management	50.00		85,550	85,550
Others (8 companies)					48,556	21,331
					404,077	376,852
[Foreign]						
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00		189,197	189,197
9404-5515 Quebec Inc.(*1)	Canada	Investments	10.40		124,341	124,341
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd (*2)	China	Tinplate manufacturing and sales	-		-	11,003
FQM Australia Holdings Pty Ltd	Australia	Non ferrous metal mining	30.00		109,568	109,568
Others (8 companies)					51,752	48,071
					474,858	482,180
				₩	878,935	859,032

(*1) As of June 30, 2022, 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.

(*2) During the six-month period ended June 30, 2022, the Company disposed of investments in associates of Zhongyue POSCO (Qinhuangdao)Tinplate Industrial Co., Ltd, and recognized ₩510 million of gain on disposal.

(c) Details of joint ventures and carrying amounts as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)			June 30, 2022		December 31, 2021
	Country	Principal operations	Ownership (%)	Book value	Book value
Roy Hill Holdings Pty Ltd(*1)	Australia	Natural resources exploration	10.00	₩ 1,225,464	1,225,464
CSP - Compania Siderurgica do Pecem	Brazil	Steel manufacturing and sales	20.00	175,990	175,990
POSCO-NPS Niobium LLC	USA	Foreign investments in mining	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
HBIS-POSCO Automotive Steel Co., Ltd	China	Steel manufacturing and sales	50.00	170,760	109,057
Others (2 companies)				65,934	72,483
				₩ 2,101,719	2,046,565

(*1) As of June 30, 2022 and December 31, 2021, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to revolving loan of Roy Hill Holdings Pty Ltd.

10. Investment Property, Net

Changes in the carrying amount of investment property for the six-month period ended June 30, 2022 and the year ended December 31, 2021 were as follows:

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

(in millions of Won)		Beginning	Depreciation(*1)	Spin-off	Transfer(*2)	Ending
Land	₩	87,568	-	(3,639)	46,908	130,837
Buildings		48,989	(2,717)	(4,990)	46,027	87,309
Structures		7,583	(216)	(4,304)	3,434	6,497
	₩	144,140	(2,933)	(12,933)	96,369	224,643

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

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

(b) For the year ended December 31, 2021

(in millions of Won)		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	89,848	-	(2,280)	87,568
Buildings		51,417	(3,998)	1,570	48,989
Structures		8,352	(598)	(171)	7,583
	₩	149,617	(4,596)	(881)	144,140

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

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

11. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2022 and the year ended December 31, 2021 were as follows:

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

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Spin-off	Others(*1)	Ending
Land	₩	1,349,266	-	-	-	(1,250,818)	(46,907)	51,541
Buildings		2,175,291	-	(1,045)	(35,121)	(2,079,343)	(23,946)	35,836
Structures		2,096,662	-	(117)	(31,515)	(2,075,346)	16,277	5,961
Machinery and equipment		12,299,612	2,178	(1,110)	(302,463)	(12,046,595)	59,191	10,813
Vehicles		18,357	622	-	(1,533)	(17,410)	6	42
Tools		24,891	102	-	(1,923)	(23,763)	693	-
Furniture and fixtures		88,524	9	-	(4,555)	(72,237)	891	12,632
Lease assets		448,328	966	-	(7,602)	(440,464)	(1,228)	-
Construction-in-progress		1,271,368	264,182	-	-	(1,403,761)	(105,425)	26,364
	₩	19,772,299	268,059	(2,272)	(384,712)	(19,409,737)	(100,448)	143,189

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

(b) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1,2)	Others(*3)	Ending
Land	₩	1,401,605	-	(49,131)	-	-	(3,208)	1,349,266
Buildings		2,080,843	5,870	(514)	(206,062)	(17,406)	312,560	2,175,291
Structures		2,073,097	1,287	(14,384)	(182,926)	(3,733)	223,321	2,096,662
Machinery and equipment		12,651,431	52,534	(27,432)	(1,812,571)	(42,126)	1,477,776	12,299,612
Vehicles		14,486	3,290	(5)	(7,670)	-	8,256	18,357
Tools		24,333	4,652	(14)	(11,283)	-	7,203	24,891
Furniture and fixtures		44,426	8,126	(159)	(17,745)	-	53,876	88,524
Lease assets		331,588	130,610	-	(46,654)	-	32,784	448,328
Construction-in-progress		1,595,123	1,987,316	(6,027)	-	(164,906)	(2,140,138)	1,271,368
	₩	20,216,932	2,193,685	(97,666)	(2,284,911)	(228,171)	(27,570)	19,772,299

(*1) The Company estimated the recoverable amount of individual assets that it ceased their use due to the disposal plan and others at fair value less costs to sell based on sale price or scrap value, and recognized an impairment loss since recoverable amounts are less than their carrying amounts for the year ended December 31, 2021. During the year ended December 31, 2021, the Company recognized impairment losses on damaged assets caused by the fire.

(*2) The Company decided to stop the intended use for Synthetic Natural Gas (SNG) facility and sell the related assets. The Company estimated the recoverable amount based on expected sale price and recognized ₩223,273 million of impairment loss in 2021. The remaining balances were classified as assets held for sale as of December 31, 2021.

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

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

1) Right-of-use assets

① Changes in the carrying amount of right-of-use assets presented as property, plant and equipment for the six-month period ended June 30, 2022 were as follows.

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

② Changes in the carrying amount of right-of-use assets presented as property, plant and equipment for the year ended December 31, 2021 were as follows.

(in millions of Won)		Beginning	Acquisitions	Depreciation	Others	Ending
Land	₩	8,703	-	(301)	-	8,402
Buildings		71,431	3,471	(7,244)	-	67,658
Structures		59,221	-	(5,212)	-	54,009
Machinery and equipment		54,698	-	(8,532)	37,124	83,290
Vehicles		6,255	-	(500)	-	5,755
Ships		106,555	120,217	(16,714)	-	210,058
Furniture and fixtures		24,725	6,922	(8,151)	(4,340)	19,156
	₩	331,588	130,610	(46,654)	32,784	448,328

2) Amount recognized in profit or loss

The amounts recognized in profit or loss related to leases for the three-month and the six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2022	2021	2022	2021
Interest on lease liabilities	₩	-	3,195	1,969	6,210
Expenses related to short-term leases		116	909	680	1,632
Expenses related to leases of low-value assets		307	1,691	1,504	3,214
	₩	423	5,795	4,153	11,056

12. Intangible Assets, Net

Changes in the carrying amount of intangible assets for the six-month period ended June 30, 2022 and the year ended December 31, 2021 were as follows:

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

(in millions of Won)		Beginning	Acquisitions	Disposals	Amortization	Impairment	Spin-off	Others(*2)	Ending
Intellectual property rights	₩	22,846	-	(525)	(1,194)	-	(24,180)	3,455	402
Membership(*1)		84,758	-	-	-	828	(73,968)	-	11,618
Development expense		176,812	-	-	(12,615)	-	(164,135)	619	681
Port facilities usage rights		212,808	-	-	(2,476)	-	(210,332)	-	-
Construction-in-progress		32,392	8,074	-	-	-	(33,497)	(6,156)	813
Other intangible assets		21,794	726	-	(531)	-	(21,288)	(701)	-
	₩	551,410	8,800	(525)	(16,816)	828	(527,400)	(2,783)	13,514

(*1) Economic useful life of membership is indefinite.
(*2) Represents assets transferred from construction-in-progress to intangible assets and assets transferred from property, plant and equipment, and others.

(b) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Others(*3)	Ending
Intellectual property rights	₩	22,758	-	(573)	(6,145)	-	6,806	22,846
Membership(*1)		81,795	3,690	(727)	-	-	-	84,758
Development expense		224,854	2,000	-	(76,588)	-	26,546	176,812
Port facilities usage rights		233,447	-	-	(20,639)	-	-	212,808
Construction-in-progress		34,924	28,590	(4,770)	-	-	(26,352)	32,392
Other intangible assets		24,148	15,775	(10,030)	(4,093)	(7,180)	3,174	21,794
	₩	621,926	50,055	(16,100)	(107,465)	(7,180)	10,174	551,410

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

(*2) During the year ended December 31, 2021, the Company decided to sell a portion of purchased emission rights and recognized impairment loss which is the difference between carrying amount and net fair value.

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

13. Other Assets

Other assets as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Current			
Advance payments	₩	4,149	17,398
Prepaid expenses		360	25,406
Emission rights purchased from the market		-	12,441
	₩	4,509	55,245
Non-current			
Long-term prepaid expenses	₩	1	3,659
Others		8	30,707
	₩	9	34,366

14. Borrowings

(a) Borrowings as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Short-term borrowings			
Short-term borrowings	₩	-	672,303
Current portion of debentures		-	1,402,750
Less: Current portion of discount on debentures issued		-	(2,699)
Current portion of long-term borrowings		1,319	-
	₩	1,319	2,072,354
Long-term borrowings			
Long-term borrowings	₩	-	1,210
Debentures		1,342,446	6,146,233
Less: Discount on debentures issued		-	(17,665)
	₩	1,342,446	6,129,778

(b) Short-term borrowings as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)	Lenders	Issuance date	Maturity date	Annual interest rate (%)		June 30, 2022	December 31, 2021
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	₩	-	214,465
Borrowings in foreign trade	-	-	-	-		-	457,838
					₩	-	672,303

(c) Current portion of debentures and long-term borrowings as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)	Lenders	Issuance date	Maturity date	Annual interest rate (%)		June 30, 2022	December 31, 2021
Debentures	-	-	-	-	₩	-	809,447
Foreign debentures	-	-	-	-		-	590,604
Foreign borrowings	KOREA ENERGY AGENCY	2007.12.27 ~ 2008.12.29	2022.12.29	3 year Government bond		1,319	-
					₩	1,319	1,400,051

(d) Long-term borrowings and others excluding current portion, as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)	Lenders	Issuance date	Maturity date	Annual interest rate (%)		June 30, 2022	December 31, 2021
Foreign borrowings	-	-	-	-	₩	-	1,210
Debentures	-	-	-	-		-	1,736,868
Foreign debentures	-	-	-	-		-	2,956,507
Exchangeable bonds(*1)	Foreign currency exchangeable bonds	2021.09.01.	2026.09.01.	-		1,342,446	1,435,193
					₩	1,342,446	6,129,778

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

	Foreign currency exchangeable bonds
Type of bond	Exchangeable bonds
Aggregate principal amount	EUR 1,065,900,000
Interest rate	- Coupon rate : - - Yield to maturity : (0.78%)
Maturity date	September 1, 2026
Redemption	- Redemption at maturity : Outstanding bond principal, which is not repaid early or which call option is not excercised on, is repaid at maturity as a lump sum - Prepayment : The issuer has call option and the bondholders have put option
Exchange rate	100%
Exchange price (Won/share)	471,446
Underlying shares	Registered common shares(treasury shares)
Exchange period	From October 12, 2021 to August 22, 2026
Adjustments for exchange price	Adjusting the exchange price according to the terms and conditions of the bond in the events of reason for adjusting the exchange price such as, bonus issue, share split, share consolidation, change of share type, issuance of options or warranties to shareholders, share dividend, cash dividend, issuance of new shares under the market price.
Put option by bondholders	- 3 years(September 1, 2024) from the closing date - In the event of a change of control of the Company - Where the shares issued by the Company are delisted (or suspended for more than 30 consecutive trading days)
Call option by the issuer	- Share price(based on closing price) is higher than 130% of exchange price for more than 20 trading days during 30 consecutive trading days in a row, after 3 years (September 1, 2024) from the closing day to 30 business days before the maturity of bonds - When the outstanding balance of outstanding bonds is less than 10% of the total issuance (Clean Up Call) - Where additional reasons for tax burden arise due to the amendment of relevant laws and regulations, etc

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

15. Other Payables

Other payables as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Current			
Accounts payable	₩	16,838	727,844
Accrued expenses		18,798	475,056
Dividend payable		2,748	3,237
Lease liabilities		-	48,062
Withholdings		25,335	13,260
	₩	63,719	1,267,459
Non-current			
Long-term accrued expenses	₩	-	27
Lease liabilities		-	398,513
Long-term withholdings		846	604
	₩	846	399,144

16. Other Financial Liabilities

Other financial liabilities as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Current			
Derivative liabilities	₩	-	3,429
Financial guarantee liabilities		10,520	10,326
	₩	10,520	13,755
Non-current			
Financial guarantee liabilities	₩	19,175	21,991

17. Provisions

(a) Provisions as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022		December 31, 2021	
		Current	Non-current	Current	Non-current
Provision for bonus payments(*1,2)	₩	6,952	151	21,365	25,155
Provision for restoration(*3)		2,123	291	5,902	6,601
Emission liabilities(*4)		-	-	34,059	-
Provision for product warranties(*5)		-	-	23,083	4,999
	₩	9,075	442	84,409	36,755

(*1) Represents the provision for bonuses limited to 100% of annual salaries for executives.
(*2) The Company estimated the present value of estimated future cash payments about the long-term service award, based on actuarial measurement.
(*3) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province, the Company recognized present values of estimated costs for recovery as provisions for restoration as of June 30, 2022. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied discount rates of 3.95% to assess present value of these costs.
(*4) The Company has recognized emission liabilities for greenhouse gas emissions exceeding the quantity of free quota emission rights expected to be submitted as of December 31, 2021.
(*5) As of December 31, 2021, the Company recognized the expected claim cost to be charged as a provision.

(b) Changes in provisions for the six-month period ended June 30, 2022 and the year ended December 31, 2021 were as follows:

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

(in millions of Won)		Beginning	Increase	Reversal	Utilization	Spin-off	Ending
Provision for bonus payments	₩	46,520	22,317	(325)	(29,796)	(31,613)	7,103
Provision for restoration		12,503	1,144	(489)	(1,900)	(8,844)	2,414
Provision for legal contingencies and claims		-	417	-	-	(417)	-
Emission liabilities		34,059	1,510	-	-	(35,569)	-
Provision for product warranties		28,082	2,980	-	-	(31,062)	-
	₩	121,164	28,368	(814)	(31,696)	(107,505)	9,517

2) For the year ended December 31, 2021

(in millions of Won)		Beginning	Increase	Reversal	Utilization	Ending
Provision for bonus payments	₩	48,979	74,240	-	(76,699)	46,520
Provision for restoration		17,561	291	(186)	(5,163)	12,503
Provision for legal contingencies and claims		6,989	2,500	(2,052)	(7,437)	-
Emission liabilities		20,224	34,059	(19,391)	(833)	34,059
Provision for product warranties		22,453	27,434	-	(21,805)	28,082
	₩	116,206	138,524	(21,629)	(111,937)	121,164

18. Employee Benefits

(a) Defined contribution plans

The expense related to post-employment benefit plans under defined contribution plans for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2022	2021	2022	2021
Expense related to post-employment benefit plans under defined contribution plans	₩	10	9,073	6,144	17,629

(b) Defined benefit plans

1) The amounts recognized in relation to net defined benefit liabilities(assets) in the statements of financial position as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Present value of funded obligations	₩	26,530	1,330,938
Fair value of plan assets		(18,377)	(1,543,469)
Net defined benefit liabilities (assets)	₩	8,153	(212,531)

2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2022 and the year ended December 31, 2021 were as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Defined benefit obligation at the beginning of period	₩	1,330,938	1,378,597
Current service costs		20,156	123,312
Interest costs		5,606	28,892
Remeasurement		106,795	(49,259)
Reclassification to liabilities directly related to assets held for sale		-	(5,675)
Benefits paid		(58,323)	(144,929)
Spin-off		(1,378,642)	-
Defined benefit obligation at the end of period	₩	26,530	1,330,938

3) Changes in the fair value of plan assets for the six-month period ended June 30, 2022 and the year ended December 31, 2021 were as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Fair value of plan assets at the beginning of period	₩	1,543,469	1,455,098
Interest on plan assets		6,858	31,145
Remeasurement of plan assets		(3,614)	(4,534)
Contributions to plan assets		-	200,000
Reclassification to liabilities directly related to assets held for sale		-	(5,490)
Benefits paid		(51,374)	(132,750)
Spin-off		(1,476,962)	-
Fair value of plan assets at the end of period	₩	18,377	1,543,469

4) The amounts recognized in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2022	2021	2022	2021
Current service costs	₩	1,415	29,230	20,156	61,281
Net interest costs		(16)	(481)	(1,252)	(1,127)
	₩	1,399	28,749	18,904	60,154

19. Other Liabilities

Other liabilities as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Current			
Advances received	₩	413	24,807
Withholdings		810	60,535
Unearned revenue		339	59,619
	₩	1,562	144,961
Non-current			
Unearned revenue	₩	-	3,744

20. Financial Instruments

(a) Classification and fair value of financial instruments

1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of June 30, 2022 and December 31, 2021 are as follows:

① June 30, 2022

(in millions of Won)			Fair value			
		Book value	Level 1	Level 2	Level 3	Total
Financial assets						
Fair value through profit or loss						
Short term financial instruments	₩	3,580,532	-	3,580,532	-	3,580,532
Debt securities		1,250	-	-	1,250	1,250
Other securities		74,878	-	-	74,878	74,878
Other receivables		2,000	-	-	2,000	2,000
Fair value through other comprehensive income						
Equity securities		1,025,532	880,489	-	145,043	1,025,532
Financial assets measured at amortized cost(*1)						
Cash and cash equivalents		251,505	-	-	-	-
Trade accounts and notes receivable		49,009	-	-	-	-
Debt securities		100,000	-	-	100,000	100,000
Other receivables		288,914	-	-	-	-
	₩	5,373,620	880,489	3,580,532	323,171	4,784,192
Financial liabilities						
Fair value through profit or loss						
Borrowings		1,342,446	1,342,446	-	-	1,342,446
Financial liabilities measured at amortized cost(*1)						
Borrowings		1,319	-	1,319	-	1,319
Financial guarantee liabilities		29,695	-	-	-	-
Others		51,740	-	-	-	-
	₩	1,425,200	1,342,446	1,319	-	1,343,765

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

② December 31, 2021

(in millions of Won)			Fair value			
		Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets						
Fair value through profit or loss						
Derivative assets	₩	170,471	-	170,471	-	170,471
Short-term financial instruments		8,013,857	-	8,013,857	-	8,013,857
Debt securities		4,750	-	-	4,750	4,750
Other securities		71,492	-	-	71,492	71,492
Other receivables		2,000	-	-	2,000	2,000
Fair value through other comprehensive income						
Equity securities		1,084,574	999,431	-	85,143	1,084,574
Financial assets measured at amortized cost(*1)						
Cash and cash equivalents		2,042,274	-	-	-	-
Trade accounts and notes receivable		6,005,022	-	-	-	-
Debt securities		150,000	-	-	-	-
Other receivables		495,306	-	-	-	-
Deposit instruments		1,436,943	-	-	-	-
	₩	19,476,689	999,431	8,184,328	163,385	9,347,144
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities	₩	3,429	-	3,429	-	3,429
Borrowings		1,435,193	1,435,193	-	-	1,435,193
Financial liabilities measured at amortized cost(*1)						
Trade accounts and notes payable		2,453,068	-	-	-	-
Borrowings		6,766,939	-	6,875,206	-	6,875,206
Financial guarantee liabilities		32,317	-	-	-	-
Others		1,546,986	-	-	-	-
	₩	12,237,932	1,435,193	6,878,635	-	8,313,828

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

2) Financial liabilities were recognized in connection with financial guarantee contracts as of June 30, 2022. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit			Guarantee amount	
		Foreign currency		Won equivalent	Foreign currency	Won equivalent
Subsidiaries						
POSCO Maharashtra Steel Private Limited	DBS	USD	35,000,000	45,252	35,000,000	45,252
	SMBC	USD	35,000,000	45,252	35,000,000	45,252
	BNP	USD	30,000,000	38,787	30,000,000	38,787
	CITI	USD	20,000,000	25,858	20,000,000	25,858
	SC	USD	19,784,000	25,579	19,784,000	25,579
POSCO ASSAN TST STEEL INDUSTRY	SOCIETE GENERALE	USD	37,800,000	48,872	37,800,000	48,872
	CITI	USD	36,000,000	46,544	36,000,000	46,544
	ING	USD	36,000,000	46,544	36,000,000	46,544
	BNP	USD	22,074,750	28,540	22,074,750	28,540
POSCO Asia Co., Ltd.	Credit Agricole	USD	50,000,000	64,645	-	-
	ING	USD	50,000,000	64,645	-	-
	MIZUHO	USD	50,000,000	64,645	-	-
	Shinhan	USD	50,000,000	64,645	-	-
POSCO MEXICO S.A. DE C.V	BOA	USD	30,000,000	38,787	25,000,000	32,323
	Citi BANAMEX	USD	30,000,000	38,787	25,000,000	32,323
	ANZ	USD	20,000,000	25,858	16,666,667	21,548
	MIZUHO	USD	20,000,000	25,858	16,666,667	21,548
	SMBC	USD	20,000,000	25,858	16,666,667	21,548
POSCO-VIETNAM Co., Ltd.	Credit Agricole	USD	40,000,000	51,716	35,897,436	46,412
	SMBC	USD	50,000,000	64,645	35,897,436	46,412
	MUFG	USD	26,000,000	33,615	32,307,692	41,771
	CITI	USD	20,000,000	25,858	17,948,718	23,206
	MIZUHO	USD	20,000,000	25,858	17,948,718	23,206
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	757,000,000	978,725	421,168,507	544,529
	SMBC	USD	290,000,000	374,941	207,165,956	267,845
	HSBC	USD	221,000,000	285,731	166,558,261	215,343
	SC	USD	110,000,000	142,219	110,000,000	142,219
	SCB	USD	107,800,000	139,375	44,229,956	57,185
	MUFG	USD	60,000,000	77,574	60,000,000	77,574
	BTMU	USD	119,000,000	153,855	47,806,956	61,810
	MIZUHO	USD	165,000,000	213,329	102,182,609	132,112
	ANZ	USD	103,500,000	133,815	60,450,305	78,156
	Credit Suisse	USD	91,000,000	117,654	36,558,261	47,266
	BOA	USD	105,000,000	135,755	84,060,870	108,682
	The Tokyo Star Bank	USD	21,000,000	27,151	8,436,522	10,908
POSCO COATED STEEL (THAILAND) CO., LTD.	ANZ	THB	1,175,000,000	43,158	1,072,473,187	39,392
	MUFG	THB	1,175,000,000	43,158	1,072,473,187	39,392
	SC	THB	1,175,000,000	43,158	1,072,473,187	39,392
	SMBC	THB	1,175,000,000	43,158	1,072,473,187	39,392
	CITI	THB	801,000,000	29,420	731,107,253	26,853
Associates						
LLP POSUK Titanium	SMBC	USD	13,500,000	17,454	13,250,000	17,131
Nickel Mining Company SAS	SMBC	EUR	46,000,000	62,102	46,000,000	62,102
Joint ventures						
CSP - Compania Siderurgica do Pecem	BNDES	BRL	464,060,000	115,769	464,060,000	115,769
	Export-Import Bank of Korea	USD	182,000,000	235,305	159,984,600	206,840
	BNP	USD	47,600,000	61,542	41,156,200	53,211
	MIZUHO	USD	47,600,000	61,542	41,156,200	53,211
	Santander	USD	47,600,000	61,542	41,156,200	53,211
	Credit Agricole	USD	20,000,000	25,858	17,292,600	22,358
	KfW	USD	20,000,000	25,858	17,292,600	22,358
	SOCIETE GENERALE	USD	20,000,000	25,858	17,292,600	22,358
	BBVA Seoul	USD	17,600,000	22,755	15,217,400	19,675
	ING	USD	17,600,000	22,755	15,217,400	19,675
		USD	3,331,458,750	4,307,241	2,239,292,754	2,895,182
		THB	5,501,000,000	202,052	5,021,000,001	184,421
		BRL	464,060,000	115,769	464,060,000	115,769
		EUR	46,000,000	62,102	46,000,000	62,102

3) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2022 and 2021 were as follows:

① For the six-month period ended June 30, 2022

(in millions of Won)

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

② For the six-month period ended June 30, 2021

(in millions of Won)

	Finance income and costs							Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ 58,424	-	-	1,168	28,481	-	88,073	-
Financial assets at fair value through other comprehensive income	-	29,336	-	92	-	-	29,428	119,960
Financial assets measured at amortized cost	7,227	-	83,603	-	-	-	90,830	-
Financial liabilities at fair value through profit or loss	-	-	-	18,177	92,087	-	110,264	-
Financial liabilities measured at amortized cost	(85,908)	-	(199,560)	-	-	3,030	(282,438)	-
	₩ (20,257)	29,336	(115,957)	19,437	120,568	3,030	36,157	119,960

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩402,306 million for the six-month period ended June 30, 2021.

4) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2022 and 2021 were as follows:

① For the three-month period ended June 30, 2022

(in millions of Won)

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

② For the three-month period ended June 30, 2021

(in millions of Won)		Finance income and costs							Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩	28,258	-	-	1,002	(14,330)	-	14,930	-
Financial assets at fair value through other comprehensive income		-	9,396	-	-	-	-	9,396	44,653
Financial assets measured at amortized cost		4,469	-	(20,131)	-	-	-	(15,662)	-
Financial liabilities at fair value through profit or loss		-	-	-	16,503	5,130	-	21,633	-
Financial liabilities measured at amortized cost		(38,601)	-	24,538	-	-	1,739	(12,324)	-
	₩	(5,874)	9,396	4,407	17,505	(9,200)	1,739	17,973	44,653

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩169,975 million for the three-month period ended June 30, 2021.

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the separate financial statements as of and for the year ended December 31, 2021.

21. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2022 and December 31, 2021 are as follows:

(in Won, except share information)		June 30, 2022	December 31, 2021
Authorized shares		200,000,000	200,000,000
Par value	₩	5,000	5,000
Issued shares(*1)		87,186,835	87,186,835
Shared capital(*2)	₩	482,403,125,000	482,403,125,000

(*1) As of June 30, 2022, total shares of ADRs of 25,720,008 are equivalent to 6,430,002 shares of common stock.
(*2) As of June 30, 2022, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Share premium	₩	463,825	463,825
Gain on disposal of treasury shares		806,114	796,623
Gain from merger		80,628	80,628
Loss on disposal of hybrid bonds		(1,787)	(1,787)
	₩	1,348,780	1,339,289

22. Hybrid Bonds

Hybrid bonds classified as equity as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)	Date of issue	Date of maturity	Rate of interest (%)		June 30, 2022	December 31, 2021
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60	₩	-	200,000
Issuance cost					-	(616)
				₩	-	199,384

(*1) During the six-month period ended June 30, 2022, it was transferred to a newly established company(POSCO) upon a vertical spin-off.

23. Reserves

Reserves as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		June 30, 2022	December 31, 2021
Changes in fair value of equity investments at fair value through other comprehensive income	₩	(299,689)	(211,849)

24. 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 six-month period ended June 30, 2022 and the year ended December 31, 2021 were as follows:

(shares, in millions of Won)	June 30, 2022			December 31, 2021		
	Number of shares		Amount	Number of shares		Amount
Beginning	11,561,263	₩	2,508,294	11,171,363	₩	2,391,523
Acqusition of treasury shares	-		-	389,900		116,771
Disposal of treasury shares	(223,605)		(48,513)	-		-
Ending	11,337,658	₩	2,459,781	11,561,263	₩	2,508,294

25. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2022	**2021**	**2022**	**2021**
Types of revenue					
Sales of steel product	₩	-	8,932,553	7,262,347	16,444,696
Transportation services		-	298,446	241,733	542,575
Dividend income		124,165	-	356,756	-
Others		18,221	46,354	60,827	90,529
	₩	142,386	9,277,353	7,921,663	17,077,800
Timing of revenue recognition					
Revenue recognized at a point in time	₩	124,252	8,961,641	7,637,907	16,501,922
Revenue recognized over time		18,134	315,712	283,756	575,878
	₩	142,386	9,277,353	7,921,663	17,077,800

(b) Details of contract assets and liabilities from contracts with customers as of June 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		**June 30, 2022**	**December 31, 2021**
Receivables			
Account receivables	₩	49,009	6,005,022
Contract assets			
Account receivables		7,968	18,161
Contract liabilities			
Advance received		413	24,807
Unearned income		339	63,363

26. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Wages and salaries	₩	12,832	58,692	80,327	122,000
Expenses related to post-employment benefits		1,462	7,498	8,278	18,069
Other employee benefits		1,652	13,521	19,306	26,479
Travel		784	1,848	2,569	4,091
Depreciation		2,584	7,074	9,945	13,676
Amortization		163	6,731	5,324	25,583
Rental		414	10,358	12,888	25,779
Repairs		1	1,836	1,109	3,420
Advertising		5,943	15,985	20,506	28,829
Research & development		17,600	17,045	37,524	35,668
Service fees		8,565	38,162	42,519	74,935
Supplies		25	209	162	723
Vehicles maintenance		328	1,302	1,189	2,440
Industry association fee		463	1,661	1,875	3,126
Training		156	10,038	968	10,282
Conference		523	1,158	1,537	2,135
Others		12,800	14,291	27,014	20,077
	₩	66,295	207,409	273,040	417,312

(b) Selling expenses

Selling expenses for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Freight and custody	₩	-	28,600	20,724	59,180
Operating expenses for distribution center		-	1,553	935	3,086
Sales commissions		-	17,349	14,486	34,013
Sales advertising		-	209	29	258
Sales promotion		-	350	201	645
Sample		-	238	133	471
Sales insurance premium		-	1,493	1,086	2,934
	₩	-	49,792	37,594	100,587

27. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Finance income					
Interest income(*1)	₩	29,674	32,727	78,852	65,651
Dividend income		-	179,372	-	431,642
Gain on foreign currency transactions		3,673	59,796	48,236	156,924
Gain on foreign currency translations		14,542	(7,822)	51,812	41,024
Gain on valuation of derivatives		-	(13,572)	21,631	120,568
Gain on transactions of derivatives		-	16,503	194	18,351
Others		88,711	3,462	106,188	5,580
	₩	136,600	270,466	306,913	839,740
Finance costs					
Interest expenses	₩	-	38,601	24,469	85,908
Loss on foreign currency transactions		1,725	94,889	41,577	168,604
Loss on foreign currency translations		922	(47,324)	77,335	145,301
Others		317	(3,648)	9,901	1,463
	₩	2,964	82,518	153,282	401,276

(*1) Interest income calculated using the effective interest method for the six-month periods ended June 30, 2022 and 2021 were ₩ 11,966 million and ₩ 7,227 million, respectively.

28. Other Non-Operating income and expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Other non-operating income					
Gain on disposals of property, plant and equipment	₩	-	2,917	5,443	5,687
Gain on disposals of subsidiaries, associates and joint ventures		3,358	-	3,358	-
Gain on disposals of assets held for sale		-	44,946	2,706	45,736
Premium income		-	2,017	8	2,304
Reversal of other provisions		489	2,052	489	2,052
Others(*1)		2,136	24,712	9,347	56,112
	₩	5,983	76,644	21,351	111,891
Other non-operating expenses					
Loss on disposals of property, plant and equipment	₩	-	22,514	18,281	46,270
Impairment loss on property, plant and equipment		-	-	3	3,113
Impairment loss on investment in subsidiaries, associates and joint ventures		-	-	-	1,500
Donations		-	123	19	2,127
Impairment loss on intangible assets		-	-	-	7,180
Others		450	19,601	8,904	34,245
	₩	450	42,238	27,207	94,435

(*1) During the six-month period ended June 30, 2021, the Company recognized ₩48,771 million of non-operating income for refund of other than corporate tax as a result of administrative litigation for tax audits.

29. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, and other non-operating expenses in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows (excluding finance costs and income tax expenses):

(in millions of Won)		For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Changes in inventories(*1)	₩	-	(169,269)	(3,222)	(385,845)
Raw materials and consumables used		-	5,419,575	4,881,888	10,115,533
Employee benefits expenses		15,490	441,312	365,606	904,633
Outsourced processing cost		-	620,482	429,841	1,209,505
Depreciation(*2)		2,759	573,418	387,645	1,146,592
Amortization		163	27,667	16,816	54,868
Electricity and water expenses		-	87,612	80,909	159,467
Service fees		8,565	61,386	51,401	113,519
Rental		414	19,438	19,684	44,170
Advertising		5,942	15,985	20,506	28,829
Freight and custody expenses		-	238,873	207,320	439,675
Sales commissions		-	17,349	14,486	34,013
Loss on disposals of property, plant and equipment		-	22,514	18,281	46,270
Other expenses		33,222	335,150	311,878	580,371
	₩	66,555	7,711,492	6,803,039	14,491,600

(*1) Changes in inventories are the changes in product, semi-finished products and by-products.
(*2) Includes depreciation of investment property.

30. Income taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2022 and 2021 were 194.71% and 27.62%, respectively.

The Company's vertical spin-off meets the requirements for qualified spin-off under the Corporate Tax Act. Accordingly, transfer gains of ₩8,292,895 million under the Corporate Tax Act were incurred for the net asset transferred to the newly established company (POSCO), and the Company simultaneously set a provision for accelerated depreciation on the transfer gains and recognized deferred tax liabilities of ₩2,240,232 million.

Deductible temporary differences related to the investment in newly established company which is caused by transfer gains under the Corporate Tax Act were not recognized as deferred tax assets, since it is not probable they will reverse through disposal of the investment in subsidiary or liquidation of the newly established company. The effect of our estimation and accounting for the recoverability of temporary differences on the increase in corporate tax costs for the six-month period ended June 30, 2022 is ₩2,240,232 million.

31. Earnings per Share

(a) Basic earnings(loss) per share for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in Won, except share information)		For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Profit(loss) for the period	₩	179,077,627,009	1,318,159,603,103	(1,225,149,405,107)	2,270,335,106,310
Interests of hybrid bonds, net of tax		-	(1,662,931,506)	(1,078,164,383)	(3,307,589,040)
Weighted-average number of common shares outstanding(*1)		75,849,177	75,625,572	75,779,995	75,767,898
Basic earnings(loss) per share	₩	2,361	17,408	(16,181)	29,921

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

(shares)	For the three-month period ended June 30		For the six-month period ended June 30	
	2022	2021	2022	2021
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(11,337,658)	(11,561,263)	(11,406,840)	(11,418,937)
Weighted-average number of common shares outstanding	75,849,177	75,625,572	75,779,995	75,767,898

(b) Diluted earnings(loss) per share for the three-month and six-month periods ended June 30, 2022 and 2021 were as follows:

(in Won, except share information)		For the three-month period ended June 30		For the six-month period ended June 30	
		2022	2021	2022	2021
Profit(loss) for the period	₩	179,077,627,009	1,318,159,603,103	(1,225,149,405,107)	2,270,335,106,310
Interests of hybrid bonds, net of tax		-	(1,662,931,506)	(1,078,164,383)	(3,307,589,040)
Gain or loss from exchange rate on and revaluation of exchangeable bonds		(63,561,697,501)	-	(67,241,564,423)	-
Adjusted weighted-average number of common shares(*1)		78,924,274	75,625,572	78,833,968	75,767,898
Diluted earnings(loss) per share	₩	1,464	17,408	(16,408)	29,921

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

(shares)	For the three-month period ended June 30		For the six-month period ended June 30	
	2022	2021	2022	2021
Weighted-average number of common shares outstanding	75,849,177	75,625,572	75,779,995	75,767,898
Weighted-average number of potential common share	3,075,097	-	3,053,973	-
Adjusted weighted-average number of common shares	78,924,274	75,625,572	78,833,968	75,767,898

The Company holds exchangeable bonds as potential common stocks with a diluting effect as of June 30, 2022. Meanwhile, since there were no potential shares of common stock which had dilutive effects as of June 30, 2021, diluted earnings per share is equal to basic earnings per share.

32. Related Party Transactions

(a) Significant transactions with related companies for the six-month periods ended June 30, 2022 and 2021 were as follows:

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

(in millions of Won)		Sales and others(*1)			Purchase and others(*2)			
		Sales	Dividends	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries(*3)								
POSCO	₩	8,167	-	-	-	-	-	567
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		2,365	16,555	7	-	85,302	-	10,282
POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.)		131,991	-	215	-	-	7,656	6
POSCO ICT(*4)		496	4,970	18	-	38,091	10,190	32,403
eNtoB Corporation		2	24	-	60,649	9,698	32	3,207
POSCO CHEMICAL CO., LTD		81,504	13,878	44	84,301	4,757	56,325	908
POSCO ENERGY CO., LTD.		762	-	-	6,682	-	-	3,925
POSCO MOBILITY SOLUTION		175,955	-	-	-	-	8,802	28
POSCO INTERNATIONAL Corporation		2,099,890	62,093	-	244,230	-	768	1,049
POSCO Thainox Public Company Limited		49,085	22,372	-	-	-	-	1
POSCO Canada Ltd.		-	-	139	77,703	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.		32,534	-	-	-	-	-	-
POSCO JAPAN Co., Ltd.		28,790	-	-	835	-	-	16
POSCO-VIETNAM Co., Ltd.		44,617	-	283	-	-	-	-
POSCO MEXICO S.A. DE C.V.		102,635	-	203	-	-	-	-
POSCO Maharashtra Steel Private Limited		171,287	-	284	-	-	-	120
POSCO(Suzhou) Automotive Processing Center Co., Ltd.		42,320	-	-	-	-	-	15
POSCO VST CO., LTD.		28,212	-	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	-	417	380,061	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		47,180	-	268	-	-	-	8
Others		194,327	1,716	3,527	61,471	13,042	53,139	205,528
		3,242,119	121,608	5,405	915,932	150,890	136,912	258,063
Associates and joint ventures(*3)								
SNNC		3,129	5,348	8	148,239	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center		25,614	-	-	-	-	-	-
Roy Hill Holdings Pty Ltd		-	125,984	-	210,455	-	-	-
Others		77,244	32,440	8,041	16,485	-	-	301
		105,987	163,772	8,049	375,179	-	-	301
	₩	3,348,106	285,380	13,454	1,291,111	150,890	136,912	258,364

(*1) Sales and others mainly consist of sales of steel products (before spin-off), trademark usage income, rental income and dividend income to subsidiaries, associates and joint ventures.
(*2) Purchase and others mainly consist of subsidiaries' purchases of construction services and purchases of raw materials to manufacture steel products.
(*3) As of June 30, 2022, the Company provided guarantees to related parties (Note 20).
(*4) Others (purchase) mainly consist of service fees related to maintenance and repair of ERP System.

2) For the six-month period ended June 30, 2021

(in millions of Won)		Sales and others			Purchase and others			
		Sales	Dividends	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries								
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	₩	2,796	11,037	45	-	202,735	69	13,481
POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.)		291,173	1,706	379	-	-	17,346	431
POSCO ICT		837	4,970	22	-	94,130	20,828	90,417
eNtoB Corporation		7	-	-	136,794	21,607	21	9,603
POSCO CHEMICAL CO., LTD		128,745	11,208	10,238	226,321	5,555	147,420	2,296
POSCO ENERGY CO., LTD.		3,214	-	966	3,538	-	-	11,199
POSCO MOBILITY SOLUTION		337,690	-	-	-	-	21,405	439
POSCO INTERNATIONAL Corporation		4,222,135	54,331	-	424,428	-	541	2,839
POSCO Thainox Public Company Limited		150,184	-	-	-	-	-	20
POSCO Canada Ltd.		-	-	681	81,745	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.		81,402	-	-	-	-	-	-
POSCO JAPAN Co., Ltd.		722,496	-	1	14,322	287	-	1,044
POSCO-VIETNAM Co., Ltd.		187,544	-	339	-	-	-	-
POSCO MEXICO S.A. DE C.V.		197,177	-	71	-	-	-	86
POSCO Maharashtra Steel Private Limited		377,857	-	180	-	-	-	101
POSCO(Suzhou) Automotive Processing Center Co., Ltd.		66,647	-	-	-	-	-	-
POSCO VST CO., LTD.		96,247	-	-	-	-	-	8
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	-	853	746,681	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		120,944	-	110	8	-	-	10
Others		677,994	49,628	2,994	60,543	25,211	122,229	54,327
		7,665,089	132,880	16,879	1,694,380	349,525	329,859	186,301
Associates and joint ventures								
SNNC		20,052	1,469	873	295,657	-	-	53
POSCO-SAMSUNG-Slovakia Processing Center		31,193	-	-	-	-	-	-
Roy Hill Holdings Pty Ltd		-	256,138	-	1,040,468	-	-	-
Others		22,340	18,999	4,576	47,172	-	-	19,833
		73,585	276,606	5,449	1,383,297	-	-	19,886
	₩	7,738,674	409,486	22,328	3,077,677	349,525	329,859	206,187

(b) Significant transactions with related companies for the three-month periods ended June 30, 2022 and 2021 were as follows:

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

(in millions of Won)		Sales and others			Purchase and others			
		Sales	Dividends	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries								
POSCO	₩	6,700	-	-	-	-	-	564
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		860	-	-	-	-	-	571
POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.)		479	-	-	-	-	-	-
POSCO ICT		160	-	-	-	13,976	-	-
eNtoB Corporation		-	-	-	-	-	-	10
POSCO CHEMICAL CO., LTD		922	-	-	-	-	-	-
POSCO ENERGY CO., LTD.		-	-	-	-	-	-	-
POSCO MOBILITY SOLUTION		217	-	-	-	-	-	-
POSCO INTERNATIONAL Corporation		433	-	-	-	-	-	-
POSCO Thainox Public Company Limited		406	22,372	-	-	-	-	-
POSCO Canada Ltd.		-	-	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.		111	-	-	-	-	-	-
POSCO JAPAN Co., Ltd.		-	-	-	-	-	-	-
POSCO-VIETNAM Co., Ltd.		848	-	230	-	-	-	-
POSCO MEXICO S.A. DE C.V.		207	-	187	-	-	-	-
POSCO Maharashtra Steel Private Limited		616	-	218	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.		-	-	-	-	-	-	-
POSCO VST CO., LTD.		306	-	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	-	-	-	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		162	-	208	-	-	-	-
Others		4,754	753	2,353	-	-	-	6,044
		17,181	23,125	3,196	-	13,976	-	7,189
Associates and joint ventures								
SNNC		7	-	-	-	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center		-	-	-	-	-	-	-
Roy Hill Holdings Pty Ltd		-	35,596	-	-	-	-	-
Others		521	23,823	4,668	-	-	-	-
		528	59,419	4,668	-	-	-	-
	₩	17,709	82,544	7,864	-	13,976	-	7,189

2) For the three-month period ended June 30, 2021

(in millions of Won)		Sales and others			Purchase and others			
		Sales	Dividends	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries								
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	₩	1,182	-	13	-	113,873	9	7,018
POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.)		167,747	-	51	-	-	9,899	270
POSCO ICT		390	-	2	-	59,840	10,122	40,995
eNtoB Corporation		3	-	-	76,604	11,960	7	5,096
POSCO CHEMICAL CO., LTD		70,786	-	5,166	112,256	4,166	73,125	870
POSCO ENERGY CO., LTD.		2,454	-	277	1,409	-	-	5,594
POSCO MOBILITY SOLUTION		188,917	-	-	-	-	10,711	233
POSCO INTERNATIONAL Corporation		2,323,778	-	-	258,276	-	194	2,303
POSCO Thainox Public Company Limited		89,311	-	-	-	-	-	-
POSCO Canada Ltd.		-	-	190	46,949	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.		40,454	-	-	-	-	-	-
POSCO JAPAN Co., Ltd.		364,525	-	-	6,721	283	-	564
POSCO-VIETNAM Co., Ltd.		106,634	-	-	-	-	-	-
POSCO MEXICO S.A. DE C.V.		104,386	-	37	-	-	-	86
POSCO Maharashtra Steel Private Limited		209,005	-	96	-	-	-	12
POSCO(Suzhou) Automotive Processing Center Co., Ltd.		38,135	-	-	-	-	-	-
POSCO VST CO., LTD.		39,839	-	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	-	243	396,110	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		55,412	-	61	-	-	-	-
Others		336,259	29,916	1,285	25,827	15,459	61,247	33,353
		4,139,217	29,916	7,421	924,152	205,581	165,314	96,394
Associates and joint ventures								
SNNC		12,539	-	299	143,898	-	-	53
POSCO-SAMSUNG-Slovakia Processing Center		18,544	-	-	-	-	-	-
Roy Hill Holdings Pty Ltd		-	140,062	-	553,493	-	-	-
Others		13,503	7,422	3,214	25,449	-	-	10,660
		44,586	147,484	3,513	722,840	-	-	10,713
	₩	4,183,803	177,400	10,934	1,646,992	205,581	165,314	107,107

(c) The related account balances of significant transactions with related companies as of June 30, 2022 and December 31, 2021 are as follows:

1) June 30, 2022

(in millions of Won)		Receivables			Payables		
		Trade accounts and notes receivable	Others	Total	Accounts payable	Others	Total
Subsidiaries							
POSCO	₩	-	1,370	1,370	-	14,663	14,663
POSCO ENGINEERING & CONSTRUCTION CO., LTD.		2,658	-	2,658	621	-	621
POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.)		255	-	255	-	-	-
POSCO ICT		54	-	54	-	917	917
eNtoB Corporation		-	-	-	11	-	11
POSCO CHEMICAL CO., LTD		531	-	531	-	5,086	5,086
POSCO ENERGY CO., LTD.		134	-	134	-	1,593	1,593
POSCO MOBILITY SOLUTION		180	-	180	-	-	-
POSCO INTERNATIONAL Corporation		299	-	299	-	502	502
Qingdao Pohang Stainless Steel Co., Ltd.		98	-	98	-	-	-
POSCO Maharashtra Steel Private Limited		418	1,237	1,655	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		85	1,120	1,205	-	-	-
PT. KRAKATAU POSCO		427	16,475	16,902	-	-	-
Others		4,009	3,012	7,021	2,185	3,335	5,520
		9,148	23,214	32,362	2,817	26,096	28,913
Associates and joint ventures							
SNNC		38	-	38	-	-	-
Roy Hill Holdings Pty Ltd		35,596	-	35,596	-	-	-
FQM Australia Holdings Pty Ltd		-	203,803	203,803	-	-	-
Others		12,470	22,723	35,193	-	-	-
		48,104	226,526	274,630	-	-	-
	₩	57,252	249,740	306,992	2,817	26,096	28,913

2) December 31, 2021

(in millions of Won)		Receivables			Payables			
		Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries								
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩	5,692	10	5,702	-	97,007	507	97,514
POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.)		95,001	-	95,001	-	154	5,082	5,236
POSCO ICT		221	3	224	3,736	155,064	27,562	186,362
eNtoB Corporation		-	-	-	1,683	23,851	-	25,534
POSCO CHEMICAL CO., LTD		35,895	3,664	39,559	12,969	57,498	17,990	88,457
POSCO ENERGY CO., LTD.		1,485	292	1,777	-	6,169	10,066	16,235
POSCO MOBILITY SOLUTION		133,608	-	133,608	71	2,232	5,104	7,407
POSCO INTERNATIONAL Corporation		1,279,463	4	1,279,467	4,831	483	502	5,816
POSCO Thainox Public Company Limited		54,804	-	54,804	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.		35,423	-	35,423	-	83	-	83
POSCO MEXICO S.A. DE C.V.		179,428	251	179,679	-	-	-	-
POSCO Maharashtra Steel Private Limited		530,693	1,048	531,741	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	14	14	169,565	90	-	169,655
POSCO ASSAN TST STEEL INDUSTRY		220,481	951	221,432	-	-	-	-
PT.KRAKATAU POSCO		1,395	14,750	16,145	-	-	-	-
Others		366,857	7,011	373,868	22,583	48,274	84,778	155,635
		2,940,446	27,998	2,968,444	215,438	390,905	151,591	757,934
Associates and joint ventures								
SNNC		420	65	485	52,396	-	-	52,396
Roy Hill Holdings Pty Ltd		-	34,356	34,356	436,774	-	-	436,774
FQM Australia Holdings Pty Ltd		-	181,122	181,122	-	-	-	-
Others		168,167	15,895	184,062	5,549	187	-	5,736
		168,587	231,438	400,025	494,719	187	-	494,906
	₩	3,109,033	259,436	3,368,469	710,157	391,092	151,591	1,252,840

(d) For the six-month periods ended June 30, 2022 and 2021, details of compensation to key management officers were as follows:

(in millions of Won)		June 30, 2022	June 30, 2021
Short-term benefits	₩	32,995	21,991
Long-term benefits		-	2,956
Retirement benefits		3,978	6,938
	₩	36,973	31,885

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

33. Commitments and Contingencies

(a) Commitments

1) As of June 30, 2022, the Company entered into commitments with KOREA ENERGY AGENCY for long-term foreign currency borrowing, which is limited up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowing depends on the success of the project. The Company is not liable for the repayment of full or part of the money borrowed if the respective project fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of June 30, 2022, the ending balance of the borrowing amounts to USD 1.02 million.

2) The Company has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to the construction of new power plant by POSCO ENERGY CO., LTD.

3) The Company has deposited 3,075,569 treasury shares for exchange with the Korea Securities Depository in relation to foreign currency exchangeable bonds as of June 30, 2022.

(b) As of June 30, 2022, the Company has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.

(c) Litigation in progress

The Company is involved in 4 lawsuits for compensatory damage amounted to ₩10.1 billion as defendant as of June 30, 2022. However, the Company has not recognized any provisions for the lawsuit since the Company does not believe it has a present obligation as of June 30, 2022.

(d) The Company is jointly liable for guarantees of indebtedness (including financial guarantee

contracts) before the spin-off date of POSCO.

34. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the six-month periods ended June 30, 2022 and 2021 were as follows:

(in millions of Won)		June 30, 2022	June 30, 2021
Trade accounts and notes receivable, net	₩	(439,323)	(1,225,365)
Other accounts receivable		(3,517)	(304)
Accrued revenues		(2,129)	948
Inventories		354,262	(1,225,946)
Prepaid expenses		(41,207)	(13,783)
Other current assets		(3,616)	(559)
Long-term guarantee deposits		17	265
Derivative assets		5,781	(3,575)
Other non-current assets		129	(18,359)
Trade accounts and notes payable		(417,714)	53,076
Other accounts payable		(88,071)	(99,328)
Accrued expenses		(58,100)	28,984
Advances received		(3,192)	4,484
Withholdings		(5,972)	4,214
Unearned revenue		(2,392)	11,387
Other current liabilities		(10,902)	(20,395)
Derivative liabliities		-	8,572
Payments of severance benefits		(58,317)	(87,606)
Plan assets		51,373	72,901
Other non-current liabilities		(290)	1,085
	₩	(723,180)	(2,509,304)

35. Spin-off

(a) On March 1, 2022, the Company executed the spin-off for the purpose of production and sales of steel rolled products and plates, and established a new wholly owned subsidiary with the name of POSCO.

	Details
Method	Vertical Spin-off
Related Entities	POSCO HOLDINGS INC. (surviving company after the spin-off) POSCO (newly established entity for the spin-off)
Board of Directors date	December 10, 2021
Approval date of shareholders' meeting	January 28, 2022
Effective spin-off date	March 1, 2022

(b) Assets and liabilities transferred to the newly established company through spin-off and its value

Assets and liabilities were carried over to the newly established company as specified in the spin-off plan approved by the shareholders on January 28, 2022. Changes in assets and liabilities related to the division, which occur as a result of operations until the spin-off date, were adjusted.

(c) Accounting of spin-off

① Assets and liabilities transferred to the newly established company were measured at their carrying amount prior to the spin-off.

② Among the deferred tax assets (liabilities) related to the transferred assets and liabilities, only those items that can be transferred under the Corporate Tax Act were transferred to the newly established company.

(d) Rights and obligations transferred to the newly established company

Active and passive assets, other rights and obligations including rights and obligations under public law, and factual relations with monetary value (including licensing, labor relations, contract relations, litigation and others), which are related to the business subject to divide, are carried over to the newly established company. Otherwise, it is carried over to the surviving company.

(e) Obligations of the Company as a result of the spin-off

Pursuant to Article 530-3(1) of the Commercial Code of the Republic of Korea, the spin-off shall be approved by the special resolution at the shareholders' meeting. The surviving company and the newly established company are jointly liable for the liabilities of the Company before the spin-off date under Article 530(9)(1) of the Commercial Code of the Republic of Korea.

(f) Details of assets and liabilities transferred to the newly established company as of the spin-off date are as follows:

(in millions of Won)		**March 1, 2022**
Assets		
Cash and cash equivalents	₩	1,910,211
Trade accounts and notes receivable, net		6,469,413
Other receivables, net		477,252
Other short-term financial assets		3,589,789
Inventories		7,268,929
Assets held for sale		24,250
Other current assets		96,266
Total current assets		19,836,110
Long-term trade accounts and notes receivable, net		5,374
Other receivables, net		81,731
Other long-term financial assets		184,487
Investments in subsidiaries, associates and joint ventures		236,174
Investment property, net		12,933
Property, plant and equipment, net		19,409,737
Intangible assets, net		527,400
Defined benefit assets, net		98,320
Other non-current assets		34,232
Total non-current assets		20,590,388
Total assets	₩	40,426,498
Liabilities		
Trade accounts and notes payable	₩	2,042,473
Short-term borrowings and current installments of long-term borrowings		2,994,566
Other payables		956,789
Other short-term financial liabilities		3,534
Provisions		70,000
Other current liabilities		126,904
Total current liabilities		6,194,266
Long-term borrowings, excluding current installments		4,127,763
Other payables		395,278
Long-term provisions		37,505
Deferred tax liabilities		26,926
Other non-current liabilities		3,698
Total non-current liabilities		4,591,170
Total liabilities		10,785,436
Equity		
Hybrid bonds		199,384
Total equity		199,384
Total liabilities and equity	₩	10,984,820
Net assets transferred (Investment in subsidiary)	₩	29,441,678

36. Events after the reporting period

(a) Pursuant to the resolution of the Board of Directors on August 12, 2022, the Company decided to pay interim cash dividends of ₩ 4,000 per common share (total dividend: ₩ 303.4 billion).

(b) Pursuant to the resolution of the Board of Directors on August 12, 2022, the Company decided the cancellation of 2,615,605 treasury shares (total cancellation amount: ₩ 567.5 billion).