IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OF THE SECURITIES ACT (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS WITH ADDRESSES OUTSIDE OF THE UNITED STATES.

IMPORTANT: *You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments.* The following applies to the offering circular following this page (the "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF THE REPUBLIC OF KOREA ("KOREA") UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA, AS AMENDED. ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED, SOLD, DELIVERED OR TRANSFERRED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY KOREAN RESIDENT (AS SUCH TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE ENFORCEMENT DECREE THEREOF) FOR A PERIOD OF ONE YEAR FROM THE DATE OF ISSUANCE OF THE SECURITIES, EXCEPT (I) THE SECURITIES MAY BE OFFERED, SOLD, DELIVERED OR TRANSFERRED ONLY TO, BETWEEN OR AMONG KOREAN QUALIFIED INSTITUTIONAL INVESTORS AS SPECIFIED IN ARTICLE 2-2, PARAGRAPH 2, ITEM 4 OF THE REGULATION ON THE ISSUANCE OF SECURITIES AND PUBLIC DISCLOSURE, ETC. OF KOREA, PROVIDED THAT AT LEAST 80% OF THE AGGREGATE ISSUANCE AMOUNT OF THE SECURITIES SHALL BE ALLOCATED TO NON-RESIDENTS OF KOREA (AS SUCH TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE ENFORCEMENT DECREE THEREOF) (WHICH APPLIES ONLY TO THE SECURITIES ACQUIRED FROM THE COMPANY OR ANY INITIAL PURCHASER AT THE TIME OF ISSUANCE OF THE SECURITIES), AND THE OTHER REQUIREMENTS AS SET FORTH IN ARTICLE 2-2-2, PARAGRAPH 2, ITEM 3 ABOVE ARE SATISFIED, OR (II) AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be either (I) a Qualified Institutional Buyer ("QIB") (within the meaning of Rule 144A under the Securities Act) or (II) a non-U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) a QIB or (b) a non-U.S. person and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person. If this is not the case, you must return the Offering Circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of POSCO in such jurisdiction. The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of BNP Paribas, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (collectively, the "Joint Bookrunners") nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

The Joint Bookrunners are acting exclusively for POSCO and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as its client in relation to the offer and will not be responsible to anyone other than POSCO for providing the protections afforded to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

You should not reply by e-mail to this transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

(incorporated with limited liability under the laws of the Republic of Korea)

US$700,000,000 5.625% Notes due 2026
US$1,000,000,000 5.750% Notes due 2028
US$300,000,000 5.875% Notes due 2033

We are offering US$700,000,000 aggregate principal amount of 5.625% notes due 2026 (the "2026 Notes"), US$1,000,000,000 aggregate principal amount of 5.750% notes due 2028 (the "2028 Notes") and US$300,000,000 aggregate principal amount of 5.875% notes due 2033 (the "2033 Notes," and together with the 2026 Notes and the 2028 Notes, the "Notes"). Until redemption or maturity, interest on the Notes will be payable in arrears on January 17 and July 17 of each year, commencing July 17, 2023. We may not redeem the Notes in whole or in part prior to maturity except upon the occurrence of certain events related to Korean tax law as described herein.

The Notes will be our unsecured senior obligations and will rank pari passu with all of our other unsecured senior indebtedness.

There is currently no market for the Notes. The Notes will be listed on the Frankfurt Open Market Quotations Board. The listing of the Notes on the Frankfurt Open Market Quotations Board is not to be taken as an indication of the merits of POSCO or the Notes. The Notes are expected to be rated Baa1 by Moody's Investors Service ("Moody's") and A- by S&P Global Ratings, a division of S&P Global, Inc. ("S&P"). Such ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organizations.

The Notes will be issued in registered form in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will be represented on issuance by one or more global notes registered in the name of a nominee of The Depository Trust Company ("DTC"), as depositary. It is expected that delivery of the Notes will be made through the book-entry facilities of DTC, in each case on or about January 17, 2023.

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 8 of this offering circular (the "Offering Circular") for a discussion of certain factors to be considered in connection with investing in the Notes.

Issue Price:

2026 Notes: 99.400%

2028 Notes: 99.508%

2033 Notes: 98.849%

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S under the Securities Act ("Regulation S"). The Notes may be offered for sale only (i) in the United States, to qualified institutional buyers ("QIBs") within the meaning of, and in reliance on, Rule 144A under the Securities Act ("Rule 144A"); or (ii) outside the United States to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. See "Plan of Distribution — Selling Restrictions" and "Transfer Restrictions."

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS | **Citigroup** | **Crédit Agricole CIB** | **HSBC** | **Standard Chartered Bank**

The date of this Offering Circular is January 9, 2023.

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You should rely only on the information contained in this Offering Circular. We have not and the Initial Purchasers have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to offer and sell these Notes. The information in this document may only be accurate as of the date of this Offering Circular.

IN CONNECTION WITH THIS OFFERING, TO THE EXTENT PERMITTED BY, AND IN ACCORDANCE WITH, APPLICABLE LAWS AND REGULATIONS, ANY OF THE INITIAL PURCHASERS APPOINTED AS A STABILIZATION MANAGER (THE "STABILIZATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE SUCH STABILIZATION. ANY STABILIZATION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE

TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE “FSCMA”). ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND ITS ENFORCEMENT DECREE) OR TO OTHERS FOR RE-OFFERING OR RESALE, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A “QUALIFIED INSTITUTIONAL INVESTOR” (A “KOREAN QIB,” AS DEFINED IN THE REGULATION ON THE ISSUANCE OF SECURITIES AND PUBLIC DISCLOSURE, ETC. OF KOREA) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION (THE “KOFIA”) AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

No person has been authorized in connection with any offering of the Notes to give any information or make any representation other than as contained in this Offering Circular and, if given or made, that information or representation must not be relied upon as having been authorized by us or by the Initial Purchasers (as defined in “Plan of Distribution”). This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Notes by any person except in compliance with all applicable laws and regulations. No representation or warranty, express or implied, is made by the Initial Purchasers or any of their affiliates or advisers as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by us in connection with the offering of the Notes or the Notes or their distribution or for any other statement made or purported to be made by any Initial Purchaser or on its behalf in connection with us or the offering of the Notes. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their affiliates or advisers. To the fullest extent permitted by law, none of the Initial Purchasers accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by any of the Initial Purchasers or on its behalf in connection with us, or the issue and offering of the Notes. Each Initial Purchaser accordingly disclaims any and all responsibility or liability whether arising in tort or contract or otherwise which it might otherwise have in respect of the information contained in this Offering Circular, any other information provided by us in connection with the offering of the Notes or any other such statement. Neither the delivery of this Offering Circular nor any sale made in connection with this Offering Circular shall under any circumstances imply that the information in this Offering Circular is correct as of any date subsequent to the date of this Offering Circular or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs since the date of this Offering Circular.

We, having made all reasonable inquiries, confirm that this Offering Circular contains all information with respect to us and the Notes which is material in the context of the issue and offering of the Notes, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this Offering

Circular as a whole or any information or the expression of any opinions or intentions expressed in this Offering Circular misleading in any material respect. We accept responsibility accordingly.

The Notes have not been registered with or approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

Notification under Section 309B(1) of the Securities and Futures Act 2001 of Singapore (the “SFA”) — We have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular is for distribution only to, and is only directed at, persons who (i) are outside of the United Kingdom, (ii) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, or (iv) are persons to whom, in connection with the issue or sale of any securities, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

This Offering Circular does not constitute, and may not be used for purposes of, an offer, invitation or solicitation by anyone in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come are required by us and the Initial Purchasers to inform themselves about and to observe the relevant restrictions. For a description of certain restrictions on offers and sales of the Notes and distribution of this Offering Circular, see “Plan of Distribution” and “Transfer Restrictions.” No action is being taken in any jurisdiction to permit an offering to the general public of Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for those purposes.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering of the Notes, including the merits and risks involved. We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Initial Purchasers, are “capital market intermediaries” (together, the “CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (together, the “OCs”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are our directors, employees or major shareholders, a CMI or its group companies would be considered under the SFC Code as having an association (an "Association") with us, the CMI or the relevant group company (as the case may be). Prospective investors associated with us or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Initial Purchaser, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." If a prospective investor is otherwise affiliated with any Initial Purchaser, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should so indicate to the relevant Initial Purchaser when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Initial Purchasers and/or any other third parties as may be required by the SFC Code, including to us, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

PRESENTATION OF FINANCIAL INFORMATION

We were incorporated on March 2, 2022 following a vertical spin-off of the domestic steel business by POSCO (the "Pre-spin-off Company") in accordance with Articles 530-2 through 530-12 of the Korean Commercial Code. The Pre-spin-off Company also transferred its investments in five subsidiaries including POSCO Steeleon Co., Ltd. ("POSCO Steeleon") to us on the date of spin-off. As part of the spin-off, POSCO became a holding company and renamed itself POSCO HOLDINGS INC., and we were named POSCO. POSCO HOLDINGS INC. holds a 100.0% interest in us.

Accordingly, our audited carve-out and combined financial statements as of and for the years ended December 31, 2021 and 2020 (the "Annual Financial Statements") included in this Offering Circular have been prepared on a carve-out and combined basis in accordance with the basis of preparation and summary of significant accounting policies described in Notes 2 and 3 to the Annual Financial Statements.

Our unaudited condensed interim financial statements as of September 30, 2022 and for the nine months ended September 30, 2022 and 2021 (the "Interim Financial Statements") included in this Offering Circular have been prepared on a carve-out and combined basis (for the nine months ended September 30, 2021) and on a combination basis of (i) financial statements prepared on a carve-out and combined basis (for the two months ended February 28, 2022) and (ii) financial statements prepared on a consolidated basis (as of September 30, 2022 and for the seven months ended September 30, 2022), in accordance with the basis of preparation and summary of significant accounting policies described in Notes 2 and 3 to the Interim Financial Statements.

Throughout the periods included in our carve-out and combined financial statements before March 1, 2022 (the date of the spin-off), we did not exist as a separate legal and reporting entity, and our carve-out and combined financial statements are derived from the historical consolidated financial statements and accounting records of the Pre-spin-off Company to present our financial position, operating performance and cash flows for the purposes of this Offering Circular and the issuance of the Notes.

Our carve-out and combined financial statements, which are prepared by combining the carve-out financial statements of the steel business of the Pre-spin-off Company and certain subsidiaries of the Pre-spin-off Company, are not in accordance with Korean International Financial Reporting Standards ("K-IFRS"). However, the accounting policies applied in our carve-out and combined financial statements are consistent with the accounting policies applied in the historical consolidated financial statements of the Pre-spin-off Company, which had been prepared in accordance with K-IFRS.

All financial information, descriptions and other information regarding us are, unless indicated otherwise, given on a consolidated basis. Discrepancies pertaining to certain tables in this Offering Circular are due to rounding.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to "we," "us," "our," "our company" or "the Company" refer to POSCO and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires. See "Presentation of Financial Information" for the basis of preparation of our financial information for the periods prior to the spin-off.

References to "Korea" or the "Republic" are references to The Republic of Korea. References to the "Government" are references to the government of the Republic of Korea. We publish our financial statements in Won. References to "Won" or "₩" are to Korean Won, which is the legal tender currency of Korea. References to "US$," "U.S. dollars" or "cents" are to the currency of the United States of

America. For a discussion of historical information regarding the rate of exchange between Won and the U.S. dollar, see "Exchange Rates." Unless otherwise specified, all conversions of U.S. dollars into Won and vice versa appearing in this Offering Circular were made at the applicable base rate under the market average exchange rate system, announced by Seoul Money Brokerage Services, Ltd., rounded down to the nearest tenth of a Won (the "Market Average Exchange Rate"), in effect on September 30, 2022, which was Won 1,434.8 to US$1.00. No representation is made that the Won or U.S. dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements," as defined in Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "anticipates," "estimates," "projects," "plans," "intends," "targets," "seeks," "aims," "contemplates," "goal," "should," "can," "may," "will" and similar expressions or the negatives thereof. Those statements include, among other things, the discussions of our business strategy and expectations concerning its market position, future operations, cash flows, margins, profitability, liquidity and capital resources. Reliance on any forward-looking statement involves risks and uncertainties, and although we believe that the assumptions on which the forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed elsewhere in this Offering Circular. See "Risk Factors." In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances, except as required by law.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, we will be required under the Fiscal Agency Agreement (as defined herein) to furnish, upon request, to a holder of a Note and a prospective investor designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, we are neither a reporting company under Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. In accordance with the Fiscal Agency Agreement, the Fiscal Agent (as defined herein) also will make available for inspection by holders of the Notes, or, in certain cases, arrange for the mailing to such holders certain reports or communications received from us.

ENFORCEMENT OF CIVIL LIABILITIES

We are a corporation with limited liability organized under the laws of Korea. Many of our directors and officers named herein reside in Korea, and a significant portion of the assets of the directors and officers and substantially all of our assets are located in Korea. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against any of them or against us in the United States court judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States. There is also doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the securities laws of the United States or any State or territory within the United States.

SUMMARY

We are the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world, based on annual crude steel production. We produced approximately 35.9 million tons of crude steel and stainless steel in 2020, 38.3 million tons in 2021 and 26.2 million tons in the first nine months of 2022, all of which was produced at Pohang Works and Gwangyang Works. As of September 30, 2022, we had approximately 40.7 million tons of annual crude steel and stainless steel production capacity. We believe Pohang Works and Gwangyang Works are two of the most technologically advanced integrated steel facilities in the world. We manufacture and sell a diversified line of steel products, including cold rolled and hot rolled products, stainless steel products, plates, wire rods and silicon steel sheets, and we are able to meet a broad range of customer needs from manufacturing industries that consume steel, including the automotive, shipbuilding, home appliance, engineering and machinery industries. We also engage in the production of a wide range of coated steel sheets through POSCO Steeleon, a subsidiary in which we hold a 56.9% interest. In December 2022, we also acquired POSCO HOLDINGS INC.'s interests in some of its subsidiaries and investments related to steel manufacturing and sales, including POSCO HOLDINGS INC.'s 74.6% interest in POSCO Thainox Public Company Limited, 100.0% interest in POSCO (Thailand) Co., Ltd. and 51.0% interest in POSCO Yamato VINA Steel Joint Stock Company, for Won 1.1 trillion.

Korea is our most important market. Domestic sales accounted for 59.9% of our total revenue in 2021 and 57.8% in the first nine months of 2022. We believe that our steel products constituted approximately 52.5% of the total sales volume of steel products sold in Korea in 2021 and approximately 48.9% in the first nine months of 2022. Our sales to customers abroad accounted for 40.1% of our total revenue in 2021 and 42.2% in the first nine months of 2022. Our major export market is Asia, with Asia other than China and Japan accounting for 23.0%, China accounting for 17.6%, and Japan accounting for 15.5% of our total export revenue in 2021, and Asia other than China and Japan accounting for 21.3%, Japan accounting for 14.7%, and China accounting for 13.7% of our total export revenue in the first nine months of 2022.

We were incorporated on March 2, 2022 following a vertical spin-off of its domestic steel business by POSCO in accordance with Articles 530-2 through 530-12 of the Korean Commercial Code. As part of the spin-off, POSCO became a holding company and renamed itself POSCO HOLDINGS INC., and we were named POSCO. POSCO HOLDINGS INC. holds a 100.0% interest in us.

We are a member company of the POSCO Group, which consists of companies controlled by POSCO HOLDINGS INC. The POSCO Group engages in businesses that complement our steel manufacturing operations in Korea and also carefully seeks out promising investment opportunities to diversify its businesses both vertically and horizontally. POSCO International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects throughout the world. POSCO E&C is one of the leading engineering and construction companies in Korea that primarily engages in the planning, design and construction of industrial plants and architectural works and civil engineering. POSCO Energy Corporation is the largest private power generation company in Korea. The POSCO Group has also made investments in the past decade to secure new growth engines by diversifying into new businesses related to our steel operations that it believes will offer greater potential returns, as well as entering into new businesses not related to our steel operations such as hydrogen-related businesses, production of anode and cathode materials for rechargeable batteries, alternative energy solutions, LNG and agricultural trading, and production of comprehensive materials such as lithium.

We generated revenue of Won 26,982 billion in 2020, Won 40,543 billion in 2021, Won 28,854 billion in the first nine months of 2021 and Won 34,541 billion in the first nine months of 2022. We recorded profit of Won 1,014 billion in 2020, Won 4,562 billion in 2021, Won 3,528 billion in the first nine months of 2021 and Won 1,950 billion in the first nine months of 2022. We had total assets of Won 34,506 billion and total equity of Won 20,455 billion as of December 31, 2021, compared to total assets of Won 46,149 billion and total equity of Won 32,671 billion as of September 30, 2022.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	POSCO
Notes offered	US$700,000,000 aggregate principal amount of 5.625% notes due 2026 (the "2026 Notes"), US$1,000,000,000 aggregate principal amount of 5.750% notes due 2028 (the "2028 Notes") and US$300,000,000 aggregate principal amount of 5.875% notes due 2033 (the "2033 Notes," and together with the 2026 Notes and the 2028 Notes, the "Notes")
Maturity	2026 Notes: January 17, 2026 2028 Notes: January 17, 2028 2033 Notes: January 17, 2033
Issue Price	2026 Notes: 99.400% 2028 Notes: 99.508% 2033 Notes: 98.849%
Interest Payment Dates	Until redemption or maturity, interest on the Notes will be payable in arrears on January 17 and July 17 of each year, commencing July 17, 2023. For a further description of payments of interest on the Notes, see "Description of the Notes — Payments."
Ranking of the Notes	The Notes will be unsecured and will be our direct, unconditional and unsubordinated general obligations and will rank *pari passu* among themselves without any preference of one over the other by reason of priority of date of issue or otherwise and at least equally with all of our other outstanding unsecured and unsubordinated general obligations (subject to certain statutory exceptions under the laws of Korea).
Denomination; Form	The Notes will be issued in denominations of US$200,000 principal amount and integral multiples of US$1,000 in excess thereof. We will issue the Notes in the form of one or more fully registered global notes, registered in the name of a nominee of DTC. Except as described in "Description of the Notes," the global notes will not be exchangeable for Notes in definitive registered form and will not be issued in definitive registered form. Any secondary market trading of book-entry interests in the Notes will take place through DTC participants, including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"). The Notes may not be sold or otherwise transferred except in accordance with the restrictions described under "Transfer Restrictions."
Certain Covenants	The Notes contain certain limitations on the creation, incurrence, issuance or assumption or the guarantee by us or certain of our subsidiaries of certain debt secured by any

	mortgage, charge, pledge, or other security interest on certain of our properties or assets or those of such subsidiaries. The Notes also contain certain limitations on sale and leaseback transactions by us or certain of our subsidiaries. See Description of the Notes — Certain Covenants."
Optional Tax Redemption	We may, at our option, redeem the Notes, in whole but not in part, at their principal amount plus accrued interest to the date fixed for redemption, if we have or would become obligated to pay Additional Amounts in respect of certain Korean taxes imposed in respect of payments of principal of or interest on the Notes. See "Description of the Notes — Optional Tax Redemption."
Use of Proceeds	The net proceeds from the issuance of the 2026 Notes are expected to be US$692,300,000, the net proceeds from the issuance of the 2028 Notes are expected to be US$990,080,000 and the net proceeds from the issuance of the 2033 Notes are expected to be US$295,047,000, in each case after deducting underwriting commissions but not estimated expenses of the offering. The net proceeds from the Notes will be used for refinancing existing indebtedness and other general corporate purposes. See "Use of Proceeds."
Rating of the Notes	The Notes are expected to be rated Baa1 by Moody's and A- by S&P. Such ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organizations. Each such rating should be evaluated independently of any other rating of the Notes.
Listing	The Notes will be listed on the Frankfurt Open Market Quotations Board.
Lock-up	We have agreed that we will not issue, offer, sell or contract to sell, or announce the offering of, any U.S. dollar-denominated debt securities issued or guaranteed by us (other than the Notes), without the prior written consent of the Initial Purchasers for a period of 30 days following the date of the Purchase Agreement (as defined below). For the avoidance of doubt, we may, during such period, issue, offer, sell or contract to sell, or announce the offering of, any debt securities issued or guaranteed by us other than U.S. dollar-denominated debt securities. See "Plan of Distribution."
Further Issues	Subject to the lock-up provisions, we may from time to time, without the consent of the existing holders of the Notes, create and issue additional notes to the extent permitted under the applicable laws, having the same terms and conditions as the Notes in all respects except for issue date and/or issue price; provided, however, that such additional notes shall be issued under a separate CUSIP, ISIN and Common Code unless the

	additional notes are issued pursuant to a "qualified reopening" of the Notes, are otherwise treated as part of the same "issue" of debt instruments as the Notes or are issued with less than a de minimis amount of original issue discount, in each case for U.S. federal income tax purposes. Additional notes issued in this manner (other than additional notes issued under a separate CUSIP, ISIN or Common Code) may be consolidated with and form a single series with the Notes outstanding at the time of such further issuance.
Selling Restrictions	There are certain restrictions on the offer, sale and transfer of the Notes. See "Plan of Distribution — Selling Restrictions."
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S. The Notes may be offered for sale only (i) in the United States, to QIBs within the meaning of, and in reliance on, Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. See "Plan of Distribution — Selling Restrictions" and "Transfer Restrictions."
Governing Law	The Notes and each of the Fiscal Agency Agreements will be governed by New York law.

Security Codes . . . .

	Restricted Notes	Unrestricted Notes
2026 Notes		
CUSIP:	73730E AC7	Y7S272 AF9
ISIN:	US73730EAC75	USY7S272AF91
2028 Notes		
CUSIP:	73730E AD5	Y7S272 AG7
ISIN:	US73730EAD58	USY7S272AG74
2033 Notes		
CUSIP:	73730E AE3	Y7S272 AH5
ISIN:	US73730EAE32	USY7S272AH57

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables present our summary financial and other information. The summary financial information as of and for the years ended December 31, 2020 and 2021 are derived from the Annual Financial Statements included elsewhere in this Offering Circular. The summary financial information presented as of September 30, 2022 and for the nine months ended September 30, 2021 and 2022 are derived from the Interim Financial Statements included elsewhere in this Offering Circular.

Our carve-out and combined financial statements, which are prepared by combining the carve-out financial statements of the steel business of the Pre-spin-off Company and certain subsidiaries of the Pre-spin-off Company, are not in accordance with K-IFRS. However, the accounting policies applied in our carve-out and combined financial statements are consistent with the accounting policies applied in the historical consolidated financial statements of the Pre-spin-off Company, which had been prepared in accordance with K-IFRS.

As we did not exist as a separate legal and reporting entity during the periods from January 1, 2020 to February 28, 2022, our carve-out and combined financial statements have been prepared on a carve-out basis. Accordingly, our carve-out and combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if we had operated as an independent entity, nor may they be indicative of our results of operations for any future period. In addition, our Interim Financial Statements included in this Offering Circular have been prepared on a carve-out and combined basis (for the nine months ended September 30, 2021) and on a combination basis of (i) financial statements prepared on a carve-out and combined basis (for the two months ended February 28, 2022) and (ii) financial statements prepared on a consolidated basis (as of September 30, 2022 and for the seven months ended September 30, 2022). Accordingly, the financial condition and results of operations for the nine months ended September 30, 2021 and the nine months ended September 30, 2022 may not be directly comparable.

Our results of operations for the nine months ended September 30, 2022 may not be indicative of our results of operations for the full year 2022.

Statement of Comprehensive Income Information

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2020 (1)	2021 (1)	2021 (1)	2022 (2)
	(in billions of Won)			
Revenue	₩ 26,982	₩ 40,543	₩ 28,854	₩ 34,541
Cost of sales	24,711	32,618	22,974	30,615
Gross profit	2,271	7,926	5,879	3,927
Selling and administrative expenses	1,061	1,145	833	841
Operating profit	1,210	6,781	5,047	3,086
Finance income	631	608	563	1,509
Finance costs	662	809	718	1,607
Other non-operating income	117	127	85	37
Other non-operating expenses	299	454	139	325
Profit before income tax	997	6,253	4,838	2,699
Income tax expense (benefit)	(17)	1,691	1,311	749
Profit	₩ 1,014	₩ 4,562	₩ 3,528	₩ 1,950
Other comprehensive income (loss), net of tax	55	29	(12)	(63)
Total comprehensive income	₩ 1,069	₩ 4,591	₩ 3,516	₩ 1,887
Profit attributable to:				
Owners of the company	₩ 1,014	₩ 4,562	₩ 3,528	₩ 1,910
Non-controlling interests	—	—	—	40

(1) Carve-out and combined statement of comprehensive income.

(2) Combination of (i) carve-out and combined statement of comprehensive income for the two months ended February 28, 2022 and (ii) consolidated statement of comprehensive income for the seven months ended September 30, 2022.

Statement of Financial Position Information

	As of December 31,		As of September 30,
	2020 (1)	2021 (1)	2022 (2)
	(in billions of Won)		
Working capital (3)	₩ 3,117	₩ 6,671	₩ 16,620
Total current assets	8,352	14,573	24,075
Property, plant and equipment, net	19,038	18,597	18,570
Total non-current assets	20,219	19,933	22,074
Total assets	28,570	34,506	46,149
Short-term borrowings and current installments of long-term borrowings	2,547	2,196	3,895
Long-term borrowings, excluding current installments	5,347	4,693	5,651
Total liabilities	12,178	14,051	13,479
Total equity	16,392	20,455	32,671

(1) Carve-out and combined statement of financial position.

(2) Consolidated statement of financial position.

(3) "Working capital" means current assets minus current liabilities.

RISK FACTORS

An investment in the Notes is subject to numerous risks, including those listed below. Investors should carefully consider the following risks as well as the other information contained in this Offering Circular before purchasing the Notes. These risks could materially affect our ability to meet our obligations under the Notes. In such case, investors may lose all or part of their investment in, and the expected return on, the Notes.

Risks Relating to the Company

The global economic downturn may adversely affect our business and performance. The global economic outlook for the near future remains uncertain.

Our business is affected by highly cyclical market demand for our products. In particular, our production activities are affected by market demand from a number of industries, including the construction, automotive, shipbuilding and electrical appliances industries as well as downstream steel processors, which are sensitive to general conditions in the global economy. Macroeconomic factors, such as the economic growth rate, employment levels, interest rates, inflation rates, exchange rates, commodity prices, demographic trends and fiscal policies of governments can have a significant effect on such industries. From time to time, these industries have experienced significant and sometimes prolonged downturns, which in turn have negatively impacted our business. Global economic conditions have deteriorated in recent years, with global financial and capital markets experiencing substantial volatility. In particular, the ongoing global pandemic of a new strain of coronavirus ("COVID-19") that began in late 2019, and more recently, rapid increases in interest rates globally to combat inflation, have materially and adversely affected the global economy and financial markets starting in early 2020. See "— Earthquakes, tsunamis, floods, severe health epidemics (including the ongoing global COVID-19 pandemic and any possible recurrence of other types of widespread infectious diseases) and other natural calamities could materially adversely affect our business, results of operations or financial condition." Such developments have also been caused by, and continue to be exacerbated by, among other things, the invasion of Ukraine by Russia in February 2022 that has destabilized the global energy sector, the slowdown of economic growth in China and other major emerging market economies, adverse economic and political conditions in Europe and Latin America and continuing geopolitical and social instability in North Korea and various parts of the Middle East, as well as a deterioration in economic and trade relations between the United States and its major trading partners, particularly China.

An actual or anticipated further deterioration of global economic conditions may result in a decline in demand for our products. In the case of a prolonged decrease in demand, we may need to rationalize our production capacity and reduce fixed costs, and we will likely face pressure to reduce prices of our products. From time to time, we have adjusted our crude steel production levels and sales prices in response to sluggish demand from our customers in industries adversely impacted by the deteriorating economic conditions. In particular, the global recession exacerbated by the COVID-19 pandemic and the resulting decline in demand for steel products have adversely affected the overall sales volume of our principal steel products in 2020 compared to 2019 as well as our sales prices. While the sales volume of our principal steel products as well as their prices have recovered in recent years, the overall impact of the ongoing COVID-19 pandemic and its impact on the global steel industry remain uncertain. We reduced our production of crude steel to 35.9 million tons in 2020, but increased such production to 38.3 million tons in 2021 in response to an increase in global demand for steel products. We produced 28.7 million tons of crude steel in the first nine months of 2021, but we reduced our production to 26.2 million tons in the first nine months of 2022 due to weaker demand beginning in the second half of 2022. The weighted average unit sales price for our semi-finished and finished steel products, which was Won 736 thousand per ton in 2020, increased to Won 1,107 thousand per ton in 2021, reflecting a rebound in global market conditions in 2021 following a weak 2020 that was adversely impacted by the COVID-19 pandemic. Such weighted average unit sales price further increased from Won 1,042 thousand per ton in the first nine months of 2021 to Won 1,372 thousand per ton in the first nine months of 2022, reflecting continuation of strong market conditions in the first half of 2022, prior to weakening demand beginning in the second half of 2022, as well as depreciation of the Won against the U.S. dollar in the first nine months of 2022 that increased our export prices in Won terms during such period. General increases in the prices of key raw materials in recent years have also contributed to increases in the prices of our steel products during 2021 and the first nine months of 2022.

Such weakening demand and a general oversupply in the market have negatively impacted our results of operations for the first nine months of 2022. Although our revenue increased by 19.7%, or Won 5,688 billion, from Won 28,854 billion in the first nine months of 2021 to Won 34,541 billion in the first nine months of 2022, our profit decreased by 44.7%, or Won 1,577 billion, from Won 3,528 billion in the first nine months of 2021 to Won 1,950 billion in the first nine months of 2022. In addition, our operating margin (operating profit divided by revenue) decreased from 11.6% in the second quarter of 2022 to 4.1% in the third quarter. Our results of operations in the third quarter of 2022 were also negatively impacted by flooding of some of the Pohang Works' facilities caused by Typhoon Hinnamnor in September 2022, causing disruptions to our downstream production activities, which adversely impacted our sales. In addition, the flood damage has caused us to incur significant expenses, although we expect a substantial portion will be covered by insurance. See "— Earthquakes, tsunamis, floods, severe health epidemics (including the ongoing global COVID-19 pandemic and any possible recurrence of other types of widespread infectious diseases) and other natural calamities could materially adversely affect our business, results of operations or financial condition." In the fourth quarter of 2022, we continued to experience weakening global demand and a general oversupply in the market and incur additional expenses related to flood damage, which together will have a material adverse effect on our results of operations, leading to an operating loss for the fourth quarter of 2022.

We expect fluctuation in demand for our steel products to continue to prevail at least in the near future. We may decide to further adjust our future crude steel production or our sales prices on an ongoing basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. In addition, economic downturns in the Korean and global economies could result in market conditions characterized by weaker demand for steel products from a number of industries as well as falling prices for export and import products and reduced trade levels. Deterioration of market conditions may result in changes in assumptions underlying the carrying value of certain assets, which in turn could result in impairment of such assets, including intangible assets such as goodwill. Our ability to reduce expenditures for production facilities and research and development during an industry downturn is limited because of the need to maintain our competitive position. If we are unable to reduce our expenses sufficiently to offset reductions in price and sales volume, our margins will suffer and our business, financial condition and results of operations may be materially and adversely affected.

Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in the region deteriorate.

Significantly all of our assets are located in Korea, and Korea is our most important market. Domestic sales represented 59.9% of our total revenue in 2021 and 57.8% in the first nine months of 2022. Domestic demand for steel products is affected by the conditions in the major steel-consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea, and our performance and successful fulfillment of our operational strategies are largely dependent on the overall Korean economy. In the past, the economic indicators in Korea have shown mixed signs of growth and uncertainty. Starting in 2020, the overall Korean economy and the economies of Korea's major trading partners deteriorated due to the debilitating effects of the COVID-19 pandemic but showed signs of recovery in 2021. However, future growth of the Korean economy is subject to many factors beyond our control, including developments in the global economy.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices, supply chain disruptions and the increasing weakness of the global economy, in particular due to the COVID-19 pandemic, have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. The value of the Won relative to major foreign currencies has fluctuated significantly and, as a result of uncertain global and Korean economic conditions, there has been significant volatility in the stock prices of Korean companies recently. Future declines in the KOSPI, and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean economy could adversely affect our business, financial condition and results of operations and the market price of our Notes.

Developments that could have an adverse impact on Korea's economy include:

- declines in consumer confidence and a slowdown in consumer spending, including as a result of the global COVID-19 pandemic;
- hostilities or, political or social tensions involving Russia (including the invasion of Ukraine by Russia and ensuing actions that the United States and other countries have taken and may take in the future) and any resulting adverse effects on the global supply of oil and other natural resources or the global financial markets;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of the deteriorating economic and trade relations between the United States and China and increased uncertainties resulting from the United Kingdom's exit from the European Union;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- the occurrence of severe health epidemics in Korea or other parts of the world, such as the COVID-19 pandemic;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea due to the Government's policies to increase minimum wages and limit working hours of employees;
- investigations of large Korean business groups and their senior management for possible misconduct;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;

- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- social and labor unrest;
- substantial changes in the market prices of Korean real estate;
- a substantial decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs, in particular in light of the Government's ongoing efforts to provide emergency relief payments to households and emergency loans to corporations in need of funding in light of COVID-19, which, together, would likely lead to a national budget deficit as well as an increase in the Government's debt;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues concerning certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geopolitical uncertainty and the risk of further attacks by terrorist groups around the world;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil-producing countries in the Middle East (including a potential escalation of hostilities between the United States and Iran) and Northern Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

We operate in the highly competitive global steel industry, and our failure to successfully compete would adversely affect our market position and business.

We operate in the highly competitive steel industry and face intense global competition. China is the largest steel-producing country in the world by a significant margin, with the balance between its domestic production and demand being an important factor in the determination of global steel prices. In recent years, a slowdown in domestic demand for steel products in China resulting from slowed economic growth as well as the impact from the COVID-19 pandemic, combined with an expansion in steel production capacity, has led to production over-capacity in the Chinese steel industry, which in turn has led the Chinese government to pursue aggressive consolidation in the Chinese steel industry that has resulted in fewer but larger steel manufacturers that are able to compete more effectively in the global steel industry. Competition from such global steel manufacturers with expanded production capacity as well as competitors from emerging markets, especially from China and India, has resulted in significant price competition and may result in declining margins and reductions in revenue in the future. Our larger competitors may use their resources against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

Increased production capacity, combined with decreased demand resulting from a slowdown of the global economy, has from time to time resulted in production over-capacity in the global steel industry which in turn has resulted in downward pressure on global steel prices. Such production over-capacity in the global steel industry was exacerbated in 2020 due to a decrease in demand caused by the COVID-19 pandemic. Although demand for steel products recovered in 2021 and the first half of 2022, such demand has weakened starting in the second half of 2022. Production over-capacity in the global steel industry may further intensify if global economic recovery slows or demand from developing countries, particularly from China, continues to lag behind the growth in production capacity. Production over-capacity in the global steel industry is likely to:

- reduce export prices in U.S. dollar terms of our principal products, which in turn may reduce our sales prices in Korea;
- increase competition in the Korean market as foreign producers seek to export steel products to Korea as other markets experience a slowdown;
- negatively affect demand for our products abroad and our ability to expand export sales; and
- affect our ability to increase steel production in general.

Steel also competes with other natural and synthetic materials that may be used as steel substitutes, such as aluminum, cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials instead of steel, whether for environmental or other reasons, as well as the development of attractive alternative substitutes for steel products, may reduce demand for steel products and increase competition in the global steel industry.

As part of our strategy to compete in this challenging landscape, we will continue to invest in developing innovative products that offer the greatest potential returns and enhance the overall quality of our products, as well as make additional investments in the development of new manufacturing technologies. However, there is no assurance that we will be able to continue to compete successfully in this economic environment or that the prolonged slowdown of the global economy or production over-capacity will not have a material adverse effect on our business, results of operations or financial condition.

We rely on export sales for a significant portion of our total sales. Adverse economic and financial developments in Asia in the future may have an adverse effect on demand for our products in Asia and increase our foreign exchange risks.

We rely on export sales for a significant portion of our total sales. Our sales to customers abroad accounted for 40.1% of our total revenue in 2021 and 42.2% in the first nine months of 2022. Our sales to customers in Asia, including China, Japan, Indonesia, Thailand and Malaysia, accounted for 56.1% of our sales to customers abroad in 2021 and 49.7% in the first nine months of 2022, and we expect our sales to these countries to remain important in the future. Accordingly, adverse economic and financial developments in these countries may have an adverse effect on demand for our products. Unfavorable or uncertain economic and market conditions, which can be caused, among others, by difficulties in the financial sector, corporate, political or other scandals that may reduce confidence in the markets, declines in business confidence, increases in inflation, natural disasters or pandemics, outbreaks of hostilities or other geopolitical instability. Deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy (such as the ongoing trade disputes with Japan), or a combination of these or other factors, have in the past adversely affected, and may in the future adversely affect, demand for our products.

Economic weakness in Asia may also adversely affect our sales to the Korean companies that export to the region, especially companies in the construction, shipbuilding, automotive, electrical appliances and downstream steel processing industries. Weaker demand in these countries, combined with an increase in global production capacity, may also reduce export prices in U.S. dollar terms of our principal products sold to customers in Asia. For a discussion of production over-capacity in the global steel industry, see "— We operate in the highly competitive global steel industry, and our failure to successfully compete would adversely affect our market position and business." We attempt to maintain and expand our export sales to generate foreign currency receipts to cover our foreign currency purchases and debt service requirements. Consequently, any decrease in our export sales could also increase our foreign exchange risks.

Depreciation of the value of the Won against the U.S. dollar and other major foreign currencies may have a material adverse effect on the results of our operations and on the price of the Notes.

A substantial portion of our consolidated financial results is accounted for in currencies other than the Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by changes in the exchange rates of foreign currencies. We generated 40.1% of our revenue from overseas markets outside of Korea in 2021 and 42.2% in the first nine months of 2022. To the extent that we incur costs in one currency and make sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. Since the currency in which sales are recorded may not be the same as the currency in which expenses are incurred, foreign exchange rate fluctuations may materially affect our results of operations.

Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

- an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt;
- an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated primarily in U.S. dollars; and
- foreign exchange translation losses on foreign currency-denominated liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won against major currencies, on the other hand, causes:

- our export products to be less competitive by raising our prices in U.S. dollar, Yen and Renminbi terms; and
- a reduction in net sales and accounts receivables in Won from export sales, which are primarily denominated in U.S. dollars and to a lesser extent in Yen and Renminbi.

The overall net impact from fluctuations of the Won against major currencies is difficult to estimate and varies from year to year. We strive to naturally offset our foreign exchange risk by matching foreign currency receivables with our foreign currency payables. Although the impact of our exchange rate fluctuations is partially mitigated by such strategies, we periodically enter into derivative contracts, primarily foreign currency swaps and forward exchange contracts, to hedge some of our foreign exchange risks. However, our results of operations have historically been affected by exchange rate fluctuations and there can be no assurance that such strategies will be sufficient to reduce or eliminate the adverse impact of such fluctuations in the future.

We are dependent on imported raw materials, and significant increases in market prices of essential raw materials could adversely affect our margins and profits.

We purchase substantially all of the principal raw materials we use from sources outside Korea, including iron ore and coal. We imported approximately 54.9 million dry metric tons of iron ore and 25.4 million wet metric tons of coal in 2021 and approximately 37.7 million dry metric tons of iron ore and 16.9 million wet metric tons of coal in the first nine months of 2022. Iron ore is sourced primarily from Australia, Brazil and Canada. Coal is sourced primarily from Australia, Canada and Russia. Supply disruptions, which could be caused by political or other events in the countries from which we import these materials, could adversely affect our operations. In addition, we are particularly exposed to increases in the prices of coal, iron ore and nickel, which represent the largest components of our cost of goods sold. The prices of our key raw materials have fluctuated significantly in recent years. For example, the average market price of iron ore per dry metric ton (Iron Ore 62% Fe, CFR China Index announced by Platts) was US$93 in 2019, US$109 in 2020, US$160 in 2021, US$177 in the first nine months of 2021 and US$128 in the first nine months of 2022. The average market price of coal per wet metric ton (Premium Low Vol Coking Coal, FOB Australia Index announced by Platts) was US$176 in 2019, US$124 in 2020, US$226 in 2021, US$177 in the first nine months of 2021 and US$393 in the first nine months of 2022. Such increase in the price of coal in the first nine months of 2022 was in large part attributable to sanctions imposed on Russia, a large exporter of coal, following its invasion of Ukraine in February 2022.

Our long-term supply contracts generally have terms of three to ten years and provide for periodic price adjustments to the then-market prices. We typically adjust the prices on a quarterly basis and maintain approximately one month of inventory of raw materials. Such price adjustments are driven by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. For both coal and iron ore, we typically agree on the purchase price with the suppliers primarily based on the spot market price periodically announced by Platts (Premium Low Vol Coking Coal, FOB Australia Index and Iron Ore 62% Fe, CFR China Index). As of September 30, 2022, 76 million tons of iron ore and 1 million tons of coal remained to be purchased under long-term supply contracts. Future increases in prices of our key raw materials and our inability to pass along such increases to our customers could adversely affect our margins and profits. Increased prices may also cause potential customers to defer purchase of steel products, while rapidly falling prices may increase loss on valuation of raw material inventory purchased when prices were higher, either of which could have an adverse effect on our business, financial condition and results of operations.

Earthquakes, tsunamis, floods, severe health epidemics (including the ongoing global COVID-19 pandemic and any possible recurrence of other types of widespread infectious diseases) and other natural calamities could materially adversely affect our business, results of operations or financial condition.

If earthquakes, tsunamis, floods, severe health epidemics or any other natural calamities were to occur in the future in any area where any of our assets, suppliers or customers are located, our business, results of operations or financial condition could be adversely affected. For example, Typhoon Hinnamnor, a powerful tropical cyclone that landed in South Gyungsang Province, Korea on September 5, 2022, caused substantial flooding and property damage in cities located near the coastline, including Pohang. The typhoon caused electricity blackouts and flooded some of the Pohang Works' facilities located adjacent to Youngil Bay on the southeastern coast of Korea, causing disruptions to our downstream production activities, which adversely impacted our sales following the flood. In the third quarter of 2022, we recognized Won 222 billion in expenses related to unallocated production overheads as part of our depreciation expenses due to a decrease in our production level following the flood, Won 92 billion in flood damage restoration expenses and Won 95 billion in impairment of inventories and raw materials, all of which were recognized as part of our cost of sales. In addition, we recognized Won 147 billion related to damages to tangible assets as non-operating expenses, including Won 132 billion as impairment loss on property, plant and equipment, during such period. In the fourth quarter of 2022, we continued to engage in flood damage restoration activities that resulted in incurrence of additional expenses, as well as additional expenses related to unallocated production overheads due to a decrease in our production level and additional impairment loss on property, plant and equipment. By December 2022, we normalized operations at many of the facilities impacted by the flood, but we expect to continue repair activities at certain of our facilities during the first quarter of 2023. We expect a substantial portion of our expenses caused by the flood damage to be covered by insurance.

A number of suppliers of our raw materials and customers of our products are also located in countries that have historically suffered natural calamities from time to time, such as Australia, China and Japan, as well as Korea. Any occurrence of such natural calamities in countries where our suppliers are located may lead to shortages or delays in the supply of raw materials. In addition, natural calamities in areas where our customers are located, including China, Southeast Asia, Japan, Europe, North America and Korea, may cause disruptions in their businesses, which in turn could adversely impact their demand for our products.

Furthermore, COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 that was first reported to have been transmitted to humans in late 2019 and has spread globally, has materially and adversely affected the global economy and financial markets in recent years. In light of Government recommendations for social distancing, we have periodically implemented remote work arrangements for a portion of our workforce, particularly for employees in areas severely impacted by the pandemic, minimized business travel and assisted our employees with quarantine measures.

The World Health Organization declared COVID-19 as a pandemic in March 2020. While we do not believe that such disruptions and arrangements have had a material adverse impact on our business, a prolonged outbreak of COVID-19 may result in further disruptions in the normal operations of our business, including disruptions in the operation of our production facilities, delays in our production facility expansion projects, implementation of further work arrangements requiring employees to work remotely and restrictions on overseas and domestic business travel, which may lead to a reduction in labor productivity.

Other risks associated with prolonged outbreak of COVID-19 or other types of widespread infectious disease include:

- an increase in unemployment among, and/or decrease in disposable income of, consumers who purchase the products manufactured by our customers and a decline in overall consumer confidence and spending levels, which in turn may decrease demand for our products;
- disruption in the normal operations of the businesses of our customers, which in turn may decrease demand for our products;
- disruption in supply of raw materials from our vendors;
- disruption in delivery of our products to our customers;
- disruption in the normal operations of our business resulting from contraction of COVID-19 by our employees or quarantine measures imposed by governments, which may necessitate our employees to be quarantined and/or our manufacturing facilities or offices to be temporarily shut down;
- disruption resulting from the necessity for social distancing, including implementation of temporary adjustment of work arrangements requiring employees to work remotely, which may lead to a reduction in labor productivity (for example, from time to time, we implemented staggered remote working arrangements for our employees at our headquarters);
- depreciation of the Won against major foreign currencies, which in turn may increase the cost of imported raw materials;
- unstable global and Korean financial markets, which may adversely affect our ability to meet our funding needs on a timely and cost-effective basis; and

- impairments in the fair value of our investments in companies that may be adversely affected by the pandemic.

It is not possible to predict the duration or full magnitude of harm from COVID-19. In the event that COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, our business, financial condition and results of operations may be materially adversely affected.

We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims from customers or business interruptions.

The normal operation of our manufacturing facilities may be interrupted by accidents caused by operating hazards, power supply disruptions and equipment failures, as well as natural disasters. For example, we experienced significant losses related to flooding caused by Typhoon Hinnamnor in September 2022. See "— Earthquakes, tsunamis, floods, severe health epidemics (including the ongoing global COVID-19 pandemic and any possible recurrence of other types of widespread infectious diseases) and other natural calamities could materially adversely affect our business, results of operations or financial condition." As with other industrial companies, our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing property damage as well as personal injuries or death. We are also exposed to risks associated with product liability claims in the event that the use of the products we sell results in injury. We maintain property insurance for our property, plant and equipment that we believe to be consistent with market practice. However, we may not have adequate resources to satisfy a judgment in excess of our insurance coverage in the event of a successful claim against us. Any occurrence of accidents or other events affecting our operations could result in potentially significant monetary damages, diversion of resources, production disruption and delay in delivery of our products, which may have a material adverse effect on our business, financial condition and results of operations.

Further increases in, or new impositions of, anti-dumping, safeguard or countervailing duty proceedings may have an adverse impact on our export sales.

We engage in global operations, and we are involved in trade remedy proceedings in markets worldwide, including in the United States. We actively participate in such proceedings to minimize any adverse effects and associated risks. While there has been an increase in the number of trade cases in recent years, and an increased focus on trade issues by government officials, such cases have been limited in scope relative to our global sales and operations. We continue to carefully monitor developments with respect to trade remedy policy in all markets in which we participate and, where necessary, vigorously defend our rights through litigation before tribunals such as the U.S. Court of International Trade. Our products that are subject to anti-dumping duties, safeguard duties, countervailing duties, quotas or tariffs in the aggregate currently have not had a material adverse impact on our business and operations in recent years. However, there can be no assurance that increases in, or new impositions of, anti-dumping duties, safeguard duties, countervailing duties, quotas or tariffs on our exports of products abroad may not have a material adverse impact on our exports in the future.

We and POSCO HOLDINGS INC. remain jointly and severally liable for each other's liabilities existing prior to the spin-off.

We were incorporated on March 2, 2022 following a vertical spin-off of the domestic steel business by POSCO in accordance with Articles 530-2 through 530-12 of the Korean Commercial Code. As part of the spin-off, POSCO became a holding company and renamed itself POSCO HOLDINGS INC., and we were named POSCO. POSCO HOLDINGS INC. holds a 100.0% interest in us.

Under the relevant provisions of the Commercial Act of Korea relating to spin-offs, both the operating company and the holding company remain jointly and severally liable after the corporate spin-off for all of their liabilities existing prior to the corporate spin-off unless such joint and several liability has been successfully eliminated through a special resolution adopted at a general meeting of shareholders of the splitting company and consents of creditors of the affected debt, including consent by resolutions at bondholders' meetings, which resolutions are approved by the court. We and POSCO HOLDINGS INC. remain jointly and severally liable for each other's debts and other liabilities that existed prior to March 1, 2022 that currently remain outstanding. We are the successor-in-title to all the assets and liabilities and rights and obligations that were related to the domestic steel production and sales business transferred in the spin-off, as well as all authorized licenses, employment relations, contracts and lawsuits that were directly related to such business, and POSCO HOLDINGS INC. remains jointly and severally liable for such liabilities. The remaining assets and liabilities and rights and obligations related to other business areas remain with POSCO HOLDINGS INC., and we are jointly and severally liable for such liabilities. Defaults by POSCO HOLDINGS INC. of its joint and several liabilities, if significant, could have a material adverse effect on our results of operations and financial condition.

We are subject to environmental regulations, and our operations could expose us to substantial liabilities.

We are subject to national and local environmental laws and regulations, including increasing pressure to reduce emission of carbon dioxide relating to our manufacturing process, and our steel manufacturing operations could expose us to risk of substantial liability relating to environmental or health and safety issues, such as those resulting from discharge of pollutants and carbon dioxide into the environment, the handling, storage and disposal of solid or hazardous materials or wastes and the investigation and remediation of contaminated sites. We may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated manufacturing sites. We may also be subject to associated liabilities, including liabilities for natural resource damage, third party property damage or personal injury resulting from lawsuits brought by the Government or private litigants. In the course of our operations, hazardous wastes may be generated at third party-owned or operated sites, and hazardous wastes may be disposed of or treated at third party-owned or operated disposal sites. If those sites become contaminated, we could also be held responsible for the cost of investigation and remediation of such sites, for any associated natural resource damage, and for civil or criminal fines or penalties.

Furthermore, heightened global awareness and international and national commitments to reduce greenhouse gas emissions and counteract climate change (including increased activism by non-governmental and political organizations campaigning against fossil fuel extractions) may lead to increased costs for us. For example, the Glasgow Climate Pact which was agreed to at the 2021 United Nations Climate Change Conference ('COP26") in November 2021 includes commitments to phase down the use of unabated coal power and inefficient fossil fuel subsidies. The Government also announced its commitment to reduce greenhouse gas emissions by 40% by 2030 at COP26. Investor preferences and sentiments are also influenced by environmental, social and corporate governance considerations including climate change and the transition to a lower carbon economy. Changes in such preferences and sentiment, including increased scrutiny from market participants, environmental organizations or the press, as well as compliance with such new and more stringent environmental obligations relating to greenhouse gas emissions may require additional capital expenditures or modifications in operating practices, as well as additional reporting obligations.

Significant breaches of information security could lead to legal and financial exposure, damage to our reputation and a loss of confidence by our customers.

Our business relies heavily on mission-critical, complex and interdependent information technology systems that support our business processes. It involves the storage and transmission of confidential information relating to us as well as our customers and suppliers. Any significant breach in our information security could expose us to a risk of loss, improper use or disclosure of such information, and could give rise to significant liability or litigation, any of which could harm our reputation and adversely affect our business.

We believe that there has been no instance of a material breach in our information security to date that resulted in significant disruption of our operations and had a significant adverse effect on our operational results, or on third parties, including our customers and suppliers. However, there can be no assurance that we will be able to continue to prevent security incidents or other breaches in our information security from having a material adverse effect on our business, results of operations, financial viability or reputation. In addition, our information security measures may fail due to external and internal security threats, outages, malicious intrusions and attacks, programming or human errors and malfeasance, or other similar events.

Instituting appropriate access controls and safeguards across our information technology infrastructure is challenging. Furthermore, outside parties may attempt to fraudulently induce employees to divulge sensitive information to gain access to our data or our customers' data or access credentials. Because the techniques used to obtain unauthorized access, disable or degrade services or sabotage systems change frequently and often are not recognized until attacks are launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our cybersecurity occurs or the market perception of the effectiveness of our information security measures is compromised, this may lead to significant legal and financial exposure, including legal claims and regulatory fines and penalties, reputational harm and a loss of confidence of our customers, which could have an adverse effect on our business, financial condition and results of operations.

Failure to protect our intellectual property rights could impair our competitiveness and harm our business and future prospects.

We believe that developing new steel manufacturing technologies that can be differentiated from those of our competitors, such as FINEX, automotive steel manufacturing technology and high-manganese steel manufacturing technology, is critical to the success of our business. We take active measures to obtain protection of our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. However, we cannot assure you that the measures we take will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise and our intellectual property may otherwise become known or independently developed by our competitors. Any failure to protect our intellectual property could impair our competitiveness and harm our business and future prospects.

We rely on trade secrets and other unpatented proprietary know-how to maintain our competitive position, and unauthorized disclosure of our trade secrets or other unpatented proprietary know-how could negatively affect our business.

We rely on trade secrets and unpatented proprietary know-how and information. We enter into confidentiality agreements with each of our employees and consultants upon the commencement of an employment or consulting relationship. These agreements generally provide that all inventions, ideas, discoveries, improvements and patentable material made or conceived by the individual arising out of the employment or consulting relationship and all confidential information developed or made known to the individual during the term of the relationship is our exclusive property. We cannot assure the enforceability of these types of agreements, or that they will not be breached. We also cannot be certain that we will have adequate remedies for any breach. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business.

We face the risk of litigation proceedings relating to infringement of intellectual property rights of third parties, which, if determined adversely to us, could cause us to lose significant rights, pay significant damage awards or suspend the sale of certain products.

Our success depends largely on our ability to develop and use our technology and know-how in a proprietary manner without infringing the intellectual property rights of third parties. The validity and scope of claims relating to technology and patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. In addition, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of other persons' pending patent applications that relate to our products or manufacturing processes. Accordingly, we face the risk of litigation proceedings relating to infringement of intellectual property rights of third parties.

The plaintiffs in actions relating to infringement of intellectual property rights typically seek injunctions and substantial damages. Although patent and other intellectual property disputes are often settled through licensing or similar arrangements, there can be no assurance that such licenses can be obtained on acceptable terms or at all. Accordingly, regardless of the scope or validity of disputed patents or the merits of any patent infringement claims by potential or actual litigants, we may have to engage in protracted litigation. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings could subject us to pay substantial damages to third parties, require us to seek licenses from third parties and pay ongoing royalties or redesign certain products, or subject us to injunctions prohibiting the manufacture and sale of our products or the use of technologies in certain jurisdictions. The occurrence of any of the foregoing could have a material adverse effect on our reputation, business, financial condition and results of operations.

We depend on other member companies of the POSCO Group for certain of our sales operations and procurement of raw materials.

We sell steel products produced by us directly to external customers, as well as engage our affiliates, primarily POSCO International, to sell steel products produced by us. Our revenue from steel products produced by us and sold to our affiliates that in turn sold them to their external customers amounted to Won 11,753 billion in 2020 and Won 17,317 billion in 2021, and Won 10,481 billion in the first nine months of 2021 and Won 14,401 billion in the first nine months of 2022.

We also procure raw materials from our affiliates that engage in exploration and production projects abroad by acquiring mining rights of raw materials or by investing in projects either as part of a consortium or through an acquisition of a minority interest. In 2021, we purchased approximately 39% of our iron ore imports and 15% of our coal imports from foreign mines in which other member companies of the POSCO Group have made investments. In the first nine months of 2022, we purchased approximately 34% of our iron ore imports and 22% of our coal imports from foreign mines in which other member companies of the POSCO Group have made investments. POSCO Group's major investments to procure supplies of coal, iron ore and nickel are primarily located in Australia, Canada, Brazil and New Caledonia.

There can be no assurance that our affiliates will be able to continue to effectively provide services without delays or interruptions. Any financial instability of, contractual disputes with, or labor disruptions at, such companies may disrupt the sales of our products or procurement of raw materials in a timely manner. The occurrence of any such events that disturb our operations as well as our inability to replace such affiliates could have a material adverse effect on our business, financial condition and results of operations.

Labor laws and a recent Supreme Court decision on contract-based workers dispatched by third-party contractors could restrict flexibility in our labor management and result in an increase in our labor-related costs.

In July 2022, the Supreme Court of Korea held that 59 workers employed by our third-party contractors and dispatched to our production facilities who brought a claim under the Dispatched Worker Protection Act ("DWPA") of Korea were in a direct employment relationship with us. The DWPA limits the maximum period that a worker may be dispatched to a company to two years. Under the DWPA, worker dispatch exceeding such period may result in a company's obligation to directly hire such dispatched workers in certain situations, including where such workers were directly supervised by the company rather than the third-party contractor. Pursuant to such judgment, we hired 55 of such workers that met our working age criteria as our full-time direct employees. In October 2022, all 59 original plaintiffs collectively filed a complaint at the Gwangju District Court claiming an aggregate amount of Won 3.0 billion as unpaid wages for the three-year period that they should have been recognized as our full-time direct employees. The lawsuit is still in progress, and we intend to vigorously defend against such lawsuit.

In addition to the decision rendered by the Supreme Court in July 2022, thirteen lawsuits brought by a total of approximately 2,890 workers employed by our third-party contractors who worked at our production facilities related to such workers' employment status with us remain pending as of December 27, 2022. Many of these cases also seek unpaid wages for the period they claim should have been recognized as our full-time direct employees. Eleven of such thirteen lawsuits remain pending at the district courts. With respect to one of the two remaining lawsuits, which involves eight workers, the district court ruled in our favor but the appellate court ruled against us. We appealed the decision in February 2022, which remains pending at the Supreme Court. With respect to the other remaining lawsuit, which involves 215 workers, both the district court and the appellate court ruled against us. We appealed the appellate court's decision in February 2022, which remains pending at the Supreme Court. We intend to vigorously defend against such lawsuits.

We cannot provide any assurance that there will not be additional lawsuits related to the employment status of workers employed by our third-party contractors who worked at our production facilities, and we have not made any provisions related to any of the pending proceedings. The application of the applicable labor law will be based on the specific facts of the cases, and the general applicability of the July 2022 Supreme Court ruling cannot be determined with certainty at this time. However, if similar judgments were to be rendered against us, they could restrict our ability to manage our labor force flexibly and significantly increase our labor-related costs, which in turn may have a material adverse effect on our results of operations.

We may be exposed to potential claims for unpaid wages and become subject to additional labor costs arising from the Supreme Court of Korea's interpretation of ordinary wages.

Under the Labor Standards Act, an employee's "ordinary wage" is used as the basis for calculating various statutory benefits. Prior to the Supreme Court of Korea's decision described below, we and other companies in Korea had interpreted the previous guidelines issued by the Ministry of Employment and Labor as excluding fixed bonuses that are paid other than on a monthly basis, such as bimonthly, quarterly or biannually paid bonuses, from employees' ordinary wages.

In December 2013, the Supreme Court of Korea ruled that regularly paid bonuses, including those that are paid other than on a monthly basis, are included in the scope of employees' ordinary wages if these bonuses are paid (i) "regularly," (ii) "uniformly" and (iii) on a "fixed basis," notwithstanding differential amounts based on seniority. Under this decision, any provision of a collective bargaining agreement or other agreements that attempt to exclude such regular bonuses from employees' ordinary wages will be deemed void for violation of the mandatory provisions of Korean law.

The Supreme Court of Korea's decision clarified that if payment of a regular bonus is limited only to those working for the employer on a specific date, such bonus is not fixed and thus does not constitute part of an employee's ordinary wage. The Ministry of Employment and Labor subsequently published guidelines in January 2014 (the "Guidelines"). According to the Guidelines, the Government excludes, from ordinary wages, regular bonuses contingent on employment on a specific date. Based on the Supreme Court of Korea's decision and the Guidelines, we believe that regular bonuses we have paid to our employees are likely not required to be included in their ordinary wages because we have paid regular bonuses only to those working for us on the date of payment calculation, the 15th day of each month. However, if we are nonetheless determined to have underpaid employees by under-calculating their ordinary wages over the past three years or in the future, we may be liable for additional payments reflecting the expanded scope of employees' ordinary wages. Any such additional payments may have an adverse effect on our financial condition and results of operations.

We may selectively seek opportunities to expand our steel production operations abroad, which international expansion efforts may not be successful.

As part of our strategy, we may selectively seek opportunities to expand our steel production operations internationally in regions that we believe offer promising growth prospects. We may enter into additional joint ventures with foreign steel producers that would enable us to rely on these businesses to conduct our operations, establish local networks and coordinate our sales and marketing efforts abroad. To the extent that we enter into these arrangements, our success will depend in part on the willingness of our partner companies to dedicate sufficient resources to their partnership with us.

In other situations, we may decide to establish manufacturing facilities by ourselves instead of relying on partners as well as acquire certain subsidiaries of POSCO HOLDINGS INC. In December 2022, we also acquired POSCO HOLDINGS INC.'s interests in some of its subsidiaries and investments related to steel manufacturing and sales, including POSCO HOLDINGS INC.'s 74.6% interest in POSCO Thainox Public Company Limited, 100.0% interest in POSCO (Thailand) Co., Ltd. and 51.0% interest in POSCO Yamato VINA Steel Joint Stock Company, for Won 1.1 trillion. The demand and market acceptance for our products produced abroad are subject to a high level of uncertainty and are substantially dependent upon the market condition of the global steel industry. In addition, expansion of our production operations abroad requires management attention and resources. We also face additional risks associated with our expansion outside Korea, including:

- challenges caused by distance, language and cultural differences;
- higher costs associated with doing business internationally;
- legal and regulatory restrictions, including foreign exchange controls that might prevent us from repatriating cash earned in countries outside Korea;
- longer payment cycles in some countries;
- credit risk and higher levels of payment fraud;
- currency exchange risks;
- potentially adverse tax consequences;
- political and economic instability; and
- seasonal reductions in business activity during the summer months in some countries.

We cannot assure you that any international investments we make will be profitable or that we can recoup the costs related to such investments.

We expect to continue operations and investments relating to countries targeted by United States, European Union and United Kingdom economic sanctions.

The U.S. Department of the Treasury's Office of Foreign Assets Control, or "OFAC," enforces certain laws and regulations ("U.S. Sanctions") that impose prohibitions or restrictions on U.S. persons and, in some instances, foreign entities owned or controlled by U.S. persons, with respect to activities or transactions with or involving certain countries, governments, entities and individuals that are the subject of U.S. Sanctions (including countries and territories subject to a comprehensive embargo (currently the Crimea, Donetsk and Luhansk regions of Ukraine, Cuba, Iran, North Korea and Syria), as well as parties subject to or that are majority owned by one or more parties subject to so-called blocking sanctions). U.S. persons are also generally strictly prohibited from facilitating such activities or transactions. Similarly, the European Union enforces certain laws and regulations ("E.U. Sanctions") that impose restrictions on nationals of E.U. member states, persons located within E.U. member states, entities incorporated or constituted under the law of an E.U. member state, or business conducted in whole or in part in E.U. member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of E.U. Sanctions. E.U. persons are also generally prohibited from activities that promote such activities or transactions. The United Kingdom also enforces certain laws and regulations ("UK Sanctions") that impose restrictions upon UK persons with respect to activities or transactions with parties that are the subject of UK Sanctions. In light of recent international developments, particularly the ongoing war in Ukraine, the United States, European Union and United Kingdom have imposed enhanced sanctions targeting Russia.

We engage in limited business activities in Russia and Iran. We produce and export steel products to such countries, including steel materials to Iranian and Russian entities, as well as purchase raw materials from non-Russian third parties that are sourced from mines in Russia. We believe that such activities do not involve any U.S. goods or services and otherwise do not implicate or violate U.S., E.U. or UK Sanctions. Also, none of our business in Russia involves parties subject to U.S. blocking sanctions. Our activities in Russia and Iran together accounted for approximately 0.095% of our consolidated revenue in 2020, 0.053% in 2021 and 0.019% in the first nine months of 2022. In addition, our raw materials purchased that are sourced from mines in Russia accounted for approximately 4.1% of our consolidated cost of goods sold in 2020, 3.4% in 2021 and 2.7% in the first nine months of 2022.

POSCO Steeleon Co., Ltd. ("POSCO Steeleon"), our subsidiary, holds a 70% interest in Myanmar POSCO C&C Co., Ltd. ("Myanmar POSCO C&C"), a joint venture with Myanmar Economic Holdings Public Company Limited that was designated for U.S. blocking sanctions by OFAC on March 25, 2021. Myanmar POSCO C&C engages in the production and sale of coated steel roofing sheets in Myanmar, and its sales accounted for approximately 0.13% of our consolidated revenue in 2020, 0.05% in 2021 and 0.004% in the first nine months of 2022. POSCO Steeleon is reassessing the future of this joint venture. The U.S. blocking sanctions that apply to Myanmar POSCO C&C do not apply to us or POSCO Steeleon.

We expect to continue to engage in business activities and make investments in countries on which comprehensive U.S. Sanctions have been imposed, including Iran, and also plan to continue to engage in business in Russia over the foreseeable future. Although we believe that U.S., E.U. and UK Sanctions under their current terms are not applicable to our current activities, our reputation may be adversely affected, and some of our investors may be required to divest their investments in us, including under the laws of certain U.S. states or under internal investment policies or may decide for reputational reasons to divest such investments. We are aware of initiatives by U.S. governmental entities and U.S. institutional investors, such as pension funds, to adopt or consider adopting laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with countries identified as state sponsors of terrorism, such as Iran. We cannot assure you that the foregoing will not occur, that sanctions regimes around the world will not change in a way that impacts our business, or that such occurrences will not have a material adverse effect on the value of our Notes.

Our transactions with our subsidiaries, affiliates and other member companies of the POSCO Group may be restricted under Korean fair trade regulations.

Our business relationships and transactions with our subsidiaries, affiliates and other members of the POSCO Group are subject to ongoing scrutiny by the Korea Fair Trade Commission as to, among other things, whether such relationships and transactions constitute undue financial support among companies of the same business group. We engage in various transactions with our affiliates, including sale of steel products produced by us and obtaining key raw materials for our production. We are also subject to fair trade regulations limiting cross-guarantees of debt and cross-shareholdings among member companies of the POSCO Group. Any future determinations by the Korea Fair Trade Commission that we have engaged in transactions that violate fair trade laws and regulations may result in fines or other punitive measures and may have a material adverse effect on our reputation and our business.

Our transactions with related parties are subject to close scrutiny by the Korean tax authorities.

Under Korean tax law, there is an inherent risk that our transactions with our subsidiaries, affiliates or other members of the POSCO Group or any other person or company that is related to us may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that were not on an arm's-length basis. If the Korean tax authorities determine that any of our transactions with related parties were not on an arm's-length basis, we would not be permitted to deduct as expenses, or would be required to include as taxable income, the amount equivalent to such undue financial support as expenses, which may have adverse tax consequences for us.

We were incorporated on March 2, 2022 following a vertical spin-off of the domestic steel business by the Pre-spin-off Company, and our carve-out and combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if we had operated as an independent entity.

We were incorporated on March 2, 2022 following a vertical spin-off of the domestic steel business by the Pre-spin-off Company in accordance with Articles 530-2 through 530-12 of the Korean Commercial Code. Accordingly, throughout the periods included in our carve-out and combined financial statements before March 1, 2022 (the date of the spin-off), we did not exist as a separate legal and reporting entity, and our carve-out and combined financial statements are derived from the historical consolidated financial statements and accounting records of the Pre-spin-off Company to present our financial position, operating performance and cash flows for the purposes of this Offering Circular and the issuance of the Notes.

Our carve-out and combined financial statements, which are prepared by combining the carve-out financial statements of the steel business of the Pre-spin-off Company and certain subsidiaries of the Pre-spin-off Company, are not in accordance with K-IFRS. However, the accounting policies applied in our carve-out and combined financial statements are consistent with the accounting policies applied in the historical consolidated financial statements of the Pre-spin-off Company, which had been prepared in accordance with K-IFRS. See Notes 2 and 3 of the Annual Financial Statements and Notes 2 and 3 of the Interim Financial Statements for a discussion of the basis of preparation and summary of significant accounting policies.

Our carve-out and combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if we had operated as an independent entity, nor may they be indicative of our results of operations for any future period.

Risks Relating to Korea

Escalations in tensions with North Korea could have an adverse effect on us and the market value of our Notes.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and ballistic missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. North Korea has increased the frequency of its missile tests in 2022, firing over 60 ballistic missiles, including eight intercontinental ballistic missiles. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaesong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea or the United States and North Korea break down or further military hostilities occur, could have a material adverse effect on the Korean economy and on our business, financial condition and results of operations and the market value of our Notes.

Risks Relating to the Notes

The Notes are unsecured obligations.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occurs, our assets may not be sufficient to pay amounts due on any of the Notes. In addition, any secured indebtedness incurred by us would have priority over our unsecured indebtedness to the extent of the assets securing such indebtedness.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see “Description of the Notes” and “Transfer Restrictions.”

The Notes have not been and will not be registered with the FSC under the FSCMA. Accordingly, the Notes may not be offered, sold, delivered or transferred, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Act of Korea and the Enforcement Decree thereof) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB registered with the KOFIA as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

The Notes are subject to prescription regulations in Korea.

Failure to exercise a right of action for more than a certain period of time may operate as a bar to exercise of such right. Under Korean laws, claims against the issuer in respect of the payment of principal of notes or bonds are prescribed upon the expiry of ten years, and claims for payment of interest in respect of notes or bonds are prescribed upon the expiry of five years, in each case, from the relevant due date as adjusted by any acceleration or otherwise, in respect thereof. If the Note holders fail to exercise their right of payment for more than the period set forth above, the Korean courts may not enforce a claim for payment for principal or interest in respect of the Notes.

The Notes contain limited restrictive covenants and will not restrict our ability to make investments, incur unsecured indebtedness or pay dividends.

The Notes contain limited restrictive covenants and will not restrict our ability to:

- invest in affiliates, associate or subsidiaries;
- repurchase common or preferred shares, make distributions or issue dividends;

- issue preferred securities or incur unsecured indebtedness; or
- make capital expenditures.

Our election to take such actions could adversely affect our ability to pay amounts due on the Notes.

The Notes may have limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market. The Notes will be listed on the Frankfurt Open Market Quotations Board. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes on the Singapore Stock Exchange or any other exchange. Although the Initial Purchasers have advised us that they currently intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice in their sole discretion. For a further discussion of the Initial Purchasers' planned market-making activities, see "Plan of Distribution."

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- our results of operations and financial condition;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial and other sectors.

The credit ratings assigned to us and the Notes are limited in scope.

We and our debt securities, including the Notes, are subject to periodic review by independent credit rating agencies. Accordingly, increases in the level of our outstanding indebtedness, a deterioration in our operating performance or other events could cause the rating agencies to downgrade our credit ratings generally and the ratings on the Notes, which could adversely impact the trading prices for, or the liquidity of, the Notes. Any such downgrade could also adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in future debt agreements.

The Notes are expected to be rated Baa1 by Moody's, and A- by S&P. The credit ratings assigned to the Notes are limited in scope, and may not reflect the potential impact of all risks related to structure and other factors that may affect the value of the Notes. Each agency's rating should be evaluated independently of any other agency's rating. A credit rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. There can be no assurance that these ratings will remain in effect for a given period or that these ratings will not be revised or withdrawn by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, suspension or withdrawal. A revision, suspension, or withdrawal at any time of a rating assigned to the Notes may adversely affect the market price of the Notes.

Risks Relating to Forward-Looking Statements

This Offering Circular contains forward-looking statements. We caution you not to rely on the forward-looking statements, which speak only as of the date of this Offering Circular.

In addition to the risks related to our business discussed above, other factors could cause actual results to differ materially from those described in the various forward-looking statements contained in this Offering Circular, including our use of proceeds from the offering. These factors include, but are not limited to, the following:

- general economic, business and political conditions;
- trends in the global steel industry;
- delay or cancellation of our announced capital expenditure plans;
- market conditions and business outlook for our products;
- a prolonged outbreak of COVID-19 or other types of widespread infectious diseases;
- fluctuations in prices of raw materials;
- adverse trends in regulatory, legislative and judicial developments;
- changes in interest rates and currency exchange rates;
- our leverage and our ability to meet our debt obligations; and
- conditions in the Korean and global financial markets.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs (including capital costs) could increase, investments could be delayed and anticipated improvements in performance might not be fully realized.

We caution you not to rely on the forward-looking statements, which speak only as of the date of this Offering Circular. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

USE OF PROCEEDS

The net proceeds from the issuance of the 2026 Notes are expected to be US$692,300,000, the net proceeds from the issuance of the 2028 Notes are expected to be US$990,080,000 and the net proceeds from the issuance of the 2033 Notes are expected to be US$295,047,000, in each case after deducting underwriting commissions but not estimated expenses of the offering.

The net proceeds from the Notes will be used for refinancing existing indebtedness and other general corporate purposes.

CAPITALIZATION

The following table sets forth our capitalization (defined as the sum of long-term debt, excluding current portion, and total equity) as of September 30, 2022 and as adjusted to give effect to the issuance of the Notes, before deducting underwriting commissions and estimated expenses of the offering payable by us and on the assumption that the proceeds from the issuance of the Notes will not be used for the immediate repayment of outstanding borrowings. For additional information, see "Selected Financial and Other Data" and our carve-out and combined financial statements and related notes included elsewhere in this Offering Circular. This table should be read in conjunction with our carve-out and combined financial statements and related notes included elsewhere in this Offering Circular.

	As of September 30, 2022	
	Outstanding	**As Adjusted**
	(In billions of Won)	
Long-term debt:		
Long-term borrowings, excluding current installments	₩ 5,651	₩ 5,651
Notes offered hereby [1][2]	—	2,852
Total long-term debt	₩ 5,651	₩ 8,503
Shareholders' equity:		
Share capital	₩ 482	₩ 482
Capital surplus	30,394	30,394
Hybrid bonds	199	199
Reserves	1	1
Retained earnings	1,348	1,348
Non-controlling interest	245	245
Total shareholders' equity	₩ 32,671	₩ 32,671
Total capitalization [3]	₩ 38,322	₩ 41,174

(1) Pursuant to the Financial Accounting Standards of the Republic of Korea, the Notes will be accounted for as long-term debt for purposes of our capitalization.

(2) Translated into Won amount at the market average exchange rate of Won 1,434.8 to US$1.00 on September 30, 2022 as announced by the Seoul Money Brokerage Services, Ltd.

(3) Sum of long-term debt (excluding current portion) and total equity.

Except as described above, there have been no material changes in our capitalization since September 30, 2022.

EXCHANGE RATES

The following table sets out, for the periods and dates indicated, information concerning the Market Average Exchange Rate. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted in U.S. dollars or Won, as the case may be, at any particular rate or at all.

Period	At End of Period	Average Rate (1)	High	Low
	(Won per US$1.00)			
2017	₩ 1,071.4	₩ 1,130.8	₩ 1,208.5	₩ 1,071.4
2018	1,118.1	1,100.3	1,142.5	1,057.6
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020	1,088.0	1,180.1	1,280.1	1,082.7
2021	1,185.5	1,144.4	1,199.1	1,083.1
2022	1,267.3	1,292.0	1,436.6	1,185.5
July	1,304.0	1,307.4	1,323.7	1,294.2
August	1,347.5	1,318.4	1,347.7	1,298.6
September	1,434.8	1,391.6	1,436.5	1,345.1
October	1,419.3	1,426.7	1,436.6	1,404.2
November	1,331.5	1,364.1	1,422.4	1,320.3
December	1,267.3	1,293.7	1,320.4	1,267.3
2023 (through January 9)	1,267.2	1,270.1	1,274.7	1,267.2
January (through January 9)	1,267.2	1,270.1	1,274.7	1,267.2

Source: Seoul Money Brokerage Services, Ltd.

(1) The average rate for each period is calculated as the average of the Market Average Exchange Rates on each business day during the relevant period (or portion thereof).

SELECTED FINANCIAL AND OTHER DATA

The following tables present our selected financial and other information. The selected financial information as of and for the years ended December 31, 2020 and 2021 are derived from the Annual Financial Statements included elsewhere in this Offering Circular. The summary financial information presented as of September 30, 2022 and for the nine months ended September 30, 2021 and 2022 are derived from the Interim Financial Statements included elsewhere in this Offering Circular.

Our carve-out and combined financial statements, which are prepared by combining the carve-out financial statements of the steel business of the Pre-spin-off Company and certain subsidiaries of the Pre-spin-off Company, are not in accordance with K-IFRS. However, the accounting policies applied in our carve-out and combined financial statements are consistent with the accounting policies applied in the historical consolidated financial statements of the Pre-spin-off Company, which had been prepared in accordance with K-IFRS.

As we did not exist as a separate legal and reporting entity during the periods from January 1, 2020 to February 28, 2022, our carve-out and combined financial statements have been prepared on a carve-out basis. Accordingly, our carve-out and combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if we had operated as an independent entity, nor may they be indicative of our results of operations for any future period. In addition, our Interim Financial Statements included in this Offering Circular have been prepared on a carve-out and combined basis (for the nine months ended September 30, 2021) and on a combination basis of (i) financial statements prepared on a carve-out and combined basis (for the two months ended February 28, 2022) and (ii) financial statements prepared on a consolidated basis (as of September 30, 2022 and for the seven months ended September 30, 2022). Accordingly, the financial condition and results of operations for the nine months ended September 30, 2021 and the nine months ended September 30, 2022 may not be directly comparable.

Our results of operations for the nine months ended September 30, 2022 may not be indicative of our results of operations for the full year 2022.

Statement of Comprehensive Income Information

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2020 (1)	2021 (1)	2021 (1)	2022 (2)
	(in billions of Won)			
Revenue	₩ 26,982	₩ 40,543	₩ 28,854	₩ 34,541
Cost of sales	24,711	32,618	22,974	30,615
Gross profit	2,271	7,926	5,879	3,927
Selling and administrative expenses	1,061	1,145	833	841
Operating profit	1,210	6,781	5,047	3,086
Finance income	631	608	563	1,509
Finance costs	662	809	718	1,607
Other non-operating income	117	127	85	37
Other non-operating expenses	299	454	139	325
Profit before income tax	997	6,253	4,838	2,699
Income tax expense (benefit)	(17)	1,691	1,311	749
Profit	₩ 1,014	₩ 4,562	₩ 3,528	₩ 1,950
Other comprehensive income (loss), net of tax	55	29	(12)	(63)
Total comprehensive income	₩ 1,069	₩ 4,591	₩ 3,516	₩ 1,887
Profit attributable to:				
Owners of the company	₩ 1,014	₩ 4,562	₩ 3,528	₩ 1,910
Non-controlling interests	—	—	—	40

(1) Carve-out and combined statement of comprehensive income.

(2) Combination of (i) carve-out and combined statement of comprehensive income for the two months ended February 28, 2022 and (ii) consolidated statement of comprehensive income for the seven months ended September 30, 2022.

Statement of Financial Position Information

	As of December 31,		As of September 30,
	2020 (1)	2021 (1)	2022 (2)
	(in billions of Won)		
Working capital (3)	₩ 3,117	₩ 6,671	₩ 16,620
Total current assets	8,352	14,573	24,075
Property, plant and equipment, net	19,038	18,597	18,570
Total non-current assets	20,219	19,933	22,074
Total assets	28,570	34,506	46,149
Short-term borrowings and current installments of long-term borrowings	2,547	2,196	3,895
Long-term borrowings, excluding current installments	5,347	4,693	5,651
Total liabilities	12,178	14,051	13,479
Total equity	16,392	20,455	32,671

(1) Carve-out and combined statement of financial position.

(2) Consolidated statement of financial position.

(3) "Working capital" means current assets minus current liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements included elsewhere in this Offering Circular. Our financial information appearing below is derived from our Annual Financial Statements and Interim Financial Statements. The accounting policies applied in such carve-out and combined financial statements are consistent with the accounting policies applied in the historical consolidated financial statements of the Pre-spin-off Company, which had been prepared in accordance with K-IFRS. See Notes 2 and 3 to the Annual Financial Statements and Notes 2 and 3 to the Interim Financial Statements for a discussion of the basis of preparation and summary of significant accounting policies. K-IFRS differs in certain significant respects from generally accepted accounting principles in other countries, including the United States.

As we did not exist as a separate legal and reporting entity during the periods from January 1, 2020 to February 28, 2022, our carve-out and combined financial statements have been prepared on a carve-out basis. Accordingly, our carve-out and combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if we had operated as an independent entity, nor may they be indicative of our results of operations for any future period. In addition, our Interim Financial Statements included in this Offering Circular have been prepared on a carve-out and combined basis (for the nine months ended September 30, 2021) and on a combination basis of (i) financial statements prepared on a carve-out and combined basis (for the two months ended February 28, 2022) and (ii) financial statements prepared on a consolidated basis (as of September 30, 2022 and for the seven months ended September 30, 2022). Accordingly, the financial condition and results of operations for the nine months ended September 30, 2021 and the nine months ended September 30, 2022 may not be directly comparable.

The discussion contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this Offering Circular.

Overview

We are the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world, based on annual crude steel production. We produced approximately 35.9 million tons of crude steel and stainless steel in 2020, 38.3 million tons in 2021 and 26.2 million tons in the first nine months of 2022, all of which was produced at Pohang Works and Gwangyang Works. As of September 30, 2022, we had approximately 40.7 million tons of annual crude steel and stainless steel production capacity. We believe Pohang Works and Gwangyang Works are two of the most technologically advanced integrated steel facilities in the world. We manufacture and sell a diversified line of steel products, including cold rolled and hot rolled products, stainless steel products, plates, wire rods and silicon steel sheets, and we are able to meet a broad range of customer needs from manufacturing industries that consume steel, including the automotive, shipbuilding, home appliance, engineering and machinery industries. We also engage in the production of a wide range of coated steel sheets through POSCO Steeleon, a subsidiary in which we hold a 56.9% interest. In December 2022, we also acquired POSCO HOLDINGS INC.'s interests in some of its subsidiaries and investments related to steel manufacturing and sales, including POSCO HOLDINGS INC.'s 74.6% interest in POSCO Thainox Public Company Limited, 100.0% interest in POSCO (Thailand) Co., Ltd. and 51.0% interest in POSCO Yamato VINA Steel Joint Stock Company, for Won 1.1 trillion. Such acquisitions are expected to be accounted for as acquisitions of entities under common control, and accordingly, the assets and liabilities of such subsidiaries are expected to be recognized at the carrying amounts recognized previously in the consolidated financial statements of POSCO HOLDINGS INC. Accordingly, no goodwill is expected to be recognized as a result of the acquisitions.

Factors Affecting Our Results of Operations and Financial Condition

One of the major factors contributing to our historical performance has been the growth of the Korean economy, and our future performance will depend at least in part on Korea's general economic growth and prospects. For a description of recent developments that have had and may continue to have an adverse effect on our results of operations and financial condition, see "Risk Factors — Risks Relating to the Company — Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate." A number of other factors have had or are expected to have a material impact on our results of operations, financial condition and capital expenditures. These factors include:

- our sales volume, unit prices and product mix;
- costs and production efficiency; and
- exchange rate fluctuations.

As a result of these factors, our financial results in the past may not be indicative of future results or trends in those results.

Sales Volume, Prices and Product Mix

In recent years, our net sales have been affected by the following factors:

- the demand for our products in the Korean market and our capacity to meet that demand;
- our ability to compete for sales in the export market;
- price levels; and
- our ability to improve our product mix.

Domestic demand for our products is affected by the condition of major steel-consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general.

In 2021, the unit sales price in Won for each of our principal product lines of steel products increased compared to 2020, reflecting a rebound in global market conditions in 2021 following a weak 2020 that was adversely impacted by the COVID-19 pandemic. The weighted average unit price for our principal product lines of steel products increased by 50.5% from 2020 to 2021, which impact was offset in part by the appreciation in the average value of the Won against the U.S. dollar in 2021 that decreased our export prices in Won terms. The average exchange rate of the Won against the U.S. dollar, as announced by Seoul Money Brokerage Services, Ltd., appreciated from an average of Won 1,180.1 to US$1.00 in 2020 to an average of Won 1,144.4 to US$1.00 in 2021.

The unit sales price of hot rolled products, which accounted for 35.3% of total sales volume of the principal steel products, increased by 59.5% in 2021. The unit sales price of cold rolled products, which accounted for 32.1% of total sales volume of such products, increased by 58.9% in 2021. The unit sales price of plates, which accounted for 16.4% of total sales volume of such products, increased by 45.2% in 2021. The unit sales price of wire rods, which accounted for 7.9% of total sales volume of such products, increased by 39.6% in 2021. The unit sales price of silicon steel sheets, which accounted for 2.5% of total sales volume of such products, increased by 31.3% in 2021. The unit sales price of stainless steel products, which accounted for 5.8% of total sales volume of such products, increased by 25.7% in 2021.

In the first nine months of 2022, the unit sales price in Won for each of our principal product lines of steel products increased compared to the first nine months of 2021, reflecting continuation of strong market conditions in the first half of 2022 as well as depreciation of the Won against the U.S. dollar in the first nine months of 2022 that increased our export prices in Won terms during such period. However, weaker demand beginning in the second half of 2022 has adversely impacted steel prices. General increases in the prices of key raw materials in recent years have also contributed to increases in the prices of our steel products during 2021 and the first nine months of 2022. The weighted average unit price for our principal product lines of steel products increased by 31.7% from the first nine months of 2021 to the first nine months of 2022, which impact was enhanced by the depreciation in the average value of the Won against the U.S. dollar in the first nine months of 2022 compared to the first nine months of 2021 that increased our export prices in Won terms. The average exchange rate of the Won against the U.S. dollar, as announced by Seoul Money Brokerage Services, Ltd., depreciated from an average of Won 1,157.4 to US$1.00 in the first nine months of 2021 to an average of Won 1,338.0 to US$1.00 in the first nine months of 2022.

The unit sales price of silicon steel sheets, which accounted for 2.4% of total sales volume of such products, increased by 56.6% in the first nine months of 2022 compared to the first nine months of 2021. The unit sales price of stainless steel products, which accounted for 5.5% of total sales volume of such products, increased by 46.1% in the first nine months of 2022 compared to the first nine months of 2021. The unit sales price of plates, which accounted for 16.6% of total sales volume of such products, increased by 42.5% in the first nine months of 2022 compared to the first nine months of 2021. The unit sales price of wire rods, which accounted for 7.3% of total sales volume of such products, increased by 30.5% in the first nine months of 2022 compared to the first nine months of 2021. The unit sales price of cold rolled products, which accounted for 33.3% of total sales volume of such products, increased by 29.1% in the first nine months of 2022 compared to the first nine months of 2021. The unit sales price of hot rolled products, which accounted for 35.0% of total sales volume of the principal steel products, increased by 22.2% in the first nine months of 2022 compared to the first nine months of 2021.

The table below sets out the average unit sales prices for our semi-finished and finished steel products for the periods indicated.

Products	For the Year Ended December 31, 2020	For the Year Ended December 31, 2021	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022
	(In thousands of Won per ton)			
Cold rolled products	₩ 671	₩ 1,066	₩ 1,015	₩ 1,310
Hot rolled products	599	955	905	1,106
Stainless steel products	2,079	2,614	2,459	3,593
Plates	671	974	893	1,272
Wire rods	714	997	933	1,217
Silicon steel sheets	1,144	1,503	1,398	2,189
Average (1)	₩ 736	₩ 1,107	₩ 1,042	₩ 1,372

(1) "Average" prices are based on the weighted average, by sales volume, of our sales for the listed principal products. The average unit sales price calculation does not include sales results of steel products categorized as "miscellaneous steel products."

Costs and Production Efficiency

Our major costs and operating expenses are raw material purchases, depreciation, labor and other purchases. The table below sets out our cost of sales and selling and administrative expenses as a percentage of our revenue as well as gross profit margin and operating profit margin for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2020	2021	2021	2022
	(Percentage of revenue)			
Cost of sales	91.6%	80.5%	79.6%	88.6%
Selling and administrative expenses	3.9	2.8	2.9	2.4
Gross margin	8.4	19.5	20.4	11.4
Operating profit margin	4.5	16.7	17.5	8.9

We are closely monitoring changes in market conditions and we implemented the following measures in recent years to improve our profit margins:

- pursuing cost reduction through enhancing product designs, improving productivity and reducing fixed costs;
- focusing on marketing activities to increase the sales of higher margin, higher value-added products and to strengthen our domestic market position;
- pursuing synergies among member companies of the POSCO Group through corporate restructurings; and
- establishing a special sales committee to more effectively respond to changes in market trends and preparing responses to various scenarios of future sales.

Production capacity represents our maximum production capacity that can be achieved with an optimal level of operations of our facilities. The table below sets out certain information regarding our production capacity and efficiency in the production of steel products for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2020	2021	2021	2022
Crude steel and stainless steel production capacity (million tons per year)	40.7	40.7	30.4	30.3
Actual crude steel and stainless steel output (million tons)	35.9	38.3	28.7	26.2
Capacity utilization rate (%) (1)	88.3%	94.1%	94.4%	86.3%

(1) Calculated by dividing actual crude steel and stainless steel output by the actual crude steel and stainless steel production capacity for the relevant period as determined by us.

Exchange Rate Fluctuations

A substantial portion of our consolidated financial results is accounted for in currencies other than the Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by changes in the exchange rates of foreign currencies. We generated 40.1% of our revenue from overseas markets outside of Korea in 2021 and 42.2% in the first nine months of 2022. To the extent that we incur costs in one currency and make sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. Since the currency in which sales are recorded may not be the same as the currency in which expenses are incurred, foreign exchange rate fluctuations may materially affect our results of operations.

Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

- an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt;

- an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated primarily in U.S. dollars; and

- foreign exchange translation losses on foreign currency-denominated liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won against major currencies, on the other hand, causes:

- our export products to be less competitive by raising our prices in U.S. dollar, Yen and Renminbi terms; and

- a reduction in net sales and accounts receivables in Won from export sales, which are primarily denominated in U.S. dollars and to a lesser extent in Yen and Renminbi.

The overall net impact from fluctuations of the Won against major currencies is difficult to estimate and varies from year to year. We strive to naturally offset our foreign exchange risk by matching foreign currency receivables with our foreign currency payables. Although the impact of exchange rate fluctuations is partially mitigated by such strategies, we periodically enter into derivative contracts, primarily foreign currency swaps and forward exchange contracts, to hedge some of our foreign exchange risks. However, our results of operations have historically been affected by exchange rate fluctuations.

Operating Results — First Nine Months of 2021 Compared to First Nine Months of 2022

The following table presents our statement of comprehensive income information and changes therein for the first nine months of 2021 and the first nine months of 2022.

	For the Nine Months Ended September 30,		Changes 9M 2021 versus 9M 2022	
	2021	2022	Amount	%
	(In billions of Won)			
Revenue	₩ 28,854	₩ 34,541	₩ 5,688	19.7%
Cost of sales	22,974	30,615	7,640	33.3
Gross profit	5,879	3,927	(1,953)	(33.2)
Selling and administrative expenses:				
Administrative expenses	662	669	7	1.1
Selling expenses	170	171	1	0.7
Operating profit	5,047	3,086	(1,961)	(38.9)
Finance income and costs				
Finance income	563	1,509	946	167.9
Finance costs	718	1,607	890	124.0
Other non-operating income and expenses:				
Other non-operating income	85	37	(49)	(57.1)
Other non-operating expenses	139	325	185	133.1
Profit before income tax	4,838	2,699	(2,139)	(44.2)
Income tax expense	1,311	749	(562)	(42.9)
Profit	₩ 3,528	₩ 1,950	(1,577)	(44.7)

Revenue

Our revenue increased by 19.7%, or Won 5,688 billion, from Won 28,854 billion in the first nine months of 2021 to Won 34,541 billion in the first nine months of 2022 due to an increase in the average unit sales price per ton of our principal steel products, which was offset in part by a decrease in the sales volume of our principal steel products. The weighted average unit sales price per ton of our principal steel products increased by 31.7%, from Won 1,042 thousand per ton in the first nine months of 2021 to Won 1,372 thousand per ton in the first nine months of 2022, reflecting continuation of strong market conditions in the first half of 2022 (prior to weakening in the second half as discussed above), as well as depreciation of the Won against the U.S. dollar in the first nine months of 2022 that increased our export prices in Won terms during such period. General increases in the prices of key raw materials in recent years have also contributed to increases in the prices of our steel products during 2021 and the first nine months of 2022. On the other hand, the overall sales volume of our principal steel products decreased by 7.8%, from 25.6 million tons in the first nine months of 2021 to 23.6 million tons in the first nine months of 2022, reflecting a decrease in demand in the third quarter of 2022. Such factors were principally attributable to the following:

- The unit sales price in Won of each of our principal product lines increased from the first nine months of 2021 to the first nine months of 2022. The unit sales prices in Won of silicon steel sheets, stainless steel products, plates, wire rods, cold rolled products and hot rolled products increased by 56.6%, 46.1%, 42.5%, 30.5%, 29.1% and 22.2%, respectively, from the first nine months of 2021 to the first nine months of 2022. For a discussion of changes in the unit sales price of each of our principal product lines, see "— Overview — Sales Volume, Prices and Product Mix" above.
- The sales volume of each of our principal product lines decreased from the first nine months of 2021 to the first nine months of 2022. The sales volume of wire rods, silicon steel sheets, stainless steel products, hot rolled products, plates and cold rolled products decreased by 14.9%, 11.5%, 11.2%, 7.6%, 7.2% and 5.6%, respectively, from the first nine months of 2021 to the first nine months of 2022. For a discussion of changes in the sales volume of each of our principal product lines, see "Business — Major Products."

Cost of Sales

Our cost of sales increased by 33.3%, or Won 7,640 billion, from Won 22,974 billion in the first nine months of 2021 to Won 30,615 billion in the first nine months of 2022 primarily due to increases in the average prices in Won terms of some of our key raw materials, the impact of which was partially offset by a decrease in the production volume of finished steel products sold by us. The average market price of coal per wet metric ton (Premium Low Vol Coking Coal, FOB Australia Index announced by Platts) increased from US$177 in the first nine months of 2021 to US$393 in the first nine months of 2022. However, such increase was offset in part by a decrease in the average market price of iron ore per dry metric ton (Iron Ore 62% Fe, CFR China Index announced by Platts) from US$177 in the first nine months of 2021 to US$128 in the first nine months of 2022.

Gross Profit

Our gross profit decreased by 33.2%, or Won 1,953 billion, from Won 5,879 billion in the first nine months of 2021 to Won 3,927 billion in the first nine months of 2022 primarily due to an increase in the average prices in Won terms of the principal raw materials used to manufacture finished steel products sold by us that outpaced an increase in the average unit sales price in Won terms of such products. Expenses related to flooding caused by Typhoon Hinnamnor in September 2022 included in cost of sales also contributed to such decrease in gross profit in the first nine months of 2022. See "— Earthquakes, tsunamis, floods, severe health epidemics (including the ongoing global COVID-19 pandemic and any possible recurrence of other types of widespread infectious diseases) and other natural calamities could materially adversely affect our business, results of operations or financial condition." Our gross margin, which is gross profit as a percentage of total revenue, decreased from 20.4% in the first nine months of 2021 to 11.4% in the first nine months of 2022.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for the first nine months of 2021 and the first nine months of 2022.

	For the Nine Months Ended September 30,		Changes 9M 2021 versus 9M 2022	
	2021	2022	Amount	%
	(In billions of Won)			
Freight and custody expenses	₩ 89	₩ 93	₩ 4	4.9%
Operating expenses for distribution center	5	4	(0)	(5.9)
Sales commissions	69	65	(4)	(6.5)
Sales insurance premium	5	5	1	16.5
Others	4	4	1	24.4
Total selling expenses	₩ 170	₩ 171	1	0.7
Wages and salaries	₩ 213	₩ 223	₩ 10	4.7%
Expenses related to post-employment benefits	29	23	(6)	(20.7)
Other employee benefits	44	50	7	14.9
Depreciation	22	20	(2)	(8.3)
Amortization	30	23	(7)	(22.9)
Rental	38	52	14	37.5
Advertising	42	40	(2)	(5.0)
Research and development	54	37	(17)	(31.6)
Service fees	124	133	9	7.5
Others	66	67	1	1.7
Total other administrative expenses	₩ 662	₩ 669	7	1.1
Total selling and administrative expenses	₩ 833	₩ 841	8	1.0

Our selling and administrative expenses increased by 1.0%, or Won 8 billion, from Won 833 billion in the first nine months of 2021 to Won 841 billion in the first nine months of 2022, primarily due to increases in rental expenses, wages and salaries and service fees, the impact of which was partially offset by decreases in research and development expenses and amortization. Such factors were principally attributable to the following:

- Our rental expenses increased by 37.5%, or Won 14 billion, from Won 38 billion in the first nine months of 2021 to Won 52 billion in the first nine months of 2022 primarily due to the inclusion of lease expenses of our headquarters space, which we lease from POSCO HOLDINGS INC. following the spin-off. The expenses for our headquarters space for the first nine months of 2021 were recognized as part of our depreciation expenses.

- Our wages and salaries increased by 4.7%, or Won 10 billion, from Won 213 billion in the first nine months of 2021 to Won 223 billion in the first nine months of 2022 primarily due to general increases in wages paid to our employees.

- Our service fee increased by 7.5%, or Won 9 billion, from Won 124 billion in the first nine months of 2021 to Won 133 billion in the first nine months of 2022 primarily reflecting an increase in our engagement of third-party service providers.

- Our research and development expenses decreased by 31.6%, or Won 17 billion, from Won 54 billion in the first nine months of 2021 to Won 37 billion in the first nine months of 2022 primarily due to a decrease in outsourcing costs related to our research and development activities following the spin-off.

- Our amortization decreased by 22.9%, or Won 7 billion, from Won 30 billion in the first nine months of 2021 to Won 23 billion in the first nine months of 2022 primarily due to completion of amortization of some of our major intangible assets.

Operating Profit

Due to the factors described above, our operating profit decreased by 38.9%, or Won 1,961 billion, from Won 5,047 billion in the first nine months of 2021 to Won 3,086 billion in the first nine months of 2022. Our operating margin decreased from 17.5% in the first nine months of 2021 to 8.9% in the first nine months of 2022 as the rate of increase in our cost of sales outpaced the rate of increase in our revenue.

Finance Income and Finance Costs

The following table presents a breakdown of our finance income and costs and changes therein for the first nine months of 2021 and the first nine months of 2022.

	For the Nine Months Ended September 30,		Changes 9M 2021 versus 9M 2022	
	2021	2022	Amount	%
	(In billions of Won)			
Interest income	₩ 2	₩ 104	₩ 102	4,810.4%
Gain on foreign currency transactions	190	450	260	136.3
Gain on foreign currency translations	71	260	189	266.3
Gain on derivatives transactions	20	16	(4)	(18.3)
Gain on valuations of derivatives	280	679	399	142.8
Others	0	0	0	40.0
Total finance income	₩ 563	₩ 1,509	946	167.9
Interest expenses	₩ 102	₩ 137	₩ 35	34.0%
Loss on foreign currency transactions	264	504	240	90.7
Loss on foreign currency translations	331	948	617	186.6
Loss on derivatives transactions	12	8	(4)	(34.0)
Loss on valuations of derivatives	7	10	3	41.8
Others	2	1	(1)	(42.1)
Total finance costs	₩ 718	₩ 1,607	890	124.0

We recorded interest income of Won 104 billion in the first nine months of 2022 compared to Won 2 billion in the first nine months of 2021 primarily due to an increase in the average balance of interest-earning financial assets following the spin-off as well as a general increase in interest rates in Korea and abroad in the first nine months of 2022 compared to the first nine months of 2021.

Our interest expense increased by 34.0%, or Won 35 billion, from Won 102 billion in the first nine months of 2021 to Won 137 billion in the first nine months of 2022 primarily due to a general increase in interest rates in Korea and abroad in the first nine months of 2022 compared to the first nine months of 2021 as well as an increase in our average balance of interest-bearing financial liabilities in the first nine months of 2022 compared to the first nine months of 2021.

Our net loss on foreign currency translations increased by 164.9%, or Won 428 billion, from Won 260 billion in the first nine months of 2021 to Won 688 billion in the first nine months of 2022 as the Won depreciated against the U.S. dollar at the end of the period in the first nine months of 2021 and further depreciated in the first nine months of 2022. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the Won depreciated against the U.S. dollar from Won 1,088.0 to US$1.00 as of December 31, 2020 to Won 1,184.9 to US$1.00 as of September 30, 2021, and further depreciated against the U.S. dollar from Won 1,185.5 to US$1.00 as of December 31, 2021 to Won 1,434.8 to US$1.00 as of September 30, 2022. Our net loss on foreign currency transactions decreased by 26.7%, or Won 20 billion, from Won 74 billion in the first nine months of 2021 to Won 54 billion in the first nine of 2022, as the average value of the Won against the U.S. dollar depreciated in the first nine months of 2021 and further depreciated in the first nine months of 2022. In terms of the market average exchange rates, the market average exchange rate, which was Won 1,088.0 to US$1.00 as of December 31, 2020, depreciated during the first nine months of 2021 to an average of Won 1,131.0 to US$1.00 in the first nine months of 2021. In addition, the market average exchange rate, which was Won 1,185.5 to US$1.00 as of December 31, 2021, depreciated during the first nine months of 2022 to an average of Won 1,268.9 to US$1.00 in the first nine months of 2022. Against such fluctuations, we recognized an increase in net gain on valuations of derivatives, which we primarily used to hedge our currency risk arising from our foreign currency debt, of 145.4%, or Won 396 billion, from Won 273 billion in the first nine months of 2021 to Won 669 billion in the first nine months of 2022, and we recognized an increase in net gain on transactions of derivatives of 2.8%, or Won 0.2 billion, from Won 8.6 billion in the first nine months of 2021 to Won 8.9 billion in the first nine months of 2022.

Other Non-operating Income and Expenses

The following table presents a breakdown of our other non-operating income and changes therein for the first nine months of 2021 and the first nine months of 2022.

	For the Nine Months Ended September 30,		Changes 9M 2021 versus 9M 2022	
	2021	2022	Amount	%
	(In billions of Won)			
Gain on disposal of assets held for sale	₩ 47	₩ 3	₩ (44)	(94.2)%
Gain on disposal of property, plant and equipment	7	13	6	80.4
Premium income	4	2	(2)	(47.0)
Others	28	19	(9)	(31.0)
Total other non-operating income	₩ 85	₩ 37	(49)	(57.1)

Our other non-operating income decreased by 57.1%, or Won 49 billion, from Won 85 billion in the first nine months of 2021 to Won 37 billion in the first nine months of 2022, primarily due to a decrease in gain on disposal of assets held for sale. Our gain on disposal of assets held for sale decreased by 94.2%, or Won 44 billion, from Won 47 billion in the first nine months of 2021 to Won 3 billion in the first nine months of 2022, as we recognized gain on disposal of assets held for sale of Won 47 billion primarily due to compensation we received from the transfer of the Yang-Hak Park site in the first nine months of 2021.

The following table presents a breakdown of our other non-operating expenses and changes therein for the first nine months of 2021 and the first nine months of 2022.

	For the Nine Months Ended September 30,		Changes 9M 2021 versus 9M 2022	
	2021	2022	Amount	%
	(In billions of Won)			
Loss on disposal of property, plant and equipment	₩ 71	₩ 118	₩ 47	67.3%
Impairment loss on property, plant and equipment	3	132	129	4,419.2
Impairment loss on intangible assets	7	—	(7)	(100.0)
Loss on disposal of emission rights	6	—	(6)	(100.0)
Idle tangible asset expenses	19	14	(5)	(24.7)
Donations	13	37	23	173.4
Others	21	24	3	16.5
Total other non-operating expenses	₩ 139	₩ 325	185	133.1

Our other non-operating expenses increased by 133.1%, or Won 185 billion, from Won 139 billion in the first nine months of 2021 to Won 325 billion in the first nine months of 2022, primarily due to increases in impairment loss on property, plant and equipment, loss on disposal of property, plant and equipment and donations. Such factors were principally attributable to the following:

- Our impairment loss on property, plant and equipment increased from Won 3 billion in the first nine months of 2021 to Won 132 billion in the first nine months of 2022. Such expenses in the first nine months of 2022 related to impairment of our production facilities primarily related to flooding caused by Typhoon Hinnamnor in September 2022, a significant portion of which is expected to be covered by insurance.

- Our loss on disposal of property, plant and equipment increased by 67.3%, or Won 47 billion, from Won 71 billion in the first nine months of 2021 to Won 118 billion in the first nine months of 2022. Such increase in the first nine months of 2022 related to an increase in removal of unused equipment and maintenance of a casting furnace.
- Our donations increased from Won 13 billion in the first nine months of 2021 to Won 37 billion in the first nine months of 2022 primarily due to increases in donations to welfare funds of our small and medium-sized suppliers.

Profit before Income Tax

Due to the factors described above, our profit before income tax decreased by 44.2%, or Won 2,139 billion, from Won 4,838 billion in the first nine months of 2021 to Won 2,699 billion in the first nine months of 2022.

Income Tax Expense

Our income tax expense decreased by 42.9%, or Won 562 billion, from Won 1,311 billion in the first nine months of 2021 to Won 749 billion in the first nine months of 2022 primarily due to a decrease in profit before income tax described above. Our effective tax rate was 27.1% in the first nine months of 2021 and 27.8% in the first nine months of 2022. See Note 26 to the Interim Financial Statements.

Profit

Due to the factors described above, our profit decreased by 44.7%, or Won 1,577 billion, from Won 3,528 billion in the first nine months of 2021 to Won 1,950 billion in the first nine months of 2022.

Operating Results — 2020 Compared to 2021

The following table presents our statement of comprehensive income information and changes therein for 2020 and 2021.

	For the Year Ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won)			
Revenue	₩ 26,982	₩ 40,543	₩ 13,561	50.3%
Cost of sales	24,711	32,618	7,906	32.0
Gross profit	2,271	7,926	5,655	249.0
Selling and administrative expenses:				
Administrative expenses	816	920	105	12.8
Selling expenses	245	224	(21)	(8.4)
Operating profit	1,210	6,781	5,571	460.3
Finance income and costs				
Finance income	631	608	(23)	(3.7)
Finance costs	662	809	146	22.1
Other non-operating income and expenses:				
Other non-operating income	117	127	10	8.4
Other non-operating expenses	299	454	155	51.8
Profit before income tax	997	6,253	5,256	527.5
Income tax expense (benefit)	(17)	1,691	1,709	N.A.(1)
Profit	₩ 1,014	₩ 4,562	3,548	349.9

(1) N.A. means not available.

Revenue

Our revenue increased by 50.3%, or Won 13,561 billion, from Won 26,982 billion in 2020 to Won 40,543 billion in 2021 primarily due to an increase in the average unit sales price per ton of our principal steel products, which was partially offset by a decrease in the sales volume of our principal steel products. The weighted average unit sales price per ton of our principal steel products increased by 50.5% from Won 736 thousand per ton in 2020 to Won 1,107 thousand per ton in 2021, reflecting generally strong global market conditions in 2021. The overall sales volume of the principal steel products decreased by 1.2% from 34.3 million tons in 2020 to 33.9 million tons in 2021. Such factors were principally attributable to the following:

- The unit sales price in Won of each of our principal product lines increased from 2020 to 2021. The unit sales prices in Won of hot rolled products, cold rolled products, plates, wire rods, silicon steel sheets and stainless steel products increased by 59.5%, 58.9%, 45.2%, 39.6%, 31.3% and 25.7%, respectively, from 2020 to 2021. For a discussion of changes in the unit sales price of each of our principal product lines, see "— Overview — Sales Volume, Prices and Product Mix" above.

- The sales volume of cold rolled products and plates decreased from 2020 to 2021, the impact of which was partially offset by increases in the sales volume of stainless steel products, hot rolled products, silicon steel sheets and wire rods from 2020 to 2021. The sales volume of cold rolled products and plates decreased by 9.1% and 0.7%, respectively, from 2020 to 2021. On the other hand, the sales volume of stainless steel products, hot rolled products, silicon steel sheets and wire rods increased by 9.1%, 4.2%, 2.0% and 1.3%, respectively, from 2020 to 2021. For a discussion of changes in the sales volume of each of our principal product lines, see "Business — Major Products."

Cost of Sales

Our cost of sales increased by 32.0%, or Won 7,906 billion, from Won 24,711 billion in 2020 to Won 32,618 billion in 2021 primarily due to increases in the average prices in Won terms of our key raw materials. The average market price of coal per wet metric ton (Premium Low Vol Coking Coal, FOB Australia Index announced by Platts) increased from US$124 in 2020 to US$226 in 2021. The average market price of iron ore per dry metric ton (Iron Ore 62% Fe, CFR China Index announced by Platts) increased from US$109 in 2020 to US$160 in 2021.

Gross Profit

Our gross profit increased by 249.0%, or Won 5,655 billion, from Won 2,271 billion in 2020 to Won 7,926 billion in 2021 primarily due to an increase in the average unit sales price per ton of our principal steel products that outpaced an increase in the average prices in Won terms of our principal raw materials used to manufacture our finished steel products. Our gross margin, which is gross profit as a percentage of total revenue, increased from 8.4% in 2020 to 19.5% in 2021.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for 2020 and 2021.

	For the Year Ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won)			
Freight and custody expenses	₩ 130	₩ 120	₩ (10)	(7.8)%
Operating expenses for distribution center	6	6	0	2.0
Sales commissions	99	86	(13)	(13.1)
Sales insurance premium	6	6	1	8.6
Others	4	6	2	47.2
Total selling expenses	₩ 245	₩ 224	(21)	(8.4)
Wages and salaries	₩ 234	₩ 281	₩ 47	20.0%
Expenses related to post-employment benefits	28	39	10	35.5
Other employee benefits	59	63	4	6.1
Depreciation	29	30	1	4.2
Amortization	46	33	(13)	(28.3)
Rental	50	51	0	0.5
Advertising	59	66	6	10.8
Research and development	54	78	23	42.8
Service fees	165	187	22	13.6
Others	90	93	3	3.9
Total other administrative expenses	₩ 816	₩ 920	105	12.8
Total selling and administrative expenses	₩ 1,061	₩ 1,145	84	7.9

Our selling and administrative expenses increased by 7.9%, or Won 84 billion, from Won 1,061 billion in 2020 to Won 1,145 billion in 2021, primarily due to increases in wages and salaries, research and development expenses and service fees, the impact of which was partially offset by decreases in amortization and sales commissions. Such factors were principally attributable to the following:

- Our wages and salaries increased by 20.0%, or Won 47 billion, from Won 234 billion in 2020 to Won 281 billion in 2021 primarily due to increases in bonus payments and our wage level.
- Our research and development expenses increased by 42.8%, or Won 23 billion, from Won 54 billion in 2020 to Won 78 billion in 2021 primarily due to an increase in outsourcing costs related to our research and development activities.

- Our service fees increased by 13.6%, or Won 22 billion, from Won 165 billion in 2020 to Won 187 billion in 2021 primarily due to an increase in payment guarantee fees reflecting an increase in our revenue.
- Our amortization decreased by 28.3%, or Won 13 billion, from Won 46 billion in 2020 to Won 33 billion in 2021 primarily due to completion of amortization of some of our major intangible assets.
- Our sales commissions decreased by 13.1%, or Won 13 billion, from Won 99 billion in 2020 to Won 86 billion in 2021 primarily reflecting a decrease in sales commission rates reflecting a recovery in demand for steel products.

Operating Profit

Due to the factors described above, our operating profit increased by 460.3%, or Won 5,571 billion, from Won 1,210 billion in 2020 to Won 6,781 billion in 2021. Our operating margin increased from 4.5% in 2020 to 16.7% in 2021.

Finance Income and Finance Costs

The following table presents a breakdown of our finance income and costs and changes therein for 2020 and 2021.

	For the Year Ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won)			
Interest income	₩ 10	₩ 4	₩ (7)	(65.3)%
Gain on foreign currency transactions	342	285	(57)	(16.7)
Gain on foreign currency translations	257	35	(222)	(86.4)
Gain on derivatives transactions	12	21	8	66.7
Gain on valuations of derivatives	9	263	255	N.M. (1)
Others	0	0	(0)	(41.8)
Total finance income	₩ 631	₩ 608	(23)	(3.7)
Interest expenses	₩ 224	₩ 135	(88)	(39.5)
Loss on foreign currency transactions	236	358	121	51.4
Loss on foreign currency translations	63	286	223	354.8
Loss on derivatives transactions	16	24	8	50.0
Loss on valuations of derivatives	120	3	(117)	(97.2)
Others	3	3	(1)	(16.1)
Total finance costs	₩ 662	₩ 809	146	22.1

(1) N.M. means not meaningful.

We recognized net gain on foreign currency translations of Won 194 billion in 2020 compared to net loss on foreign currency translations of Won 251 billion in 2021, as the Won appreciated against the U.S. dollar at year end in 2020 but depreciated in 2021. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the Won appreciated against the U.S. dollar from ₩1,157.8 to US$1.00 as of December 31, 2019 to ₩1,088.0 to US$1.00 as of December 31, 2020, but depreciated to ₩1,185.5 to US$1.00 as of December 31, 2021. In addition, we recognized net gain on foreign currency transactions of Won 106 billion in 2020 compared to net loss on foreign currency transactions of Won 73 billion in 2021, as the average value of the Won against the U.S. dollar depreciated in 2020 but appreciated in 2021. The market average exchange rate, which was Won 1,157.8 to US$1.00 as of December 31, 2019, depreciated during 2020 to an average of Won 1,180.1 to US$1.00 in 2020 but appreciated during 2021 to an average of Won

1,144.4 to US$1.00 in 2021. Against such fluctuations, we recognized net loss on valuations of derivatives of Won 112 billion in 2020 compared to net gain on valuations of derivatives of Won 260 billion in 2021, and our net loss on transactions of derivatives decreased by 10.1%, or Won 0.4 billion, from Won 3.5 billion in 2020 to Won 3.1 billion in 2021.

Our interest expense decreased by 39.5%, or Won 88 billion, from Won 224 billion in 2020 to Won 135 billion in 2021 primarily due to a general decrease in interest rates in Korea and abroad as well as a decrease in our average balance of interest-bearing financial liabilities in 2021.

Other Non-operating Income and Expenses

The following table presents a breakdown of our other non-operating income and changes therein for 2020 and 2021.

	For the Year Ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won)			
Gain on disposal of assets held for sale	₩ 23	₩ 48	₩ 25	111.2%
Gain on disposal of property, plant and equipment	12	30	18	145.6
Gain on disposal of emission rights	25	—	(25)	(100.0)
Premium income	24	13	(10)	(44.4)
Others	34	35	2	4.5
Total other operating income	₩ 117	₩ 127	10	8.4

Our other non-operating income increased by 8.4%, or Won 10 billion, from Won 117 billion in 2020 to Won 127 billion in 2021, primarily due to increases in gain on disposal of assets held for sale and gain on disposal of property, plant and equipment, the impact of which was partially offset by a decrease in gain on disposal of emission rights. Such factors were principally attributable to the following:

- Our gain on disposal of assets held for sale increased by 111.2%, or Won 25 billion, from Won 23 billion in 2020 to Won 48 billion in 2021. In 2020, we recognized gain on disposal of assets held for sale of Won 23 billion primarily related to disposal of an LNG tank. In 2021, we recognized gain on disposal of assets held for sale of Won 48 billion primarily due to compensation we received from the transfer of the Yang-Hak Park site.
- Our gain on disposal of property, plant and equipment increased by 145.6%, or Won 18 billion, from Won 12 billion in 2020 to Won 30 billion in 2021. In 2020, we recognized gain on disposal of property, plant and equipment of Won 12 billion primarily related to return of useless steel scrap. In 2021, we recognized gain on disposal of property, plant and equipment of Won 30 billion primarily related to disposal of land in Gwangyang City.
- We recognized Won 25 billion of gain from our disposal of emission rights in 2020. In 2021, we did not recognize any such gain on disposal of emission rights.

The following table presents a breakdown of our other non-operating expenses and changes therein for 2020 and 2021.

	For the Year Ended December 31,		Changes 2020 versus 2021	
	2020	2021	Amount	%
	(In billions of Won)			
Impairment loss on assets held for sale	₩ 9	₩ —	₩ (9)	(100.0)%
Loss on disposal of property, plant and equipment	182	112	(69)	(38.2)
Impairment loss on property, plant and equipment	26	234	208	800.8
Impairment loss on intangible assets	—	7	7	N.A. (1)
Loss on disposal of emission rights	—	6	6	N.A. (1)
Idle tangible asset expenses	18	24	6	36.1
Donations	20	39	19	93.0
Others	44	31	(14)	(30.8)
Total other non-operating expenses	₩ 299	₩ 454	155	51.8

(1) N.A. means not available.

Our other non-operating expenses increased by 51.8%, or Won 155 billion, from Won 299 billion in 2020 to Won 454 billion in 2021, primarily due to an increase in impairment loss on property, plant and equipment, the impact of which was partially offset by a decrease in loss on disposal of property, plant and equipment. Such factors were principally attributable to the following:

- Our impairment loss on property, plant and equipment increased by 800.8%, or Won 208 billion, from Won 26 billion in 2020 to Won 234 billion in 2021. In 2020, we recognized impairment loss on property, plant and equipment of Won 26 billion primarily related to a fire at a stainless steel production facility at Pohang Works. In 2021, we recognized impairment loss on property, plant and equipment of Won 234 billion primarily related to the reclassification of a synthetic natural gas facility as an asset held for sale.
- Our loss on disposal of property, plant and equipment decreased by 38.2%, or Won 69 billion, from Won 182 billion in 2020 to Won 112 billion in 2021. In 2020, we recognized loss on disposal of property, plant and equipment of Won 182 billion primarily related to disposal of useless equipment during maintenance of blast furnaces in Gwangyang Works. In 2021, we recognized loss on disposal of property, plant and equipment of Won 112 billion primarily related to disposal of useless equipment during maintenance of a casting furnace in Pohang Works.

Profit before Income Tax

Due to the factors described above, our profit before income tax increased by 527.5%, or Won 5,256 billion, from Won 997 billion in 2020 to Won 6,253 billion in 2021.

Income Tax Expense (Benefit)

In 2020, we recorded income tax benefit of Won (17) billion primarily due to deferred income tax related to temporary differences. We recognized benefit of Won 241 billion in 2020 due to changes in estimation on deductibility of temporary difference related to a synthetic natural gas facility. In 2021, we recorded income tax expense of Won 1,691 billion primarily reflecting an increase in profit before income tax described above. Our effective tax rate was 27.05% in 2021. See Note 29 to the Annual Financial Statements.

Profit

Due to the factors described above, our profit increased by 349.9%, or Won 3,548 billion, from Won 1,014 billion in 2020 to Won 4,562 billion in 2021.

Liquidity and Capital Resources

The following table sets forth the summary of our cash flows for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2020	2021	2021	2022
	(In billions of Won)			
Net cash provided by operating activities	₩ 4,887	₩ 3,774	₩ 2,228	₩ 4,500
Net cash used in investing activities	(2,377)	(1,987)	(1,198)	(5,591)
Net cash provided by (used in) financing activities	(2,446)	(1,779)	(1,015)	3,350
Effect of exchange rate fluctuation on cash held	(0)	0	0	85
Cash and cash equivalents at beginning of the period	15	79	79	87
Cash and cash equivalents at end of the period	79	87	93	2,430
Net increase in cash and cash equivalents	64	8	15	2,344

Capital Requirements

Historically, uses of cash consisted principally of purchases of property, plant and equipment and other assets, repayments of outstanding debt and payments of dividends. In December 2022, we also used cash to acquire POSCO HOLDINGS INC.'s interests in some of its subsidiaries and investments related to steel manufacturing and sales.

Net cash used in investing activities was Won 2,377 billion in 2020, Won 1,987 billion in 2021, Won 1,198 billion in the first nine months of 2021 and Won 5,591 billion in the first nine months of 2022. Our cash outflows for acquisition of property, plant and equipment were Won 2,424 billion in 2020, Won 1,955 billion in 2021, Won 1,191 billion in the first nine months of 2021 and Won 1,879 billion in the first nine months of 2022. We currently expect our cash outflows for acquisition of property, plant and equipment to be approximately Won 1.3 trillion in the last three months of 2022 and approximately Won 4.6 trillion in 2023, which we may adjust on an ongoing basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. We may delay or not implement some of our current capital expenditure plans based on our assessment of such market conditions. We also recorded net cash used in acquisition of short-term financial instruments, which are primarily related to our short-term investment activities, of Won 3,523 billion in the first nine months of 2022.

In December 2022, we also used cash of Won 1,092 billion for the acquisition of POSCO HOLDINGS INC.'s interests in some of its subsidiaries and investments related to steel manufacturing and sales, including POSCO HOLDINGS INC.'s 74.6% interest in POSCO Thainox Public Company Limited, 100.0% interest in POSCO (Thailand) Co., Ltd. and 51.0% interest in POSCO Yamato VINA Steel Joint Stock Company.

In our financing activities, we used cash of Won 997 billion in 2020, Won 1,383 billion in 2021, Won 1,065 billion in the first nine months of 2021 and Won 200 billion in the first nine months of 2022 for repayments of borrowings. We paid dividends on common stock in the amount of Won 3 billion in 2020, Won 3 billion in 2021, Won 3 billion in the first nine months of 2021 and Won 4 billion in the first nine months of 2022, but we expect our payments of dividends to POSCO HOLDINGS INC. to increase significantly in the future. We also made net contributions to POSCO HOLDINGS INC. of Won 3,966 billion in 2020, Won 452 billion in 2021 and Won 476 billion in the first nine months of 2021. In the first nine months of 2022, we received net contribution from POSCO HOLDINGS INC. of Won 1,588 billion related to the spin-off.

We anticipate that capital expenditures, repayments of outstanding debt and payments of cash dividends to POSCO HOLDINGS INC. will represent the most significant uses of funds for the next several years. We may also use funds to acquire or invest in companies that may complement our business, including additional purchases of POSCO HOLDINGS INC.'s remaining interests in some of its subsidiaries and investments related to steel manufacturing and sales.

Payments of contractual obligations and commitments will also require considerable resources. In our ordinary course of business, we routinely enter into commercial commitments for various aspects of our operations, including raw materials purchase obligations and long-term shipping service contracts, as well as issue guarantees for indebtedness of our related parties and others. For our contingent liabilities on outstanding guarantees provided by us, see Note 31 to the Annual Financial Statements and Note 28 to the Interim Financial Statements. Our purchase obligations include supply contracts to purchase iron ore, coal, nickel, LNG and other raw materials. These contracts generally have terms of one to ten years and the long-term contracts provide for periodic price adjustments according to the market prices. As of September 30, 2022, 76 million tons of iron ore and 1 million tons of coal remained to be purchased under long-term contracts. In addition, we entered into an agreement with Tangguh LNG Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price under the agreement with Tangguh LNG Consortium is variable based on the monthly standard oil price (as represented by the Japan Customs cleared Crude Price), subject to a ceiling.

Capital Resources

We have traditionally met our working capital and other capital requirements principally from cash provided by operations, while raising the remainder of our requirements primarily through long-term debt and short-term borrowings. We expect that these sources will continue to be our principal sources of cash in the future. From time to time, we may also generate cash through issuance of hybrid bonds and our holdings in available-for-sale securities.

Our net cash provided by operating activities was Won 2,228 billion in the first nine months of 2021 and Won 4,500 billion in the first nine months of 2022. Our gross cash flow from our sales activities increased as discussed above. In addition, we better managed our trade accounts and notes receivables. Our cash outflow related to build up of our inventories also decreased from Won 2,446 billion in the first nine months of 2021 to Won 393 billion in the first nine months of 2022.

Our net cash provided by operating activities decreased by 22.8%, or Won 1,114 billion, from Won 4,887 billion in 2020 to Won 3,774 billion in 2021. Our gross cash flow from our sales activities increased as discussed above. However, we recorded cash inflow of Won 903 billion related to our management of inventories in 2020 compared to cash outflow of Won 3,586 billion related to build up of our inventories in response to recovery of demand for our steel products in 2021, which in turn negatively impacted our net cash provided by operating activities.

We had net proceeds from borrowings, after adjusting for repayment of borrowings, of Won 723 billion in 2020, net repayment of borrowings, after adjusting for proceeds from borrowings, of Won 884 billion in 2021, net repayment of borrowings, after adjusting for proceeds from borrowings, of Won 566 billion in the first nine months of 2021 and net proceeds from borrowings, after adjusting for repayment of borrowings, of Won 1,895 billion in the first nine months of 2022. We had net proceeds from short-term borrowings, after deducting for repayment of short-term borrowings, of Won 866 billion in 2020 and net repayment of short-term borrowings, after deducting proceeds from short-term borrowings, of Won 375 billion in 2021. We also recorded net proceeds from short-term borrowings, after deducting repayment of short-term borrowings, of Won 69 billion in the first nine months of 2021 and net repayment of short-term borrowings, after deducting proceeds from short-term borrowings, of Won 35 billion in the first nine months of 2022. Long-term borrowings, excluding current installments, were Won 5,347 billion as of December 31, 2020, Won 4,693 billion as of December 31, 2021 and Won 5,651 billion as of September 30, 2022. Total short-term borrowings and current installments of long-term borrowings were Won 2,547 billion as of December 31, 2020, Won 2,196 billion as of December 31, 2021 and Won 3,895 billion as of September 30, 2022.

We periodically increase our short-term borrowings and adjust our long-term borrowings depending on changes in our capital requirements. For the maturity profile of our borrowings, their currency denomination and interest rates, see Notes 15 and 21 to the Annual Financial Statements and Notes 13 and 19 to the Interim Financial Statements. We continually take into consideration various factors when meeting our financial requirements, including financial market conditions, specific funding needs at a given time, and hedging requirements to address our market risks such as exchange rate risk and interest rate risk. Outstanding hybrid bonds were Won 199 billion as of December 31, 2020 and 2021 and September 30, 2022. Our net borrowings-to-equity ratio, which is calculated by deducting cash and cash equivalents from total borrowings and dividing the net amount by our total equity, was 33.26% as of December 31, 2021 and 21.78% as of September 30, 2022.

We believe that we have sufficient working capital for our current requirements and that we have a variety of alternatives available to us to satisfy our liquidity requirements to the extent that they are not met by funds generated by operations, including the issuance of debt and equity securities and bank borrowings denominated in Won and various foreign currencies. However, our ability to rely on some of these alternatives could be affected by factors such as the liquidity of the Korean and the global financial markets, prevailing interest rates, our credit rating and the Government's policies regarding Won currency and foreign currency borrowings.

Liquidity

We had working capital (current assets minus current liabilities) of Won 3,117 billion as of December 31, 2020, Won 6,671 billion as of December 31, 2021 and Won 16,620 billion as of September 30, 2022. Our holdings of cash and cash equivalents were Won 79 billion as of December 31, 2020, Won 87 billion as of December 31, 2021 and Won 2,430 billion as of September 30, 2022. Our holdings of other short-term financial assets, which are primarily related to our short-term investment activities, were Won 48 billion as of December 31, 2020, Won 48 billion as of December 31, 2021 and Won 7,695 billion as of September 30, 2022. We had total available credit lines of Won 2,751 billion as of September 30, 2022, Won 664 billion of which was used as of such date. We have not had, and do not believe that we will have, difficulty gaining access to short-term financing sufficient to meet our current requirements.

Our liquidity is affected by exchange rate fluctuations. See "— Overview — Exchange Rate Fluctuations."

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities, and to changes in the commodity prices of principal raw materials. Following evaluation of these positions, we selectively enter into derivative financial instruments to manage the related risk exposures, primarily with respect to foreign exchange rate and interest rate risks, which are entered into with major financial institutions in order to minimize the risk of credit loss. Our market risk management policy determines the market risk tolerance level, measuring period, controlling responsibilities, management procedures, hedging period and hedging ratio very specifically. We also prohibit all speculative hedging transactions and evaluate and manage foreign exchange exposures to receivables and payables.

None of our loss exposures related to derivative contracts are unlimited, and we do not believe that our net derivative positions could result in a material loss to our profit before income tax or total equity due to significant fluctuations of major currencies against the Korean Won. Due to the nature of our derivative contracts primarily as hedging instruments that manage foreign exchange risks, net gain or net loss on derivatives transactions and valuation of derivatives are typically offset by net loss or net gain on foreign currency transaction and translation. We recorded net loss on valuation of derivatives of Won 112 billion and net loss on derivatives transactions of Won 3 billion in 2020, net gain on valuation of derivatives of Won 260 billion and net loss on derivatives transactions of Won 3 billion in 2021, and net gain on valuation of derivatives of Won 669 billion and net gain on derivatives transactions of Won 9 billion in the first nine months of 2022.

Exchange Rate Risk

Korea is our most important market and, therefore, a substantial portion of our cash flow is denominated in Won. Most of our exports are denominated in U.S. dollars. Japan is also an important market for us, and we derive significant cash flow denominated in Yen. We are exposed to foreign exchange risk related to foreign currency-denominated liabilities and anticipated foreign exchange payments. Anticipated foreign exchange payments, which represent a substantial sum and are mostly denominated in U.S. dollars, relate primarily to imported raw material costs and freight costs. Foreign currency-denominated liabilities relate primarily to foreign currency-denominated debt. We strive to naturally offset our foreign exchange risk by matching foreign currency receivables with our foreign currency payables. Although the impact of exchange rate fluctuations is partially mitigated by such strategies, we periodically enter into derivative contracts, primarily foreign currency swaps and forward exchange contracts, to hedge some of our foreign exchange risks.

Our foreign currency exposure and changes in gain or loss resulting from a 10% foreign exchange rate change against the Korean Won are as follows:

	For the Years Ended December 31,			
	2020		2021	
	Increase	Decrease	Increase	Decrease
	(In billions of Won)			
U.S. Dollars	₩ (440)	₩ 440	₩ (383)	₩ 383
Euro	(65)	65	(65)	65
Japanese Yen	(11)	11	10	(10)

See Note 21 to the Annual Financial Statements.

Interest Rate Risk

We are also subject to market risk exposure arising from changing interest rates. In particular, we are exposed to interest rate risk on our existing floating rate borrowings and on additional debt financings that we may periodically undertake for various reasons, including capital expenditures and refinancing of our existing borrowings. A rise in interest rates will increase the cost of our existing variable rate borrowings. If interest rates on borrowings with floating rates had been 1% higher or lower with all other variables held constant, the impact on the gain or loss of the applicable period would be as follows:

	For the Years Ended December 31,			
	2020		2021	
	Increase	Decrease	Increase	Decrease
	(In billions of Won)			
Increase or decrease in annual profit and net equity	₩ (1)	₩ 1	₩ (1)	₩ 1

See Note 21 to the Annual Financial Statements.

A reduction of interest rates also increases the fair value of our debt portfolio, which is primarily of a fixed interest nature. From time to time, we use, to a limited extent, interest rate swaps to reduce interest rate volatility on some of our debt and manage our interest expense by achieving a balanced mixture of floating and fixed rate debt.

BUSINESS

Overview

We are the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world, based on annual crude steel production. We produced approximately 35.9 million tons of crude steel and stainless steel in 2020, 38.3 million tons in 2021 and 26.2 million tons in the first nine months of 2022, all of which was produced at Pohang Works and Gwangyang Works. As of September 30, 2022, we had approximately 40.7 million tons of annual crude steel and stainless steel production capacity. We believe Pohang Works and Gwangyang Works are two of the most technologically advanced integrated steel facilities in the world. We manufacture and sell a diversified line of steel products, including cold rolled and hot rolled products, stainless steel products, plates, wire rods and silicon steel sheets, and we are able to meet a broad range of customer needs from manufacturing industries that consume steel, including the automotive, shipbuilding, home appliance, engineering and machinery industries. We also engage in the production of a wide range of coated steel sheets through POSCO Steeleon, a subsidiary in which we hold a 56.9% interest. In December 2022, we also acquired POSCO HOLDINGS INC.'s interests in some of its subsidiaries and investments related to steel manufacturing and sales, including POSCO HOLDINGS INC.'s 74.6% interest in POSCO Thainox Public Company Limited, 100.0% interest in POSCO (Thailand) Co., Ltd. and 51.0% interest in POSCO Yamato VINA Steel Joint Stock Company, for Won 1.1 trillion.

Korea is our most important market. Domestic sales accounted for 59.9% of our total revenue in 2021 and 57.8% in the first nine months of 2022. We believe that our steel products constituted approximately 52.5% of the total sales volume of steel products sold in Korea in 2021 and approximately 48.9% in the first nine months of 2022. Our sales to customers abroad accounted for 40.1% of our total revenue in 2021 and 42.2% in the first nine months of 2022. Our major export market is Asia, with Asia other than China and Japan accounting for 23.0%, China accounting for 17.6%, and Japan accounting for 15.5% of our total export revenue in 2021, and Asia other than China and Japan accounting for 21.3%, Japan accounting for 14.7%, and China accounting for 13.7% of our total export revenue in the first nine months of 2022.

We were incorporated on March 2, 2022 following a vertical spin-off of its domestic steel business by POSCO in accordance with Articles 530-2 through 530-12 of the Korean Commercial Code. As part of the spin-off, POSCO became a holding company and renamed itself POSCO HOLDINGS INC., and we were named POSCO. POSCO HOLDINGS INC. holds a 100.0% interest in us.

We are a member company of the POSCO Group, which consists of companies controlled by POSCO HOLDINGS INC. The POSCO Group engages in businesses that complement our steel manufacturing operations in Korea and also carefully seeks out promising investment opportunities to diversify its businesses both vertically and horizontally. POSCO International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects throughout the world. POSCO E&C is one of the leading engineering and construction companies in Korea that primarily engages in the planning, design and construction of industrial plants and architectural works and civil engineering. POSCO Energy Corporation is the largest private power generation company in Korea. The POSCO Group has also made investments in the past decade to secure new growth engines by diversifying into new businesses related to our steel operations that it believes will offer greater potential returns, as well as entering into new businesses not related to our steel operations such as hydrogen-related businesses, production of anode and cathode materials for rechargeable batteries, alternative energy solutions, LNG and agricultural trading, and production of comprehensive materials such as lithium.

We generated revenue of Won 26,982 billion in 2020, Won 40,543 billion in 2021, Won 28,854 billion in the first nine months of 2021 and Won 34,541 billion in the first nine months of 2022. We recorded profit of Won 1,014 billion in 2020, Won 4,562 billion in 2021, Won 3,528 billion in the first nine months of 2021 and Won 1,950 billion in the first nine months of 2022. We had total assets of Won 34,506 billion and total equity of Won 20,455 billion as of December 31, 2021, compared to total assets of Won 46,149 billion and total equity of Won 32,671 billion as of September 30, 2022.

Major Products

We manufacture and sell a broad line of steel products, including the following:

- cold rolled products;
- hot rolled products;
- stainless steel products;
- plates;
- wire rods; and
- silicon steel sheets.

The table below sets out our revenue by principal product category and related percentage data for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2020		2021		2021		2022	
	(in billions of Won, except percentages)							
Cold rolled products	₩ 8,025	29.7%	₩ 11,594	28.6%	₩ 8,456	29.3%	₩ 10,303	29.8%
Hot rolled products	6,861	25.4	11,407	28.1	8,090	28.0	9,139	26.5
Stainless steel products	3,772	14.0	5,173	12.8	3,594	12.5	4,666	13.5
Plates	3,752	13.9	5,409	13.3	3,772	13.1	4,987	14.4
Wire rods	1,900	7.0	2,685	6.6	1,905	6.6	2,114	6.1
Silicon steel sheets	932	3.5	1,249	3.1	887	3.1	1,228	3.6
Sub-total	25,242	93.6	37,517	92.5	26,703	92.5	32,437	93.9
Miscellaneous steel products	1,506	5.6	1,906	4.7	1,368	4.7	1,570	4.5
Others (1)	234	0.9	1,121	2.8	782	2.7	534	1.5
Total revenue	₩ 26,982	100.0%	₩ 40,543	100.0%	₩ 28,854	100.0%	₩ 34,541	100.0%

(1) Revenue not related to steel products.

The table below sets out the sales volume of our steel products by principal product category and related percentage data for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2020		2021		2021		2022	
	(in thousands of tons, except percentages)							
Cold rolled products	11,962	34.9%	10,879	32.1%	8,332	32.5%	7,863	33.3%
Hot rolled products	11,461	33.4	11,946	35.3	8,941	34.9	8,265	35.0
Stainless steel products	1,814	5.3	1,979	5.8	1,461	5.7	1,298	5.5
Plates	5,594	16.3	5,553	16.4	4,223	16.5	3,919	16.6
Wire rods	2,660	7.8	2,693	7.9	2,042	8.0	1,737	7.3
Silicon steel sheets	815	2.4	831	2.5	634	2.5	561	2.4
Total sales volume (1)	34,305	100.0%	33,880	100.0%	25,633	100.0%	23,644	100.0%

(1) Not including sales volume of steel products categorized under "miscellaneous steel products."

Cold Rolled Products

Cold rolled coils and further refined galvanized cold rolled products are used mainly in the automotive industry to produce car body panels. Other users include the household goods, electrical appliances, engineering and metal goods industries.

Our sales volume of cold rolled products amounted to 10,879 thousand tons in 2021, representing 32.1% of our total sales volume of principal steel products. Our sales volume of cold rolled products amounted to 7,863 thousand tons in the first nine months of 2022, representing 33.3% of our total sales volume of principal steel products. Cold rolled products constitute our second largest product category in terms of sales volume and largest product category in terms of revenue from our steel products.

We believe we had a domestic market share for cold rolled products of approximately 61% in 2021 and 54% in the first nine months of 2022.

Hot Rolled Products

Hot rolled coils and sheets have many different industrial applications. They are used to manufacture structural steel used in the construction of buildings, industrial pipes and tanks, and automobile chassis. Hot rolled coil is also manufactured in a wide range of widths and thicknesses as the feedstock for higher value-added products such as cold rolled products and silicon steel sheets.

Our sales volume of hot rolled products amounted to 11,946 thousand tons in 2021, representing 35.3% of our total sales volume of principal steel products. Our sales volume of hot rolled products amounted to 8,265 thousand tons in the first nine months of 2022, representing 35.0% of our total sales volume of principal steel products. The largest customers of our hot rolled products are downstream steelmakers in Korea which use the products to manufacture pipes and cold rolled products. Hot rolled products constitute our largest product category in terms of sales volume and second largest product category in terms of revenue from our steel products.

We believe we had a domestic market share for hot rolled products of approximately 59% in 2021 and 49% in the first nine months of 2022.

Stainless Steel Products

Stainless steel products are used to manufacture household goods and are also used by the chemical industry, paper mills, the aviation industry, the automotive industry, the construction industry and the food processing industry.

Our sales volume of stainless steel products amounted to 1,979 thousand tons in 2021, representing 5.8% of our total sales volume of principal steel products. Our sales volume of stainless steel products amounted to 1,298 thousand tons in the first nine months of 2022, representing 5.5% of the total sales volume of our principal steel products. Stainless steel products constitute our fourth largest product category in terms of revenue from steel products. Although sales of stainless steel products accounted for only 5.5% of total sales volume of the principal steel products in the first nine months of 2022, they represented 14.4% of our total revenue from our principal steel products.

We believe we had a domestic market share for stainless steel products of approximately 54% in 2021 and 31% in the first nine months of 2022.

Plates

Plates are used in shipbuilding, structural steelwork, offshore oil and gas production, power generation, mining, and the manufacture of earth-moving and mechanical handling equipment, boiler and pressure vessels and other industrial machinery.

Our sales volume of plates amounted to 5,553 thousand tons in 2021, representing 16.4% of our total sales volume of principal steel products. Our sales volume of plates amounted to 3,919 thousand tons in the first nine months of 2022, representing 16.6% of our total sales volume of principal steel products. The Korean shipbuilding industry, which uses plates to manufacture chemical tankers, rigs, bulk carriers and containers, and the construction industry are our largest customers of plates.

We believe we had a domestic market share for plates of approximately 52% in 2021 and 39% in the first nine months of 2022.

Wire Rods

Wire rods are used mainly by manufacturers of wire, fasteners, nails, bolts, nuts and welding rods. Wire rods are also used in the manufacture of coil springs, tension bars and tire cords in the automotive industry.

Our sales volume of wire rods amounted to 2,693 thousand tons in 2021, representing 7.9% of our total sales volume of principal steel products. Our sales volume of wire rods amounted to 1,737 thousand tons in the first nine months of 2022, representing 7.3% of our total sales volume of principal steel products. The largest customers for our wire rods are manufacturers of wire ropes and fasteners.

We believe we had a domestic market share for wire rods of approximately 53% in 2021 and 35% in the first nine months of 2022.

Silicon Steel Sheets

Silicon steel sheets are used mainly in the manufacture of power transformers and generators and rotating machines.

Our sales volume of silicon steel sheets amounted to 831 thousand tons in 2021, representing 2.5% of our total sales volume of principal steel products. Our sales volume of silicon steel sheets amounted to 561 thousand tons in the first nine months of 2022, representing 2.4% of our total sales volume of principal steel products.

We believe we had a domestic market share for silicon steel sheets of approximately 80% in 2021 and 66% in the first nine months of 2022.

Others

Other products include lower value-added semi-finished products such as pig iron, billets, blooms and slab.

Markets

Korea is our most important market. Domestic sales represented 59.9% of our total revenue in 2021 and 57.8% in the first nine months of 2022. Our sales to customers abroad represented 40.1% of our total revenue in 2021 and 42.2% in the first nine months of 2022. Our sales strategy has been to devote our production primarily to satisfy domestic demand, while seeking export sales to utilize capacity to the fullest extent and to expand our international market presence.

Domestic Market

We primarily sell in Korea higher value-added and other finished products to end-users and semi-finished products to other steel manufacturers for further processing. Local distribution companies and sales affiliates sell finished steel products to low-volume customers. We provide service technicians for large customers and distributors in each important product area.

The table below sets out our estimate of the market share of our steel products in Korea for the periods indicated based on sales volume.

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2020	2021	2022
	(in percentages)		
Our sales	51.0%	52.5%	48.9%
Other domestic steel companies' sales	29.2	26.6	30.3
Imports	19.8	20.9	20.8
Total	100.0%	100.0%	100.0%

Exports

Our sales to customers abroad represented 40.1% of our total revenue in 2021 and 42.2% in the first nine months of 2022.

The tables below set out our sales to customers abroad in terms of revenue by geographical market and by principal product category for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2020		2021		2021		2022	
	(in billions of Won, except percentages)							
China	₩ 2,398	22.5%	₩ 2,865	17.6%	₩ 2,067	18.0%	₩ 1,992	13.7%
Asia (other than China and Japan)	2,291	21.5	3,733	23.0	2,609	22.7	3,107	21.3
Japan	1,781	16.7	2,511	15.5	1,743	15.2	2,149	14.7
Europe	1,013	9.5	1,859	11.4	1,297	11.3	2,343	16.1
North America	241	2.3	880	5.4	650	5.7	801	5.5
Others	2,930	27.5	4,397	27.1	3,120	27.2	4,191	28.7
Total	₩ 10,653	100.0%	₩ 16,244	100.0%	₩ 11,485	100.0%	₩ 14,582	100.0%

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2020		2021		2021		2022	
	(in billions of Won, except percentages)							
Cold rolled products	₩ 3,873	36.4%	₩ 6,736	41.5%	₩ 4,834	42.1%	₩ 6,290	43.1%
Hot rolled products	2,312	21.7	4,396	27.1	3,040	26.5	3,759	25.8
Stainless steel products	1,832	17.2	1,908	11.7	1,387	12.1	1,444	9.9
Plates	1,174	11.0	1,367	8.4	967	8.4	1,505	10.3
Wire rods	606	5.7	788	4.9	506	4.4	702	4.8
Silicon steel sheets	569	5.3	660	4.1	471	4.1	574	3.9
Miscellaneous steel products	266	2.5	327	2.0	235	2.0	255	1.8
Others	22	0.2	62	0.4	47	0.4	53	0.4
Total	₩ 10,653	100.0%	₩ 16,244	100.0%	₩ 11,485	100.0%	₩ 14,582	100.0%

We distribute our export products mostly through Korean trading companies, including POSCO International and other overseas sales affiliates of the POSCO Group. Our largest export market in recent years has been Asia (other than China and Japan). Asia (other than China and Japan) accounted for 23.0% of our sales to customers abroad in 2021 and 21.3% in the first nine months of 2022. The principal products exported to Asia (other than China and Japan) were cold rolled products, including continuous galvanized products.

Distribution

We sell steel products produced by us directly to external customers, as well as engage our affiliates, primarily POSCO International, to sell our steel products produced by us. Our revenue from steel products produced by us and sold to our affiliates that in turn sold them to their external customers amounted to Won 11,753 billion in 2020 and Won 17,317 billion in 2021, and Won 10,481 billion in the first nine months of 2021 and Won 14,401 billion in the first nine months of 2022.

Anti-Dumping, Safeguard and Countervailing Duty Proceedings

From time to time, our exporting activities have become subject to anti-dumping, safeguard and countervailing proceedings. As a steel producer with global sales and operations, we are involved in trade remedy proceedings in markets worldwide, including in the United States. We actively participate in such proceedings to minimize any adverse effects and associated risks. While there has been an increase in the number of trade cases in recent years, and an increased focus on trade issues by government officials, such cases have been limited in scope relative to our global sales and operations. We continue to carefully monitor developments with respect to trade remedy policy in all markets in which we participate and, where necessary, vigorously defend our rights through litigation before tribunals such as the U.S. Court of International Trade. Our products that are subject to anti-dumping duties, safeguard duties, countervailing duties, quotas or tariffs in the aggregate currently have not had a material adverse impact on our business and operations in recent years.

Pricing Policy

We determine the pricing of our products based on market conditions, taking into consideration production outlook of the global steel industry and global economic conditions in general. In setting prices, we take into account our costs, including those of raw materials, supply and demand in the Korean market, exchange rates, and conditions in the international steel market. Our prices can fluctuate considerably over time, depending on market conditions and other factors. The prices of our higher value-added steel products in the largest markets are determined considering the prices of similar products charged by our competitors.

Raw Materials

Steel Production

The principal raw materials used in producing steel through the basic oxygen steelmaking method are iron ore and coal. We require approximately 1.7 tons of iron ore and 0.7 tons of coal to produce one ton of steel. We imported approximately 54.9 million dry metric tons of iron ore and 25.4 million wet metric tons of coal in 2021 and approximately 37.7 million dry metric tons of iron ore and 16.9 million wet metric tons of coal in the first nine months of 2022. Iron ore is sourced primarily from Australia, Brazil and Canada. Coal is sourced primarily from Australia, Canada and Russia.

We purchase a substantial portion of our iron ore and coal imports pursuant to long-term contracts. Our long-term supply contracts generally have terms of three to ten years and provide for periodic price adjustments to the then-market prices. We typically adjust the prices on a quarterly basis and maintain approximately one month of inventory of raw materials. Such price adjustments are driven by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. For both coal and iron ore, we typically agree on the purchase price with the suppliers primarily based on the spot market price periodically announced by Platts (Premium Low Vol Coking Coal, FOB Australia Index and Iron Ore 62% Fe, CFR China Index). We or the suppliers may cancel the long-term contracts only if performance under the contracts is prevented by causes beyond our or their control and these causes continue for a specified period.

We also procure raw materials from our affiliates that engage in exploration and production projects abroad by acquiring mining rights of raw materials or by investing in projects either as part of a consortium or through an acquisition of a minority interest. In 2021, we purchased approximately 39% of our iron ore imports and 15% of our coal imports from foreign mines in which other member companies of the POSCO Group have made investments. In the first nine months of 2022, we purchased approximately 34% of our iron ore imports and 22% of our coal imports from foreign mines in which other member companies of the POSCO Group have made investments. POSCO Group's major investments to procure supplies of coal, iron ore and nickel are primarily located in Australia, Canada, Brazil and New Caledonia.

The average market price of iron ore per dry metric ton (Iron Ore 62% Fe, CFR China Index announced by Platts) was US$93 in 2019, US$109 in 2020, US$160 in 2021, US$177 in the first nine months of 2021 and US$128 in the first nine months of 2022. The average market price of coal per wet metric ton (Premium Low Vol Coking Coal, FOB Australia Index announced by Platts) was US$176 in 2019, US$124 in 2020, US$226 in 2021, US$177 in the first nine months of 2021 and US$393 in the first nine months of 2022. We currently do not depend on any single country or supplier for our iron ore or coal.

Stainless Steel Production

The principal raw materials for the production of stainless steel are ferronickel, ferrochrome and stainless steel scrap. We purchase a majority of our ferronickel primarily from suppliers in Korea that procure nickel ore from New Caledonia, and the remainder primarily from leading suppliers in Indonesia, Japan and Ukraine. Our primary suppliers of ferrochrome are located in South Africa, India and Kazakhstan. Our stainless steel scraps are primarily supplied by domestic and overseas suppliers in Japan and Southeast Asia. Revert scraps from the Pohang Steelworks are also used for our stainless steel production. The average market price of nickel per ton on the London Metal Exchange was US$13,936 in 2019, US$13,789 in 2020, US$18,448 in 2021, US$18,036 in the first nine months of 2021 and US$25,709 in the first nine months of 2022.

Transportation

In order to meet our transportation needs for iron ore and coal, we have entered into long-term contracts with shipping companies. Such contracts are performed by a fleet of dedicated vessels on a consecutive voyage basis with fully loaded cargo for each voyage. These vessels under long-term contracts transported approximately 63% of the total requirements in 2021 and approximately 64% in the first nine months of 2022, and the remainder was transported by vessels sourced through short- to medium-term contracts, depending on market conditions. We plan to continue to optimize the fleet of dedicated vessels that we use in order to cope with changes in the global shipping environment, as well as upgrade some of the existing vessels with energy-saving and eco-friendly technologies.

The Steelmaking Process

Our major production facilities, Pohang Works and Gwangyang Works, produce steel by the basic oxygen steelmaking method. The stainless steel plant at Pohang Works produces stainless steel by the electric arc furnace method. Continuous casting improves product quality by imparting a homogenous structure to the steel. Pohang Works and Gwangyang Works produce all of their products through the continuous casting.

Steel — Basic Oxygen Steelmaking Method

First, molten pig iron is produced in a blast furnace from iron ore, which is the basic raw material used in steelmaking. Molten pig iron is then refined into molten steel in converters by blowing pure oxygen at high pressure to remove impurities. Different desired steel properties may also be obtained by regulating the chemical contents.

At this point, molten steel is made into semi-finished products such as slabs, blooms or billets at the continuous casting machine. Slabs, blooms and billets are produced at different standardized sizes and shapes. Slabs, blooms and billets are semi-finished lower-margin products that we either use to produce our further processed products or sell to other steelmakers that produce further processed steel products.

Slabs are processed to produce hot rolled coil products at hot strip mills or to produce plates at plate mills. Hot rolled coils are an intermediate-stage product that may either be sold to our customers as various finished products or be further processed by us or our customers into higher value-added products, such as cold rolled sheets and silicon steel sheets. Blooms and billets are processed into wire rods at wire rod mills.

Stainless Steel — Electric Arc Furnace Method

Stainless steel is produced from stainless steel scrap, chrome, nickel and steel scrap using an electric arc furnace. Stainless steel is then processed into higher value-added products by methods similar to those used for steel production. Stainless steel slabs are produced at a continuous casting mill. The slabs are processed at hot rolling mills into stainless steel hot coil, which can be further processed at cold strip mills to produce stainless cold rolled steel products.

Competition

Domestic Market

We are the largest fully integrated steel producer in Korea. In hot rolled products, where we believe we had a market share of approximately 59% in 2021 and 49% in the first nine months of 2022, we face competition from Hyundai Steel Co., Ltd. and from various foreign producers, primarily from China and Japan. In cold rolled products and stainless steel products, where we believe we had a market share of approximately 61% and 54%, respectively, in 2021 and approximately 54% and 31%, respectively, in the first nine months of 2022, we compete with Hyundai Steel Co., Ltd., smaller specialized domestic manufacturers and various foreign producers, primarily from China and Japan. For a discussion of domestic market shares, see "— Markets — Domestic Market."

The Korean Government does not impose quotas on or provide subsidies to local steel producers. As a World Trade Organization signatory, Korea has also removed all steel tariffs.

Export Markets

The competitors in our export markets include all the leading steel manufacturers of the world. In the past decade, there has been a trend toward industry consolidation among our competitors, and smaller competitors in the global steel market today may become larger competitors in the future. In recent years, a slowdown in domestic demand for steel products in China resulting from slowed economic growth, combined with an expansion in steel production capacity, has led to production over-capacity in the Chinese steel industry, which in turn has led the Chinese government to pursue aggressive consolidation in the Chinese steel industry, such as the consolidation of Baosteel Group and Wuhan Iron and Steel in 2016, that has resulted in fewer but larger steel manufacturers that are able to compete more effectively in the global steel industry. Competition from global steel manufacturers with significant production capacity such as ArcelorMittal S.A. and Nippon Steel & Sumitomo Metal Corporation, as well as competitors from emerging markets, especially from China and India, could result in a significant increase in competition. Major competitive factors include range of products offered, quality, price, delivery performance and customer service. Our larger competitors may use their resources, which may be greater than ours, against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

Various export markets currently impose tariffs on different types of steel products. However, we do not believe that tariffs significantly affect our ability to compete in these markets.

Production Facilities

Our principal production facilities are Pohang Works, which is located at Youngil Bay on the southeastern coast of Korea, and Gwangyang Works, which is located in Gwangyang City in the southwestern region of Korea. Our principal production facilities located abroad include a plant in Vietnam operated by POSCO Yamato VINA Steel Joint Stock Company, in which we hold a 51.0% interest that we acquired from POSCO HOLDINGS INC. in December 2022.

We are vigorous in our efforts to engage in environmentally responsible management of, and to protect the environment from damage resulting from, our operations. Our levels of pollution control are higher than those mandated by Government standards. We established an online environmental monitoring system with real-time feedback on pollutant levels and a forecast system of pollutant concentration in surrounding areas. We also undergo periodic environmental inspections by both internal and external inspectors in accordance with ISO 14001 standards to monitor execution and maintenance of our environmental management plan. We also operate a certification program targeting our suppliers and outsourcing partners, pursuant to which they are encouraged to establish environmental management systems of their own. In December 2020, we announced our plan to work towards carbon neutrality by 2050.

Pohang Works

Construction of Pohang Works began in 1970 and ended in 1983. Pohang Works produces a wide variety of steel products. Products produced at Pohang Works include hot rolled sheets, plates, wire rods and cold rolled sheets, as well as specialty steel products such as stainless steel sheets and silicon steel sheets. These products can also be customized to meet the specifications of our customers.

Situated on a site of 8.9 million square meters at Youngil Bay on the southeastern coast of Korea, Pohang Works consists of iron-making, crude steelmaking and continuous casting and other rolling facilities. Pohang Works also has docking facilities capable of accommodating large ships for unloading raw materials, storage areas for raw materials and separate docking facilities for ships carrying products for export. Pohang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

Gwangyang Works

Construction of Gwangyang Works began in 1985 and ended in 1992. Gwangyang Works specializes in high-volume production of a limited number of steel products. Products manufactured at Gwangyang Works include both hot and cold rolled types.

Situated on a site of 13.7 million square meters reclaimed from the sea in Gwangyang City in the southwestern region of Korea, Gwangyang Works is comprised of iron-making plants, steelmaking plants, continuous casting plants, hot strip mills and thin-slab hot rolling plants. The site also features docking and unloading facilities for raw materials capable of accommodating large ships for unloading raw materials, storage areas for raw materials and separate docking facilities for ships carrying products for export.

We believe Gwangyang Works is one of the most technologically advanced integrated steel facilities in the world. Gwangyang Works has a completely automated, linear production system that enables the whole production process, from iron-making to finished products, to take place without interruption. This advanced system reduces the production time for hot rolled products to only four hours. Like Pohang Works, Gwangyang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

Capacity Utilization Rates

The following table sets out the aggregate capacity utilization rates of Pohang Works and Gwangyang Works for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2020	2021	2021	2022
Crude steel and stainless steel production capacity (million tons per period)	40.7	40.7	30.4	30.3
Actual crude steel and stainless steel output (million tons)	35.9	38.3	28.7	26.2
Capacity utilization rate (%) [1]	88.3%	94.1%	94.4%	86.3%

(1) Calculated by dividing actual crude steel and stainless steel output by the actual crude steel and stainless steel production capacity for the relevant period as determined by us.

Vietnam

We hold a 51.0% interest in POSCO Yamato VINA Steel Joint Stock Company, which manufactures and sells structural steel and steel reinforcement products in Vietnam. The plant became operational in June 2015. As of September 30, 2022, POSCO Yamato VINA Steel Joint Stock Company had approximately 0.6 million tons of annual crude steel production capacity.

Capital Expenditures and Capacity Expansion

Cash used for acquisitions of property, plant and equipment was Won 2,424 billion in 2020, Won 1,955 billion in 2021, Won 1,191 billion in the first nine months of 2021 and Won 1,879 billion in the first nine months of 2022. We currently expect our cash outflows for acquisition of property, plant and equipment to be approximately Won 1.3 trillion in the last three months of 2022 and approximately Won 4.6 trillion in 2023, which we may adjust on an ongoing basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. We may delay or not implement some of our current capital expenditure plans based on our assessment of such market conditions.

Our current plan for capital investment in production facilities emphasizes capacity rationalization, increased production of higher value-added products, and improvements in the efficiency of older facilities in order to reduce operating costs. The following table sets out the major items of our capital expenditures as of September 30, 2022:

Project	Expected Completion Date	Total Cost of Project	Estimated Remaining Cost of Completion as of September 30, 2022
		(In billions of Won)	
Construction of no. 6 cokes plant at Pohang Works	December 2026	₩ 1,442	₩ 1,113
Rationalization of hot-rolling furnace no. 2 at Pohang Works	October 2028	307	300
Construction of electric steel production facilities at Gwangyang Works	December 2025	890	735
Installation of raw material storage facilities (first stage)	June 2025	1,443	1,334

Research and Development

We maintain research and development programs to carry out basic research and applied technology development activities. As of September 30, 2022, POSCO Technical Research Laboratories employed 889 personnel, including 543 researchers. Our research and development personnel also work closely with the Pohang University of Science & Technology, Korea's first research-oriented college founded by us in 1986, and the Research Institute of Industrial Science and Technology, Korea's first private comprehensive research institute founded by the POSCO Group in 1987.

Our success depends in part on our ability to obtain patents, licenses and other intellectual property rights relating to our products and manufacturing process. Our ability to develop our technologies and to continue to enhance our production know-how and our access to technologies of other leading companies, through licenses or other arrangements, are important to our ability to design and manufacture competitive products. As of September 30, 2022, we owned 12,365 patents in Korea and 5,417 patents abroad as well as 439 trademarks in Korea and 419 trademarks abroad.

Insurance

We maintain property insurance policies with reputable insurance companies covering our production facilities. These insurance policies cover losses due to fire, earthquake, flood and other natural disasters. We also maintain liability and casualty insurance policies that cover various incidents, including work-related injuries to employees, product liability, environmental pollution liability and director and officer liability. We consider our insurance coverage to be consistent with market practice in Korea.

Employees

On a consolidated basis, we had 16,953 full-time employees, 1,034 contract-based employees, and 5 part-time employees as of September 30, 2022. Our success depends to a significant extent upon our ability to attract, retain and motivate qualified employees. Such employees, particularly engineers, production managers and technicians in the global steel industry, are in high demand, and we devote significant resources to identifying, hiring, training, successfully integrating and retaining these employees. We seek to leverage the POSCO Group's brand recognition to attract top-tier talent and strive to maintain an entrepreneurial, productive and innovation-focused culture. We may grant annual increases in basic wages and may pay annual bonuses. We also provide benefits such as medical insurance, periodic medical examinations and the provision of recreational facilities.

As of September 30, 2022, approximately 44% of our employees in Korea were members of the collective labor union of POSCO HOLDINGS INC. and its subsidiaries. Membership to the union is open only to our employees who meet the eligibility requirements set forth in the Trade Union and Labor Relations Adjustment Act of Korea. We, a wholly-owned subsidiary of POSCO HOLDINGS INC., negotiate, on behalf of POSCO HOLDINGS INC. and its other subsidiaries (including us), collective bargaining agreements every two years with the collective labor union of POSCO HOLDINGS INC. and its subsidiaries. Our latest collective bargaining agreement came into effect in September 2022 for a one-year term. The collective bargaining agreement is automatically renewed every two years unless amended. We have not experienced any material labor strikes or other material labor disputes in recent years and consider our current relations with our workforce to be good.

For employees based in Korea, in accordance with the National Pension Act of Korea, we contribute an amount equal to 4.5% of an employee's standard monthly income, and each employee contributes 4.5% of his or her standard monthly wages into his or her personal pension account. Our employees based in Korea, including executive officers as well as non-executive employees, are subject to a pension insurance system, pursuant to which we make monthly contributions to the personal pension accounts of the employees, and, upon retirement, such employees are paid from their personal pension accounts. Our pension insurance system is offered in the form of either a defined benefit plan, which guarantees a certain payout at retirement according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member, or a defined contribution plan, in which the employer's contribution is determined in advance on an annual basis and is managed directly by the employee. Our employees in Korea have the option of choosing either the defined benefit plan or the defined contribution plan. For further information regarding our obligations under our retirement pension plans, see Note 19 to the Annual Financial Statements and Note 17 to the Interim Financial Statements.

Legal Proceedings

As a steel producer with global sales and operations, we are involved in trade remedy proceedings in markets worldwide, including in the United States. We proactively participate in and plan for such proceedings to minimize any adverse effects and associated risks. While there has been an increase in the number of trade cases in recent years, and an increased focus on trade issues by government officials, all such cases have been product and market-specific, and thus have been limited in scope relative to our global sales and operations. We continue to carefully monitor developments with respect to trade remedy policy in all markets in which we participate and, where necessary, vigorously defend our rights through litigation before tribunals such as the U.S. Court of International Trade. Our products that are subject to anti-dumping, safeguard or countervailing duty proceedings in the aggregate currently do not account for a material portion of our total sales, and such proceedings have not had a material adverse impact on our business and operations in recent years. However, there can be no assurance that increases in, or new impositions of, anti-dumping duties, safeguard duties, countervailing duties, quotas or tariffs on our exports of products abroad may not have a material adverse impact on our exports in the future. For a description of our additional legal proceedings, see “Risk Factors – Labor laws and a recent Supreme Court decision on contract-based workers dispatched by third-party contractors could restrict flexibility in our labor management and result in an increase in our labor-related costs.”

MANAGEMENT

Board of Directors

Our board of directors has the ultimate responsibility for the management of our business affairs. Our board consists of five directors who are our executive officers ("Inside Directors"), one director who is a non-standing director ("Non-standing Director") and two directors who are outside directors ("Outside Directors"). Our shareholder elects the Inside Directors, Non-standing Directors and Outside Directors at a general meeting of the shareholder. Candidates for Outside Directors are recommended to the shareholder by the board of directors after the board reviews such candidates' qualifications. The term of office of the Directors elected in March 2022 is up to three years. Each Director's term expires at the close of the ordinary general meeting of the shareholder convened in respect of the fiscal year that is the last one to end during such Director's tenure.

Under the Commercial Code and our articles of incorporation, several Representative Directors may be elected among the Inside Directors by our board of directors' resolution and upon the recommendation of the Representative Director, the Inside Directors may be assigned to the positions of Vice Chairman, President, Executive Vice President, Senior Managing Director and Managing Director by resolution of our board of directors.

The names and positions of our Directors are set forth below. The business address of all of the Directors is that of our registered office.

Name	Age	Title	Outside Occupation	Position Held Since
Kim, Hag-Dong	63	Chief Executive Officer; Inside Director	None	March 2022
Jeong, Tak	63	Chief Executive Officer; Inside Director	None	March 2022
Lee, Si-Woo	62	Inside Director; Head of Production Technology Division	None	March 2022
Kim, Ji-Yong	60	Inside Director; Head of Environment Safety Division	None	March 2022
Yoon, Duck-Il	59	Inside Director; Head of Management Planning Division	None	March 2022
Chon, Jung-Son	60	Non-standing Director	Head of Corporate Strategy Team, POSCO HOLDINGS INC.	March 2022
Park, Jae-Hwan	62	Outside Director	Professor, College of Business & Economics at Chung-Ang University	March 2022
Lee, Min-Ho	58	Outside Director	None	March 2022

Board Committees

Audit Committee

Under the Commercial Code, a company may establish an Audit Committee in lieu of auditors as prescribed by the articles of incorporation, and according to our articles of incorporation, we are required to have an Audit Committee. The Audit Committee shall be composed of three or more directors; at least two-thirds of the members of the Audit Committee shall be Outside Directors. Members of the Audit Committee are appointed by the board of directors. We currently have an Audit Committee composed of two Outside Directors and one Inside Director. Members of our Audit Committee are Park, Jae-Hwan (chairman), Lee, Min-Ho and Lee, Si-Woo.

The duties of the Audit Committee include:

- engaging independent auditors;

- approving independent audit fees;
- approving audit and non-audit services;
- reviewing annual financial statements;
- reviewing audit results and reports, including management comments and recommendations;
- reviewing our system of controls and policies, including those covering conflicts of interest and business ethics; and
- examining improprieties or suspected improprieties.

In addition, in connection with general meetings of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors at each general meeting of stockholders. Our internal and external auditors report directly to the Audit Committee. The committee holds regular meetings at least once each quarter, and more frequently as needed.

ESG Committee

The ESG Committee is composed of two Outside Directors and two Inside Directors, Lee, Min-Ho (chairman), Park, Jae-Hwan, Kim, Ji-Yong and Yoon, Duck-Il. The ESG Committee oversees decisions with respect to our ESG policies, including policies related to environment, climate change, low carbon and governance. It also reviews operational matters of our board of directors and special committees, reviews plans related to safety and health, and manages and monitors ESG activities.

Compensation

In the first nine months of 2022, the aggregate compensation paid and accrued to our Directors was approximately Won 7.3 billion and the aggregate amount set aside or accrued by us to provide pension and retirement benefits to such persons was Won 7.8 billion.

SUBSIDIARIES AND COMBINED COMPANIES

As of September 30, 2022, we had five consolidated subsidiaries and combined companies. The following table sets forth certain information with regard to our consolidated subsidiaries as of September 30, 2022.

Name	POSCO's Ownership Percentage	Subsidiaries' Ownership Percentage	Principal Business	Location
Domestic:				
POSCO STEELEON Co., Ltd.	56.87%	—	Coated steel manufacturing	Korea
POSCO M-TECH.	48.85%	—	Packing materials manufacturing and sales	Korea
POSCO NIPPON STEEL RHF JOINT VENTURE CO., Ltd.	70.00%	—	Steel byproduct manufacturing and sales	Korea
POSCO Humans	75.49%	0.78%	Construction	Korea
Foreign:				
Myanmar POSCO C&C Company, Limited	—	70.00%	Steel manufacturing and sales	Myanmar

In December 2022, we also acquired POSCO HOLDINGS INC.'s interests in some of its subsidiaries and investments related to steel manufacturing and sales, including POSCO HOLDINGS INC.'s 74.6% interest in POSCO Thainox Public Company Limited, 100.0% interest in POSCO (Thailand) Co., Ltd. and 51.0% interest in POSCO Yamato VINA Steel Joint Stock Company, for Won 1.1 trillion.

SHAREHOLDERS

The following table sets forth certain information relating to the shareholder of our common stock issued as of September 30, 2022:

Stockholder	Number of Common Shares Held	Percentage of Total Common Shares Outstanding
POSCO HOLDINGS INC.	96,480,625	100.00%
	96,480,625	100.00%

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We engage from time to time in various transactions with related parties, including our parent company and other related companies. We believe that we have conducted our transactions with related parties as we would in comparable arm's-length transactions with a non-related party, on a basis substantially as favorable to us as would be obtainable in such transactions.

We also enter into transactions with various other related companies including POSCO International. Our transaction with POSCO International primarily consists of sales of our products to POSCO International as well as purchases of raw materials used in our products. Our sales to POSCO International amounted to Won 5,852 billion in 2020, Won 10,116 billion in 2021 and Won 10,265 billion in the first nine months of 2022. Our purchases from POSCO International, which consist primarily of raw materials, amounted to Won 392 billion in 2020, Won 1,445 billion in 2021 and Won 1,378 billion in the first nine months of 2022.

Other Related Parties

For further information relating to our transactions with related parties, see Note 30 to the Annual Financial Statements and Note 27 to the Interim Financial Statements included elsewhere in this Offering Circular.

DESCRIPTION OF THE NOTES

The 2026 Notes will be issued under a fiscal agency agreement to be dated as of January 17, 2023 (the "2026 Fiscal Agency Agreement"), between the Company, the Fiscal Agent and Citibank, N.A., London Branch, the 2028 Notes will be issued under a fiscal agency agreement to be dated as of January 17, 2023 (the "2028 Fiscal Agency Agreement"), between the Company, the Fiscal Agent and Citibank, N.A., London Branch and the 2033 Notes will be issued under a fiscal agency agreement to be dated as of January 17, 2023 (the "2033 Fiscal Agency Agreement" and together with the 2026 Fiscal Agency Agreement and the 2028 Fiscal Agency Agreement, the "Fiscal Agency Agreements"), between the Company, the Fiscal Agent and Citibank, N.A., London Branch. The following summaries of certain provisions of the Notes and the Fiscal Agency Agreements do not purport to be complete and are qualified in their entirety by reference to the provisions of the Notes and the Fiscal Agency Agreements.

General

The 2026 Notes will be issued in an initial aggregate principal amount of US$700,000,000 and will mature on January 17, 2026. The 2028 Notes will be issued in an initial aggregate principal amount of US$1,000,000,000 and will mature on January 17, 2028. The 2033 Notes will be issued in an initial aggregate principal amount of US$300,000,000 and will mature on January 17, 2033. The Notes are the direct, unconditional, unsecured and unsubordinated general obligations of the Company. Each of the Notes will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or otherwise, and at least equally with all other outstanding unsecured and unsubordinated general obligations of the Company (subject to certain statutory exceptions under the laws of the Republic of Korea).

The 2026 Notes will bear interest at the rate of 5.625% per annum, the 2028 Notes will bear interest at the rate of 5.750% per annum and the 2033 Notes will bear interest at the rate of 5.875% per annum from and including January 17, 2023. Interest on each of the Notes will be payable semi-annually in arrears on January 17 and July 17 of each year, commencing July 17, 2023, to the holders of record ("Holders") as of the close of business on the fifteenth day preceding such interest payment date. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. In any case where the date for the payment of any principal of or interest on any Note is not a day on which banking institutions at any place of payment, including Seoul, New York and London, are open for business (a "Business Day"), then payment of such principal or interest need not be made on such date at such place of payment but may be made on the next succeeding day at such place of payment which is a Business Day with the same force and effect as if made on the date for such payment of principal or interest, and no interest shall accrue for the period after such date.

The Notes may be redeemed at the option of the Company in whole, but not in part, at any time prior to maturity under the circumstances described under "— Optional Tax Redemption." The Notes do not have the benefit of any sinking fund.

Payments

Payments of interest and principal of the Notes will be made in such coin or currency of the United States of America on a bank that processes payments in U.S. dollars, by wire transfer to a bank account designated by such Holder in writing (such designation to be signed by two authorized officers of such Holder if it is not an individual) to the Fiscal Agent at least ten days prior to the relevant payment date.

Book-Entry System and Form of Notes

Upon issuance, the Notes are expected to be represented by Global Notes in fully registered form. The Global Notes will be deposited with or on behalf of DTC and registered in the name of a nominee of DTC. A Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of or a nominee of such successor.

Upon the issuance of the Global Notes, DTC will credit, on its book-entry registration and transfer system, the respective principal amounts of the Notes represented by such Global Notes to the accounts of persons that have accounts with DTC ("participants"), including depositaries for Euroclear and Clearstream. The accounts to be initially credited shall be designated by the Initial Purchasers participating in the initial offer and sale of the Notes. Ownership of beneficial interests in the Global Notes will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC for such Global Notes (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants).

DTC or its nominee, as the case may be, as registered Holder of the Global Notes will be considered the sole owner or holder of the Notes represented by each Global Note for all purposes under the Notes and the Fiscal Agency Agreements.

Principal and interest payments on Notes represented by the Global Notes registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of such Global Notes. None of the Company, the Fiscal Agent or any paying agent for such Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC, upon receipt of any payment of principal or interest, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Notes as shown on the records of DTC. The Company also expects that payments by participants to owners of beneficial interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the account of customers registered in "street names", and will be the responsibility of such participants.

If (i) at any time DTC notifies the Company in writing that it is unwilling or unable to continue as depositary or ceases to be a "clearing agency" under the Exchange Act, and a successor depositary is not appointed by the Company within 90 days after the Company is notified by DTC or becomes aware of such condition, or (ii) the Notes have become immediately due and payable pursuant to the Fiscal Agency Agreements, the Company will issue Notes in definitive registered form in exchange for the Global Notes representing such Notes. The Notes will be issued only in fully registered form without coupons in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. If the Notes are issued in definitive registered form, the Company will make payments of principal of and interest on the Notes, and transfers and exchanges of the Notes will be affected, subject to the terms of the Fiscal Agency Agreements and the Notes (without any service charge) upon surrender of the Notes at the offices of the Fiscal Agent.

Same-Day Settlement

Initial settlement for the Notes will be made in same-day funds.

Restrictions on Transfer

The Notes may not be sold or otherwise transferred except in accordance with the restrictions described under "Transfer Restrictions."

Meetings of Holders; Modification and Amendment

The Company may at any time, and the Fiscal Agent shall at any time after the Notes shall have become immediately due and payable due to a default upon a request in writing made by Holders holding not less than 10% of the aggregate outstanding principal amount of the respective Notes, convene a meeting of the Holders. At a meeting of the Holders, persons entitled to vote a majority in aggregate principal amount of the respective Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the respective Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. Any resolution at a meeting of the Holders to modify or amend, or to waive compliance with, any of the covenants or conditions (other than those set forth below as requiring the consent of each Holder of a Note affected thereby) shall be effectively passed if passed by the lesser of (i) a majority in aggregate principal amount of respective Notes then outstanding or (ii) 75% in aggregate principal amount of the respective Notes represented and voting at the meeting.

Modifications and amendments to the Fiscal Agency Agreements or the Notes requiring consent of Holders may be made, and future compliance therewith or past defaults by the Company may be waived, with the consent of the Company and the Holders of more than 50% in aggregate principal amount of the respective Notes at the time outstanding, or of such lesser percentage as may act at a meeting of the Holders held in accordance with the provisions of the Fiscal Agency Agreements; *provided* that no such modification, amendment or waiver of the Fiscal Agency Agreements or any Note may, without the consent of each Holder affected thereby, (i) change the stated maturity of the principal of, or the date for the payment of interest on, any such Note; (ii) reduce the principal of or interest on any such Note; (iii) change the currency of payment of the principal of or interest on any such Note; or (iv) reduce the above-stated percentage of aggregate principal amount of respective Notes outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action.

The Fiscal Agency Agreements and the terms and conditions of the Notes may be modified, supplemented or amended, without the consent of the Holders, for the purposes of (i) adding to the covenants of the Company for the benefit of such Holders, (ii) surrendering any right or power conferred upon the Company, (iii) securing the Notes, (iv) curing any ambiguity or correcting or supplementing any defective provision contained in the Fiscal Agency Agreements or the Notes, (v) implementing the provisions described under "— Meetings of Holders; Modification and Amendment" herein, (vi) evidencing and providing for the acceptance of appointment of a successor Fiscal Agent with respect to the Notes and to add to or change any provisions of the Fiscal Agency Agreements that shall be necessary to provide for or facilitate the administration of the trusts by more than one Fiscal Agent or (vii) in any other manner which the Company may deem necessary or desirable, *provided* that such action, in the opinion of the Company, shall not adversely affect in any material respect the interests of the Holders of such Notes at the time outstanding. In all other cases, any amendment of the Fiscal Agency Agreements will require the consent of the Holders pursuant to a resolution of the Holders adopted in accordance with the provisions of the Fiscal Agency Agreements. Any determination as to material adverse effect with respect to the interest of Holders pursuant to in this paragraph will be made by the Company, and the Fiscal Agent shall not have any responsibility or liability whatsoever with respect to such determination. Any modification shall be binding on the Holders and any modification shall be notified by the Company to the Holders as soon as reasonably practicable thereafter in accordance with the provisions of the Fiscal Agency Agreements.

Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all Holders whether or not they have given such consent or were present at such meeting, and on all future Holders whether or not notation of such modifications, amendments or waivers is made upon the Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

Certain Covenants

Limitation on Liens

So long as any of the Notes are outstanding, the Company will not itself, and will not permit any Material Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any mortgage, charge, pledge, encumbrance or other security interest (a "Lien") on any Principal Property without in any such case effectively providing that the Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Material Subsidiary then existing or thereafter created) shall be secured equally and ratably with or prior to such secured External Indebtedness, so long as such secured External Indebtedness shall be so secured, unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness then outstanding *plus* Attributable Debt of the Company and its Material Subsidiaries in respect of Sale/Leaseback Transactions as described under "— Limitation on Sale and Leaseback Transactions" below (other than such Sale/Leaseback Transactions permitted under clause (b) of the covenant described in such section) would not exceed an amount equal to 15% of Consolidated Net Tangible Assets.

The foregoing restriction will not apply to External Indebtedness secured by:

(i) any Lien existing on any Principal Property prior to the acquisition thereof by the Company or any of its Material Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(ii) any Lien on any Principal Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such Principal Property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;

(iii) any Lien existing on any Principal Property of any Material Subsidiary prior to the time such Material Subsidiary becomes a Subsidiary of the Company or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;

(iv) any Lien securing External Indebtedness owing to the Company or to a Subsidiary; or

(v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing as of the date of the Fiscal Agency Agreements, provided that such External Indebtedness is not increased and is not secured by any additional Principal Property.

For the purposes of the covenants described hereunder and under "— Limitation on Sale and Leaseback Transactions" below, the giving of a guarantee which is secured by a Lien on a Principal Property, and the creation of a Lien on a Principal Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Principal Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

Limitation on Sale and Leaseback Transactions

So long as any of the Notes are outstanding, the Company will not itself, and will not permit any Material Subsidiary to, enter into any Sale/Leaseback Transaction after the date of the Fiscal Agency Agreements (other than such Sale/Leaseback Transactions permitted under clause (b) below), unless either:

(a) the Attributable Debt of the Company and its Material Subsidiaries in respect of such Sale/Leaseback Transaction and all other Sale/Leaseback Transactions entered into after the date of the Fiscal Agency Agreements (other than such Sale/Leaseback Transactions permitted under clause (b) below) plus the aggregate principal amount of External Indebtedness secured by Liens on Principal Properties then outstanding (excluding any such External Indebtedness secured by Liens described in clauses (i) through (v) under "— Limitation on Liens" above or existing on the date of the Fiscal Agency Agreements) without equally and ratably securing the respective Notes, would not exceed 15% of Consolidated Net Tangible Assets; or

(b) the Company, within 12 months after such Sale/Leaseback Transaction, applies or causes a Material Subsidiary, as the case may be, to apply an amount equal to the net proceeds of such sale or transfer of the Principal Property which is the subject of such Sale/Leaseback Transaction, to the retirement of External Indebtedness of the Company or a Material Subsidiary, as the case may be, which is not subordinate to the Notes; provided that the amount to be so applied shall be reduced by (i) the principal amount of respective Notes delivered within 12 months after such Sale/Leaseback Transaction to the Fiscal Agent for retirement and cancellation, and (ii) the principal amount of External Indebtedness of the Company or a Material Subsidiary, other than the respective Notes, voluntarily retired by the Company or a Material Subsidiary within 12 months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this clause (b) may be effected by payment at maturity or pursuant to any mandatory prepayment provision.

Notwithstanding the foregoing, where the Company or any Material Subsidiary is the lessee in any Sale/Leaseback Transaction, Attributable Debt shall not include any External Indebtedness resulting from the guarantee by the Company or any other Material Subsidiary of the lessee's obligation in such Sale/Leaseback Transaction. The foregoing restrictions shall not apply to any transaction between the Company and a Subsidiary or between a Material Subsidiary and a Subsidiary.

Certain Definitions

All accounting terms used in the Fiscal Agency Agreements and the Notes and not expressly defined shall have the meanings given to them in accordance with Korean IFRS, and the term "Korean IFRS" shall mean the International Financial Reporting Standards as adopted by the Republic at the date or time of any computation.

"Attributable Debt" means, with respect to any Sale/Leaseback Transaction, the lesser of:

(i) the fair market value of the Principal Property subject to the Sale/Leaseback Transaction; and

(ii) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with Korean IFRS) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges) during the term of the lease.

"Consolidated Net Tangible Assets" means, at any date, the total amount of assets of the Company and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom:

(i) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible at the option of the Company);

(ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets; and

(iii) all write-ups of fixed assets, net of accumulated depreciation thereon, after September 30, 2022, other than as permitted under the Asset Revaluation Law, or successor law, of the Republic, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with Korean IFRS.

"External Indebtedness" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of the Republic and which has a final maturity of one year or more from its date of incurrence or issuance.

"Long-term Debt" means any note, bond, debenture or other similar indebtedness for money borrowed having a maturity of more than one year from the date such indebtedness was incurred or having a maturity of less than or equal to one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such indebtedness was incurred.

"Material Subsidiary" means any Subsidiary that owns a Principal Property.

"person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Principal Property" means:

(i) Pohang Works, Gwangyang Works and any other steel-producing or processing facility located in the Republic, whether at the date of the Fiscal Agency Agreements owned or thereafter acquired, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, reasonably determined by the Company's Board of Directors not to be of material importance to the total business conducted by the Company and its Subsidiaries as a whole; and

(ii) any share of common or participating preferred stock of a Material Subsidiary.

"Sale/Leaseback Transaction" means any arrangement with any person which provides for the leasing by the Company or any Material Subsidiary, for an initial term of three years or more, of any Principal Property, whether now owned or hereafter acquired, which is to be sold or transferred by the Company or any Material Subsidiary after the date of the Fiscal Agency Agreements to such person for a sale price of US$30,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the currency of the Republic.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

Provision of Information to Holders

The Company covenants that for so long as the Notes are "restricted securities" within the meaning of Rule 144 under the Securities Act, the Company will, at any time when it is not subject to either the periodic reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Holder or prospective purchaser of Notes designated by such Holder, upon the request of such Holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Events of Default

The term "Event of Default" wherever used in the Fiscal Agency Agreements with respect to the Notes means any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) which shall have occurred and be continuing:

(a) default in the payment of any installment of interest upon any of the Notes when they becomes due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of all or any part of the principal of (or premium, if any, on) any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of 7 days, whether at maturity, upon redemption or otherwise; or

(c) default in the performance, or breach, of the covenants or agreements on the part of the Company contained in the Notes or in the Fiscal Agency Agreements, and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company at the office of the Fiscal Agent by the Holders of at least 10% in aggregate principal amount of the respective Notes at the time outstanding a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Notes; or

(d) any External Indebtedness of the Company in the aggregate outstanding principal amount of US$30,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of External Indebtedness of any other person not being honored when, and remaining dishonored after becoming, due and called; provided that, in the case of (i) above, if any such default under any such External Indebtedness shall be cured or waived, then the default under the Notes by reason thereof shall be deemed to have been cured and waived; or

(e) the entry of a decree or order for relief in respect of the Company by a court having jurisdiction in the premises in an involuntary case under any applicable bankruptcy, insolvency, rehabilitation or other similar law in effect on the date of the Notes or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(f) the commencement by the Company of a voluntary case under any applicable bankruptcy, insolvency, rehabilitation or other similar law in effect on the date of the Notes or thereafter, or the consent by the Company to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the mailing by the Company of an assignment for the benefit of its creditors, or the admission by the Company in writing of inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action.

If an Event of Default with respect to the Notes occurs and is continuing, the Holders of not less than 25% in aggregate principal amount of the respective Notes then outstanding may declare the principal amount of and all accrued but unpaid interest on all the respective Notes to be due and payable immediately, by a notice in writing to the Company at the office of the Fiscal Agent, and upon such declaration any such principal amount and interest shall become immediately due and payable. Upon such declaration, the Fiscal Agent shall give notice thereof to the Company and to the Holders, by mail and publication. If, after any such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Company pays or deposits with the Fiscal Agent all amounts then due with respect to the respective Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the respective Notes, such defaults may be waived and such declaration may be annulled and rescinded by the Holders of more than 50% in aggregate outstanding principal amount of the respective Notes by written notice thereof to the Company at the office of the Fiscal Agent.

Consolidation, Merger and Sale of Assets

The Company, without the consent of the Holders of any of the respective Notes, may consolidate with, or merge into, or sell, transfer, lease or convey its assets as an entirety or substantially as an entirety to any corporation organized under the laws of the Republic; *provided* that (a) any successor corporation expressly assumes the Company's obligations under the Notes and the Fiscal Agency Agreements, (b) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (c) if, as a result of such transaction, the Company or any successor corporation becomes subject to a Lien which would not be permitted by the Notes, such steps shall have been taken as are necessary to secure the Notes equally and ratably with (or prior to) all indebtedness secured thereby, and (d) certain other conditions as per the Fiscal Agency Agreements are satisfied.

Defeasance and Discharge

The Fiscal Agency Agreements provides that the Company need not comply with certain covenants ("covenant defeasance") of the Notes (including those described under "— Certain Covenants — Limitation on Liens" and "— Certain Covenants — Limitation on Sale and Leaseback Transactions"), if:

(i) the Company irrevocably deposits, in trust with a trustee (which may be the Fiscal Agent) for the benefit of the Holders, (a) cash in U.S. dollars in an amount, or (b) U.S. Government Obligations (as defined below) which through the payment of interest thereon and principal thereof in accordance with their terms will provide cash in U.S. dollars in an amount, or (c) any combination of (a) and (b), sufficient to pay all the principal of, and interest on, the respective Notes on the dates such payments are due in accordance with the terms of such Notes;

(ii) no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit;

(iii) the Company delivers to such trustee an opinion of counsel in the United States reasonably acceptable to such trustee to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the exercise of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(iv) the Company delivers to such trustee an opinion of counsel in the Republic to the effect that such deposit and related covenant defeasance will not cause the beneficial owners of the Notes, other than the beneficial owners of the Notes (x) who are or who are deemed to be residents of the Republic or (y) who use or hold or are deemed to use or hold their Notes in carrying on a business in the Republic, to recognize income, gain or loss for Korean income tax purposes, and to the effect that payments out of the trust fund will be free and exempt from any and all withholding and other income taxes of whatever nature of the Republic or any province or political subdivision thereof or therein having power to tax, except in the case of Notes beneficially owned (x) by a person who is or is deemed to be a resident of the Republic or (y) by a person who uses or holds or is deemed to use or hold such Notes in carrying on a business in the Republic; and

(v) the Company delivers to such trustee a certificate executed by a duly authorized officer of the Company and an opinion of counsel, each stating that all conditions precedent provided for relating to the covenant defeasance have been complied with.

"U.S. Government Obligations" means securities which are (i) direct obligations of the United States government or are (ii) direct obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States government, the payment of which is unconditionally guaranteed by the United States government, which, in either case, are full faith and credit obligations of the United States government payable in U.S. dollars and are not callable or redeemable at the option of the issuer thereof and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

Additional Amounts

All payments of principal of and interest on the Notes shall be made by the Company without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic or by or within any political subdivision thereof or any authority therein having power to tax ("Korean Tax"), unless deduction or withholding of such Korean Tax is required by law. In the event that the deduction or withholding of Korean Tax is required by law, the Company will pay such additional amounts ("Additional Amounts") as will result in the payment to the Holder of the amounts which would otherwise have been receivable in respect of principal and interest in the absence of such deduction or withholding, except that no such Additional Amount shall be payable in respect of the Notes:

(a) to or on behalf of a Holder who is subject to such Korean Tax in respect of such Note by reason of such Holder being or having been connected with the Republic (or any political subdivision thereof) otherwise than merely by holding such Note or receiving principal or interest in respect thereof; or

(b) to or on behalf of a Holder who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Company to make such a declaration or claim, such Holder fails to do so within 30 days; or

(c) to or on behalf of a Holder who presents a Note (where presentation is required) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting a Note for payment on the last day of such 30-day period; for this purpose the "Relevant Date" in relation to any payments of interest on, or principal of, any Note means: (i) the due date for payment thereof; or (ii) if the full amount of the monies payable on such date has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with the Fiscal Agency Agreements; or

(d) to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Note; or

(e) any combination of (a), (b), (c) or (d) above.

The obligation of the Company to pay such Additional Amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (ii) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal or interest on the Notes; *provided* that, except as otherwise set forth in the Notes and in the Fiscal Agency Agreements, the Company shall pay all stamp and other taxes and duties, if any, which may be imposed by the Republic, the United States, or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Fiscal Agency Agreements or as a consequence of the initial issuance of the Notes.

Notwithstanding any other provision of the terms and conditions of the Notes, any amounts to be paid on the Notes by or on behalf of the Company will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither the Company nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

References to principal or interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable as set forth in the Notes.

Optional Tax Redemption

The Notes may be redeemed at the option of the Company, in whole, but not in part, upon not less than 30 nor more than 60 days' notice, at any time at a redemption price equal to the principal amount thereof plus accrued interest to (but excluding) the date fixed for redemption if, as a result of any change in, expiration of or amendment to the laws of the Republic (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Republic (or such political subdivision or taxing authority) is a party, which change, amendment, expiration or treaty becomes effective on or after January 9, 2023, the Company is or would be obligated on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts with respect to the Notes, and such obligation cannot be avoided by the use of reasonable measures available to the Company; *provided, however,* that (i) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Company would be obligated to pay such Additional Amounts, and (ii) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Before giving any notice of such redemption, the Company shall deliver to the Fiscal Agent a certificate of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred.

Purchase of Notes

The Company may at any time purchase Notes by tender (available to all Holders alike) or in the open market at any price. If the Company shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the Fiscal Agent for cancellation and are cancelled and retired by the Fiscal Agent. Notes purchased or otherwise acquired by the Company may be held, resold or, at its discretion, surrendered to the Fiscal Agent for cancellation.

Fiscal Agent

The Fiscal Agent may resign at any time or may be removed by the Company. If the Fiscal Agent resigns, is removed or becomes incapable of acting as Fiscal Agent or if a vacancy occurs in the office of the Fiscal Agent for any cause, a successor Fiscal Agent shall be appointed in accordance with the provisions of the Fiscal Agency Agreements.

The address of the relevant corporate trust office of the Fiscal Agent is Citicorp International Limited, 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Paying and Transfer Agents

The Fiscal Agent will serve as the initial paying agent and transfer agent (together with any additional paying agent and transfer agent, the “Paying and Transfer Agents”). The Paying and Transfer Agents may resign at anytime or may be removed by the Company. If any of the Paying and Transfer Agents is removed or becomes incapable of acting as a Paying and Transfer Agent or if a vacancy occurs in the office of any of the Paying and Transfer Agents for any cause, a successor Paying and Transfer Agent will be appointed in accordance with the provisions of the Fiscal Agency Agreements.

Further Issues

Subject to the lock-up provisions, the Company may from time to time, without the consent of the existing Holders, create and issue further notes to the extent permitted under the applicable laws, having the same terms and conditions as the Notes in all respects except for issue date and/or issue price; provided, however, that such additional notes shall be issued under a separate CUSIP, ISIN and Common Code unless the additional notes are issued pursuant to a “qualified reopening” of the Notes, are otherwise treated as part of the same “issue” of debt instruments as the Notes or are issued with less than a *de minimis* amount of original issue discount, in each case for U.S. federal income tax purposes. Additional notes issued in this manner (other than additional notes issued under a separate CUSIP, ISIN or Common Code) may be consolidated with and form a single series with the Notes outstanding at the time of such further issuance.

Notices

Except as otherwise expressly provided in the Fiscal Agency Agreements, whenever the Fiscal Agency Agreements or the Notes require that the Company or the Fiscal Agent give notice to the Holders, the Company or the Fiscal Agent will cause such notice to be mailed to the Holders (at the expense of the Company) at their respective addresses as they appear on the Note Register (as defined in the Fiscal Agency Agreements) of the Company.

Governing Law and Jurisdiction

The Fiscal Agency Agreements and the Notes will be governed by, and interpreted in accordance with, the laws of the State of New York.

The Company has consented to the non-exclusive jurisdiction of the state and federal courts in the Borough of Manhattan, the State and City of New York, United States of America with respect to any action that may be brought in connection with the Fiscal Agency Agreements or the Notes (except actions arising under the United States federal securities laws) and has appointed POSCO America Corp. at 6456 E. Johns Crossing, Suite 200, Johns Creek, GA 30097, as its authorized agent upon whom process may be served in any such action.

Foreign Exchange Controls

Korean law does not limit the right of non-Koreans to hold Notes outside of the Republic. In order for the Company to issue the Notes outside of the Republic, the Company is required to file a report with the Ministry of Economy and Finance through a designated foreign exchange bank for the issuance of the Notes. Such report must be obtained prior to the offer and sale of the Notes. Furthermore, in order for the Company to make payments of principal of or interest on the Notes and other amounts as provided in the Fiscal Agency Agreements and the Notes, the Company is required to submit the relevant documents to a foreign exchange bank at the time of each actual payment. The purpose of this submission is to enable such foreign exchange bank to verify that the amount being remitted conforms to the amount required to be paid under the relevant documents and that any necessary requirement under the Foreign Exchange Transaction Act of Korea has been met. Under the Foreign Exchange Transaction Act of Korea, if the Government determines that intervention is unavoidable due to certain emergency circumstances such as natural disasters or sudden and severe adverse changes in domestic and foreign economic conditions, it may temporarily suspend payments, receipts or foreign exchange or impose other necessary restrictions. Furthermore, if the Government deems that extreme difficulty in stabilizing the balance of payments, substantial disturbance in international capital markets or other analogous condition is likely to occur, it may require the participants of capital transactions to comply with certain obligations including, but not limited to, an obligation to obtain prior approval from the relevant Korean authority.

FORM OF THE NOTES

Capitalized terms used in this section and not otherwise defined shall have the meanings given to them in "Description of the Notes".

Upon issuance, the Notes are expected to be represented by Global Notes in fully registered form. The Global Notes will be deposited with or on behalf of DTC and registered in the name of a nominee of DTC. A Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of or a nominee of such successor.

Upon the issuance of the Global Notes, DTC will credit, on its book entry registration and transfer system, the respective principal amounts of the Notes represented by such Global Notes to the accounts of persons that have accounts with DTC ("participants"), including depositaries for Euroclear and Clearstream. The accounts to be initially credited shall be designated by the Initial Purchasers participating in the initial offer and sale of the Notes. Ownership of beneficial interests in the Global Notes will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC for such Global Notes (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants).

DTC or its nominee, as the case may be, as registered Holder of the Global Notes will be considered the sole owner or holder of the Notes represented by each Global Note for all purposes under the Notes and the Fiscal Agency Agreements.

Principal and interest payments on Notes represented by the Global Notes registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of such Global Notes. None of us, the Fiscal Agent or any paying agent for such Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC, upon receipt of any payment of principal or interest, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Notes as shown on the records of DTC. We also expect that payments by participants to owners of beneficial interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the account of customers registered in "street names," and will be the responsibility of such participants.

If (i) at any time DTC notifies us in writing that it is unwilling or unable to continue as depositary or ceases to be a "clearing agency" under the Exchange Act, and a successor depositary is not appointed by us within 90 days after we are notified by DTC or becomes aware of such condition, or (ii) the Notes have become immediately due and payable pursuant to the Fiscal Agency Agreements, we will issue Notes in definitive registered form in exchange for the Global Notes representing such Notes. The Notes will be issued only in fully registered form without coupons in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. If the Notes are issued in definitive registered form, we will make payments of principal of and interest on the Notes, and transfers and exchanges of the Notes will be affected, subject to the terms of the Fiscal Agency Agreements and the Notes (without any service charge) upon surrender of the Notes.

TAXATION

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-resident corporations ("Non-Residents") depends on whether they have a "permanent establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Notes paid to Non-Residents, being foreign currency-denominated bonds issued outside of Korea, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "STTCL").

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income.

In order to obtain the benefit of a reduced rate available under applicable tax treaties, a Non-Resident holder must submit an application for reduced rate to the party liable for the withholding before the receipt of the relevant interest payment (if there is no change in the contents of such application, it is not required to submit such application again within 3 years thereafter), together with a certificate of the Non-Resident holder's tax residence issued by a competent authority of the Non-Resident's resident country. If the Non-Resident holder was unable to receive the benefit of a reduced rate due to his or her failure to timely submit the aforementioned application, the Non-Resident holder may still receive a tax treaty benefit by submitting evidentiary documents to the relevant tax office within 5 years thereafter. If interest is paid to an overseas investment vehicle, the overseas investment vehicle (subject to certain exceptions) must submit a report of overseas investment vehicle and a schedule of beneficial owners. The foregoing matter is discussed in more detail below.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Notes taking place outside Korea are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance and is denominated in a foreign currency under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean tax law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty and on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11% (including local income tax) of the gross realization proceeds. The purchaser or withholding agent must pay any withholding tax to the competent Korean tax office no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident or resided in Korea for at least 183 days immediately prior to his death and (b) all property located in Korea that passes on death (irrespective of the residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50%, depending on the value of the relevant property and the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by us. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 10 and 15% (including local income tax), and the tax on capital gains is often eliminated.

A special withholding tax system took effect on July 1, 2006. Under the system, there is a special procedure to apply the Korea-Malaysia tax treaty on certain Korean source income. Payments made to the residents of Labuan, Malaysia will be subject to the default Korean withholding tax rates (generally 15.4% for interest and the lower of 11% of gross realization proceeds or 22% of capital gains (including local income tax)) rather than the reduced or exempted rate available under the Korea-Malaysia tax treaty. A Labuan taxpayer, however, will be given an opportunity to obtain a refund by proving that it is entitled to the tax treaty benefits as a beneficial owner of the income and is an actual resident of Labuan, Malaysia. A Labuan taxpayer may also file an application with the National Tax Service (the "NTS") for confirmation that it is entitled to the tax treaty benefits and obtain an advance confirmation from the NTS prior to receiving Korean source income.

In order for a Non-Resident to obtain the benefit of a tax exemption on certain Korean source incomes, such as interest and capital gains, under an applicable tax treaty, Korean tax law requires such Non-Resident (or its agents) to submit to the payer of such Korean source income an application for tax exemption under a tax treaty along with a certificate of tax residency of such Non-Resident issued by a competent authority of the Non-Resident's country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income. An application for tax exemption submitted by a Non-Resident remains effective for 3 years from submission, and if any material changes occur with respect to information provided in the application, an application reflecting such change must be newly submitted.

If the Korean source incomes are paid to Non-Residents through an overseas investment vehicle, such investment vehicle must obtain an application for tax exemption from each Non Resident, who are the beneficial owners of the Korean source income and submit to the payer of such Korean source income an overseas investment vehicle report, together with the applications for tax exemption prepared by the Non-Resident beneficial owners. An overseas investment vehicle means an organization established outside of Korea that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in investment targets and distributes the outcome of such management to investors.

However, this requirement does not apply to exemptions under Korean tax law.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift tax.

Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to STTCL. However, in the event that the payer or we are required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in "Description of the Notes — Additional Amounts") we have agreed to pay (subject to the customary exceptions as set out in "Description of the Notes — Additional Amounts") such Additional Amounts as may be necessary in order that the net amounts received by the holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such holder in the absence of such withholding or deduction.

United States Taxation

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a U.S. Holder (as defined below) of a Note. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury regulations, laws, rulings and decisions and the United States – Republic of Korea Income Tax Convention (the "Treaty") as of the date hereof, all of which are subject to change, possibly with retroactive effect. This summary deals only with U.S. Holders of Notes that will hold Notes as capital assets and that acquired the Notes upon original issuance at their issue price. It does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction, entities or arrangements taxed as partnerships for U.S. federal income tax purposes or the partners therein, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, U.S. Holders that are engaged in a trade or business in Korea, or U.S. Holders that have a "functional currency" other than the U.S. dollar.

This summary addresses only U.S. federal income tax consequences and does not address consequences arising under state, local, foreign tax laws, the alternative minimum tax or the Medicare tax on net investment income, or under special timing rules prescribed under section 451(b) of the Code. Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

As used herein, a "U.S. Holder" is a beneficial owner of a Note that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the Note.

Payments of Interest and Additional Amounts

The gross amount of stated interest and any Additional Amounts (i.e., without reduction for Korean withholding taxes) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is actually or constructively received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued with less than a de minimis amount of original issue discount ("OID"). In general, however, if the Notes are issued with OID at or above a de minimis threshold, a U.S. Holder will be required to include OID in gross income, as ordinary income, under a "constant-yield method" before the receipt of cash attributable to such income, regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

As discussed in "— Korean Taxation — Tax on Interest," interest paid on the Notes to a U.S. Holder is expected to be exempt from Korean taxes. If, however, that tax exemption were to cease to apply, then, subject to generally applicable limitations and conditions, Korean interest withholding tax paid (at a rate not exceeding any applicable Treaty rate) may be eligible for credit against such U.S. Holder's U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements recently adopted by the IRS, and any Korean tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. Holder. In the case of a U.S. Holder that is eligible for, and properly elects, the benefits of the Treaty, the Korean tax on interest may be treated as meeting the new requirements and therefore as a creditable tax. The application of these requirements to the Korean tax on interest is uncertain and we have not determined whether these requirements have been met, including requirements applicable to the Treaty. If the Korean interest tax is not a creditable tax for a U.S. Holder or the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. Holder may be able to deduct the Korean tax in computing such U.S. Holder's taxable income for U.S. federal income tax purposes. Interest and Additional Amounts will constitute income from sources outside the United States and, for U.S. Holders that elect to claim foreign tax credits, generally will constitute "passive category income" for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a U.S. Holder's particular circumstances and involve the application of complex rules to those circumstances. U.S. Holders should consult their own tax advisors regarding the application of these rules to their particular situations.

Sale, Exchange and Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. Holder's tax basis in such Note. A U.S. Holder's tax basis in a Note will generally equal the cost of the Note to the U.S. Holder. Gain or loss recognized upon a sale, exchange or retirement of a Note generally will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Capital gain or loss recognized by a U.S. Holder on the sale or other disposition of the Notes generally will be U.S. source gain or loss for U.S. foreign tax credit purposes. As discussed in "Korean Taxation — Tax on Capital Gains," no Korean tax is currently expected to be imposed in respect of a sale or other disposition of Notes by a U.S. Holder (excluding sale or disposition to a Korean resident). If Korean tax were to be imposed on such a disposition of Notes, such Korean tax generally will not be treated as a creditable tax for U.S. foreign tax credit purposes. If the Korean tax is not creditable, the tax could possibly reduce the amount realized on the sale or other disposition of the Notes. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of the Notes and any Korean tax imposed on such sale or disposition.

Specified Foreign Financial Assets

Individual U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the taxable year or $75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the Notes made to, and the proceeds of dispositions of Notes effected by, certain U.S. Holders. In addition, certain U.S. Holders may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Non-U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. Investors should consult their tax advisers about these rules and any other reporting obligations that may apply to their ownership or disposition of Notes.

Proposed Financial Transaction Tax

The European Commission has published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transaction tax (the “FTT”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the “Participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The Commission’s Proposal remains subject to negotiation between the Participating Member States (excluding Estonia) and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union member states may decide to participate and/or certain of the Participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated January 9, 2023 (the "Purchase Agreement"), each initial purchaser named below (each, an "Initial Purchaser" and collectively, the "Initial Purchasers") has severally agreed to purchase from us, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite the name of such Initial Purchaser.

Initial Purchaser	Principal Amount of the 2026 Notes	Principal Amount of the 2028 Notes	Principal Amount of the 2033 Notes
BNP Paribas	US$140,000,000	US$ 200,000,000	US$ 60,000,000
Citigroup Global Markets Inc.	US$140,000,000	US$ 200,000,000	US$ 60,000,000
Crédit Agricole Corporate and Investment Bank	US$140,000,000	US$ 200,000,000	US$ 60,000,000
The Hongkong and Shanghai Banking Corporation Limited	US$140,000,000	US$ 200,000,000	US$ 60,000,000
Standard Chartered Bank	US$140,000,000	US$ 200,000,000	US$ 60,000,000
Total	US$700,000,000	US$1,000,000,000	US$300,000,000

The Purchase Agreement provides that the obligations of each of the Initial Purchasers to purchase the Notes are subject to approval of certain legal matters by counsel and to certain other conditions. Each of the Initial Purchasers must purchase all the Notes set forth opposite its name if they purchase any of the Notes.

We have been advised that the Initial Purchasers propose to resell the Notes at the issue price set forth on the cover page of this Offering Circular. The price at which the Notes are offered and other selling terms may be changed from time to time without notice by the Initial Purchasers. The Initial Purchasers may offer the Notes in various jurisdictions through certain of their affiliates.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Purchase Agreement provides that we will pay compensation to the Initial Purchasers consisting of management and underwriting commission as a percentage of the aggregate principal amount of the Notes.

We have agreed that we will not issue, offer, sell or contract to sell, or announce the offering of, any Dollar-denominated debt securities issued or guaranteed by us (other than the Notes), without the prior written consent of the Initial Purchasers for a period of 30 days following the date of the Purchase Agreement. For the avoidance of doubt, we may, during such period, issue, offer, sell or contract to sell, or announce the offering of, any debt securities issued or guaranteed by us other than Dollar-denominated debt securities.

We expect that the delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this Offering Circular, which will be the fifth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "T+5"). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if purchasers of the Notes wish to trade in the Notes on any day prior to the second business day before the settlement date, because the Notes will initially settle in T+5, the purchasers of the Notes may be required to specify an alternate settlement cycle at the time of such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. The Initial Purchasers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or our other securities at the time of the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes). We have been advised by the Initial Purchasers that they may offer and sell Notes to or through any of their respective affiliates and any such affiliate may offer and sell Notes purchased by it or through any Initial Purchaser.

In connection with the offering of the Notes, the Initial Purchasers are acting exclusively for us and no one else. Accordingly, in connection with the offering of the Notes, the Initial Purchasers will not be responsible to anyone other than us for providing the protections afforded to their clients or for giving of advice in relation to the offering of the Notes.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering of the Notes shall be deemed to be made by that Initial Purchaser or its affiliate on behalf of the Issuer in such jurisdiction.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are our directors, employees or major shareholders, a CMI or its group companies would be considered under the SFC Code as having an Association with us, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with us or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by us. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, whether such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Initial Purchaser(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus orders should be sent to: dl.asia.syndicate@asia.bnpparibas.com; DCM.Omnibus@citi.com; HKG-Syndicate@ca-cib.com; hk_syndicate_omnibus@hsbc.com.hk; synhk@sc.com

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to us, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Initial Purchaser may be asked to demonstrate compliance with their obligations under the SFC Code and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchaser with such evidence within the timeline requested.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or any Initial Purchaser that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Initial Purchaser has agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the issue date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Purchase Agreement provides that Initial Purchasers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area, each Initial Purchaser has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the Offering contemplated by this Offering Circular to the public in that Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by us for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Initial Purchaser has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Korea

The Notes have not been registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transactions Act of Korea and its Enforcement Decree) or to others for re-offering or resale, except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB who is registered with the KOFIA as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Societàe la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, the Notes may not be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Notes be distributed in Italy, except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Initial Purchaser has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Offering Circular or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Financial Services Act") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999 (the "Issuers Regulation"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the “Banking Act”) and CONSOB Regulation No. 20307 of February 15, 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland, and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, us or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority, and investors in the Notes will not benefit from protection or supervision by such authority.

New Issue of Notes

The Notes will constitute a new class of securities with no established trading market. The Notes will be listed on the Frankfurt Open Market Quotations Board.

The Notes are eligible for trading in the National Association of Securities Dealers screen-based automated market for trading of securities eligible for resale under Rule 144A. The Initial Purchasers have advised us that they currently intend to make a market in the Notes as permitted by applicable law.

However, they are not obligated to do so and any market-making activities with respect to the Notes may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes.

Price Stabilization and Short Positions

The Initial Purchasers may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Initial Purchasers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Initial Purchasers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of ours or our subsidiaries, jointly controlled entities or associated companies, including the Notes, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes.

TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S. The Notes may be offered for sale only (i) in the United States, to QIBs within the meaning of, and in reliance on, Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives.

The Notes have not been registered with the FSC under the FSCMA. Accordingly, the Notes have not been and will not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transactions Act of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB registered with the KOFIA as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

Each purchaser of the Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A)(i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Notes for its own account or for the account of a qualified institutional buyer or (B) is a non-U.S. person purchasing the Notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that, in the event of Notes sold in reliance on Rule 144A, if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (A)(i) to us, (ii) to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) to a non-U.S. person in an offshore transaction meeting the requirements of Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), or (v) pursuant to another exemption from the Securities Act, provided that, as a condition to the registration of the transfer thereof, we or the Fiscal Agent may require the delivery of any documents, including an opinion of counsel that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption, or (B) pursuant to an effective registration statement under the Securities Act, and, in each of such cases, in accordance with any applicable securities laws of any state of the United States. The purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in (A) above.

(3) The purchaser understands that the Notes will, unless we determine otherwise in compliance with applicable law, bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF POSCO (THE “COMPANY”) THAT THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY

(A)(i) TO THE COMPANY, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (iii) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (iv) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO ANOTHER EXEMPTION FROM THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND, IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THE SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, DELIVERED, OR SOLD DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A "KOREAN QIB," AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

(4) The purchaser understands that the offer or sale of Notes sold in reliance on Regulation S may not be made to U.S. person or for the account or benefit of a U.S. person (other than a distributor), until the expiration of 40 days after the later of the commencement of this offering and the completion of the distribution of the Notes, and unless otherwise agreed by us, will bear a legend substantially to the following effect:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE LATEST CLOSING DATE (THE "DISTRIBUTION COMPLIANCE PERIOD"), THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY U.S. PERSON OUTSIDE THE UNITED STATES OR ANY

PERSON IN THE UNITED STATES. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE NOTES EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING AND FOLLOWING RESTRICTIONS.

THE FOREGOING PARAGRAPH WILL BE NO LONGER EFFECTIVE AFTER THE END OF THE DISTRIBUTION COMPLIANCE PERIOD WITH RESPECT TO THE NOTES, AFTER WHICH THE NOTES EVIDENCED HEREBY WILL NO LONGER BE SUBJECT TO THE RESTRICTIONS SET FORTH THEREIN, PROVIDED THAT AT SUCH TIME AND THEREAFTER THE OFFER OR SALE OF THE NOTES EVIDENCED HEREBY WOULD NOT BE RESTRICTED UNDER ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR OF THE STATES OR TERRITORIES OF THE UNITED STATES.

LEGAL MATTERS

Certain legal matters with respect to the issue and sale of the Notes will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP and Lee & Ko. Certain legal matters relating to the issue and sale of the Notes will be passed upon for the Initial Purchasers by Linklaters LLP. Lee & Ko may rely on the opinions of Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP with respect to matters of New York law, and Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP may rely on the opinion of Lee & Ko with respect to matters of Korean law.

INDEPENDENT AUDITORS

Our audited carve-out and combined financial statements as of and for the years ended December 31, 2021 and 2020 have been audited by KPMG Samjong Accounting Corp., independent auditors, as stated in their report, which contains emphasis-of-matter paragraphs regarding (i) basis of accounting and restriction on use and distribution and (ii) spin-off and establishment of the reporting entity, appearing in this Offering Circular.

With respect to our unaudited condensed interim financial statements as of September 30, 2022 and for the nine months ended September 30, 2022 and 2021 included in this Offering Circular, KPMG Samjong Accounting Corp., independent auditors, have reported that they applied limited procedures in accordance with professional standards for review of such information. Their separate report, which contains emphasis-of-matter paragraphs regarding (i) basis of accounting and restriction on use and distribution, (ii) spin-off and establishment of the reporting entity and (iii) impairment losses related to flooding, appearing in this Offering Circular states that they did not audit, and they do not express an opinion on, such interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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The Board of Directors and Shareholder
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed interim financial statements of POSCO and its subsidiaries (before its establishment, steel business and certain subsidiaries of POSCO HOLDING INC.) (the "Company"), which comprise the condensed consolidated interim statement of financial position as of September 30, 2022, the combination of condensed carve-out and combined statements of comprehensive income and cash flows for the two-month period ended February 28, 2022 and condensed consolidated interim statements of comprehensive income and cash flows for the seven-month period ended September 30, 2022, and the condensed carve-out and combined statements of comprehensive income and cash flows for the nine-month period ended September 30, 2021, and the related notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation of these condensed interim financial statements in accordance with the financial reporting provisions of the contract dated December 22, 2022 between the Company and Joint Lead Managers (the "Contract") for the purpose of the offering circular for the issuance of US Dollar Denominated Notes, and for such internal control as management determines is necessary to prepare condensed 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 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 interim financial statements referred to above are not prepared, in all material respects, in accordance with the financial reporting provisions of the Contract for the purpose of the offering circular of the issuance of US Dollar Denominated Notes.

Emphasis of matters

Without qualifying our review conclusion:
1) We draw attention to Note 2 to the condensed interim financial statements, which describes the basis of preparation, including the approach to and the purpose for preparing them. Consequently, the accompanying condensed interim financial statements may not necessarily be indicative of the financial performance that would have been achieved if the Company had operated independently, nor may they be indicative of the results of operations of the Company for any future period. The condensed interim financial statements were prepared for the Company's offering circular for the issuance of US Dollar Denominated Notes and should not be used by or distributed for any other purpose. As a result, the condensed interim financial statements may not be suitable for another purpose.

2) We draw attention to Note 1 and 30 to the condensed interim financial statements, which describe the spin-off by the POSCO HOLDINGS INC. (formerly, POSCO) 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.

3) We draw attention to Note 2 to the condensed interim financial statements, which describes that the Company recognized impairment losses of ₩131,823 million and ₩94,550 million for property, plant and equipment and inventories respectively due to the flooding of Naengcheon stream in Pohang. Meanwhile, impairment losses may be adjusted in the subsequent reporting periods as restoration activities on the business sites, including Pohang works, were still ongoing as of September 30, 2022.

Other matters

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

The carve-out and combined statement of financial position of the Company as of December 31, 2021, and the related carve-out and combined 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 July 22, 2022, expressed an unqualified opinion. The accompanying condensed carve-out and combined statement of financial position of the Company as of December 31, 2021, presented for comparative purposes, is consistent, in all material respects, with the audited carve-out and combined financial statements from which it has been derived.

/s/ KPMG Samjong Accounting Corp.
Seoul, Korea
December 27, 2022

This report is effective as of 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 consolidated 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 and Subsidiaries

Condensed Consolidated Interim Statement of Financial Position as of September 30, 2022 and Condensed Carve-out and Combined Interim Statement of Financial Position as of December 31, 2021

(in millions of Won)	Notes		September 30, 2022	December 31, 2021
Assets				
Cash and cash equivalents	19	₩	2,430,442	86,714
Trade accounts and notes receivable, net	4,13,19,27		5,350,718	6,093,940
Other receivables, net	5,19,27		451,338	465,181
Other short-term financial assets	6,19		7,695,307	48,400
Inventories	7		8,065,587	7,790,765
Current income tax assets			1,592	720
Assets held for sale	8		15,602	29,789
Other current assets	12		64,768	57,862
Total current assets			24,075,354	14,573,371
Long-term trade accounts and notes receivable, net	4,19		12,817	14,798
Other receivables, net	5,19,27		90,563	74,498
Other long-term financial assets	6,19		382,520	171,398
Investment property, net	9		17,973	13,165
Property, plant and equipment, net	10		18,569,531	18,596,771
Intangible assets, net	11		467,398	502,246
Defined benefit assets, net	17		31,661	213,570
Deferred tax assets			2,467,487	314,160
Other non-current assets	12		33,752	32,506
Total non-current assets			22,073,702	19,933,112
Total assets		₩	46,149,056	34,506,483

See accompanying notes to the condensed interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statement of Financial Position as of September 30, 2022 and Condensed Carve-out and Combined Interim Statement of Financial Position as of December 31, 2021, Continued

(in millions of Won)	Notes		September 30, 2022	December 31, 2021
Liabilities				
Trade accounts and notes payable	19,27	₩	2,008,816	2,504,438
Short-term borrowings and current installments of long-term borrowings	13,19		3,895,424	2,196,024
Other payables	14,19		921,968	1,212,030
Other short-term financial liabilities	15,19,27		5,322	3,429
Current income tax liabilities			431,995	1,745,323
Liabilities directly associated with the assets held for sale			-	185
Provisions	16		53,637	83,132
Other current liabilities	18		137,747	157,311
Total current liabilities			7,454,909	7,901,872
Long-term borrowings, excluding current installments	13,19		5,650,862	4,693,375
Other payables	14,19		330,449	400,296
Other long-term financial liabilities	15,19		474	-
Defined benefit liabilities, net	17		231	1,774
Deferred tax liabilities			880	1,013,381
Long-term provisions	16		37,062	36,751
Other non-current liabilities	18		3,687	3,750
Total non-current liabilities			6,023,645	6,149,327
Total liabilities			13,478,554	14,051,199
Equity				
Net parent investment	20		-	20,467,308
Share capital	20		482,403	-
Capital surplus	20		30,394,317	-
Hybrid bonds	20		199,384	-
Reserves	20		732	(12,024)
Retained earnings	20		1,348,346	-
Equity attributable to owners of the controlling company			32,425,182	20,455,284
Non-controlling interests	20		245,320	-
Total equity			32,670,502	20,455,284
Total liabilities and equity		₩	46,149,056	34,506,483

See accompanying notes to the condensed interim financial statements.

POSCO and Subsidiaries

Combination of Condensed Carve-out and Combined statement of comprehensive income for the two-month period ended February 28, 2022 and Condensed Consolidated Statement of Comprehensive Income for the seven-month period ended September 30, 2022

Condensed Carve-out and Combined Interim Statement of Comprehensive Income for the nine-month period ended September 30, 2021

(in millions of Won)	Notes		September 30, 2022	September 30, 2021
Revenue	21,27	₩	34,541,295	28,853,573
Cost of sales	25,27		(30,614,712)	(22,974,475)
Gross profit			3,926,583	5,879,098
Selling and administrative expenses	22,25			
Other administrative expenses			(669,402)	(662,293)
Selling expenses			(171,390)	(170,229)
Operating profit			3,085,791	5,046,576
Finance income and costs	17,23			
Finance income			1,508,762	563,145
Finance costs			(1,607,441)	(717,542)
Other non-operating income and expenses	24			
Other non-operating income			36,609	85,287
Other non-operating expenses			(324,736)	(139,288)
Profit before income tax			2,698,985	4,838,178
Income tax expense	26		(748,860)	(1,310,667)
Profit			1,950,125	3,527,511
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	17		(64,899)	(12,675)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences			1,492	959
Other comprehensive income, net of tax			(63,407)	(11,716)
Total comprehensive income		₩	1,886,718	3,515,795
Profit attributable to:				
Owners of the company		₩	1,910,048	3,527,511
Non-controlling interests			40,077	-
Profit		₩	1,950,125	3,527,511
Total comprehensive income attributable to :				
Owners of the company		₩	1,842,796	3,515,795
Non-controlling interests			43,922	-
Total comprehensive income		₩	1,886,718	3,515,795

See accompanying notes to the condensed interim financial statements.

POSCO and Subsidiaries

Combination of Condensed Carve-out and Combined statement of Cash Flows for the two-month period ended February 28, 2022 and Condensed Consolidated statement of Cash Flows for the seven-month period ended September 30, 2022
Condensed Carve-out and Combined Interim Statement of Cash Flows for the nine-month period ended September 30, 2021

(in millions of Won)	Notes		September 30, 2022	September 30, 2021
Cash flows from operating activities				
Profit		₩	1,950,125	3,527,511
Adjustments for:				
Depreciation			1,669,409	1,625,694
Amortization			74,582	81,874
Finance income			(1,055,285)	(370,429)
Finance costs			1,102,327	451,342
Income tax expense			748,861	1,310,667
Impairment loss on property, plant and equipment			131,826	2,917
Gain on disposal of property, plant and equipment			(12,785)	(7,088)
Loss on disposal of property, plant and equipment			117,987	70,541
Impairment loss on intangible assets			-	7,180
Gain on disposal of assets held for sale			(2,706)	(46,703)
Expenses related to post-employment benefit			80,402	96,933
Impairment loss on trade and other receivables			1,022	2,599
Loss on valuation of inventories			121,952	2,241
Increase to provisions			13,466	35,632
Others, net			2,373	10,678
			2,993,431	3,274,078
Changes in operating assets and liabilities	29		(339,231)	(4,175,269)
Interest received			61,018	1,479
Interest paid			(134,786)	(135,806)
Dividends received			16	14
Income taxes paid			(31,056)	(264,289)
Net cash provided by operating activities		₩	4,499,517	2,227,718

See accompanying notes to the condensed interim financial statements.

POSCO and Subsidiaries

Combination of Condensed Carve-out and Combined statement of Cash Flows for the two-month period ended February 28, 2022 and Condensed Consolidated statement of Cash Flows for the seven-month period ended September 30, 2022 Condensed Carve-out and Combined Interim Statement of Cash Flows for the nine-month period ended September 30, 2021, Continued

(in millions of Won)	Notes	September 30, 2022	September 30, 2021
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(32,891,327)	(5,500)
Proceeds from disposal of short-term financial instruments		29,368,480	1,500
Increase in loans		(8,309)	(17,034)
Collection of loans		6,163	5,539
Acquisitions of securities		(90,873)	(10)
Acquisitions of property, plant and equipment		(1,878,792)	(1,190,783)
Proceeds from disposal of property, plant and equipment		(68,285)	(42,766)
Acquisitions of intangible assets		(45,317)	(16,001)
Proceeds from disposal of intangible assets		502	6,246
Proceeds from disposal of assets held for sale		16,928	59,320
Others, net		(234)	1,137
Net cash used in investing activities		(5,591,064)	(1,198,352)
Cash flows from financing activities			
Proceeds from borrowings		2,094,926	498,623
Repayment of borrowings		(200,361)	(1,064,800)
Proceeds from short-term borrowings, net		(35,085)	68,863
Payment of cash dividends		(4,292)	(2,998)
Payment of interest of hybrid bonds		(6,906)	(6,906)
Repayment of lease liabilities		(85,557)	(35,232)
Net contribution (distribution) from (to) the pre-spin off company		1,588,148	(476,388)
Others, net		(668)	3,695
Net cash provided by (used in) financing activities		3,350,205	(1,015,143)
Effect of exchange rate fluctuation on cash held		85,070	353
Net increase in cash and cash equivalents		2,343,728	14,576
Cash and cash equivalents at beginning of the period		86,714	78,873
Cash and cash equivalents at end of the period	₩	2,430,442	93,449

See accompanying notes to the condensed interim financial statements.

1. General Information

(a) The Reporting Entity

POSCO (the "Company") was newly established upon a vertical spin-off of steel business of POSCO HOLDINGS INC. ("Pre-spin off Company", known as POSCO before spin-off, existing company) on March 1, 2022 (the date of spin-off). Pre-spin off Company transferred all assets and liabilities related to the Company as well as the investments in five subsidiaries including POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.) on the date of spin-off.

Upon the spin-off, POSCO issued all of its outstanding shares to Pre-spin off Company and became a wholly owned subsidiary of Pre-spin off Company. The Company's head office is located in Pohang, Korea.

(b) Consolidated Subsidiaries and Combined Companies

Details of consolidated subsidiaries and combined companies in these condensed interim financial statements as of September 30, 2022, and December 31, 2021, respectively, are as follows:

		Ownership (%)						
		September 30, 2022			December 31, 2021			
	Principal operations	Parent	Subsidiaries	Total	Pre-spin off company	Subsidiaries	Total	Region
[Domestic]								
POSCO STEELEON Co., Ltd.	Coated steel manufacturing	56.87	-	56.87	56.87	-	56.87	Pohang
POSCO M-TECH	Packing materials manufacturing and sales	48.85	-	48.85	48.85	-	48.85	Pohang
POSCO NIPPON STEEL RHF JOINT VENTURE. CO., Ltd.	Steel by product manufacturing and sales	70.00	-	70.00	70.00	-	70.00	Pohang
POSCO Humans	Construction	75.49	0.78	76.27	75.49	0.78	76.27	Pohang
[Foreign]								
Myanmar POSCO C&C Company, Limited.	Steel manufacturing and sales	-	70.00	70.00	-	70.00	70.00	Myanmar

(c) Summarized financial information (before elimination of intercompany transaction and adjustments for differences in accounting policies) of subsidiaries and combined companies as of and for the period ended September 30, 2022, and September 30, 2021, respectively, is as follows:

1) September 30, 2022

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
POSCO STEELEON Co., Ltd.	533,072	190,543	342,529	969,335	32,757
POSCO M-TECH	153,475	39,213	114,262	259,971	5,977
POSCO NIPPON STEEL RHF JOINT VENTURE. CO., Ltd.	48,387	35,788	12,599	31,335	(7,648)
POSCO Humans	21,763	6,191	15,572	38,149	918
[Foreign]					
Myanmar POSCO C&C Company, Limited.	28,213	23,429	4,784	18,080	1,696

2) September 30, 2021

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
POSCO STEELEON Co., Ltd.	613,975	303,686	310,289	966,378	88,330
POSCO M-TECH	151,623	48,834	102,789	230,005	8,702
POSCO NIPPON STEEL RHF JOINT VENTURE. CO., Ltd.	48,971	31,608	17,363	27,230	(4,715)
POSCO Humans	20,205	5,796	14,409	35,109	(348)
[Foreign]					
Myanmar POSCO C&C Company, Limited.	32,419	17,817	14,602	17,614	(39)

2. Basis of Preparation

The condensed interim financial statements of the Company are prepared in accordance with the financial reporting provisions of the contract dated December 22, 2022 between the Company and Joint Lead Managers for the purpose of the offering circular of the issuance of US Dollar Denominated Notes.

Throughout the periods included in these condensed interim financial statements before March 1, 2022, the date of spin-off, the Company did not exist as a separate legal and reporting entity. As the Company operated steel business and consisted of certain subsidiaries of Pre-spin off Company, the steel business has not historically been prepared for the Company before the spin-off. The carve-out and combined financial statements prior to March 1, 2022 have been prepared on a stand-alone basis and are derived from the historical consolidated financial statements and accounting records of Pre-spin off Company to present the financial position, operating performance and cash flows of the Company. Also, the accompanying interim financial statements for the nine-month period ended September 30, 2022 were prepared by combining the carve-out and combined financial statements of POSCO for the period from January 1 to February 28, 2022 and the consolidated financial statements from March 1 to September 30, 2022. As a result, the consolidated financial statements subsequent to the spin-off may not be comparable to the carve-out and combined financial statements before the spin-off.

As such, the accompanying interim financial statements for all periods presented were prepared for the purpose of the offering circular for the issuance of US Dollar denominated notes, and are not prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”).

The accounting policies applied in the condensed interim financial statements are consistent with accounting policies applied in the consolidated financial statements of Pre-spin off Company for the periods presented herein. The historical consolidated financial statements of Pre-spin off Company have been prepared in accordance with K-IFRS.

As the Company did not exist as a separate legal and reporting entity during the periods presented herein before the date of spin-off, these condensed interim financial statements have been prepared on a carve-out and combined basis and accordingly, the condensed interim financial statements may not necessarily be indicative of the financial performance that would have been achieved if the reporting entity had operated as an independent entity, nor may they be indicative of the results of operations of the reporting entity for any future period.

Basis of preparation for the carve-out financial statements (Criteria for carve-out) applicable before March 1, 2022

Determination of assets and liabilities resulting from spin-off and related gains and losses involves carve-out basis decisions and judgments. The Company applied criteria for carve-out related to the preparation of carve-out financial statements. Also, the Company has applied judgments, estimates, and assumptions on the carrying amounts of assets, liabilities, and gains and losses that cannot be easily identified by businesses

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A process has been completed to specifically identify assets, liabilities, revenues, expenses and cash flows in the historical financial statements of the Company that are associated with the steel business in preparing the carve-out financial statements.

The above process includes the allocation of interest income, interest expenses, deferred tax and income tax expenses and others by businesses The allocation amount based on these bases of preparation for the carve-out financial statements may be significantly adjusted if the assets, liabilities and gains and losses of the actual business are managed separately.

The criteria applied to prepare the carve-out financial statements are as follow:

- Items directly attributable to the businesses are directly included in the carve-out financial statements.
- Items not directly attributable to the business segment are included in accordance with the criteria for allocation determined by management.

(a) Statements of financial position

	Criteria for carve-out
Cash and cash equivalents	No cash and cash equivalents are allocated to POSCO
Trade accounts and notes receivable	Balances directly attributable to the steel business are included
Other receivables	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as personnel ratio, etc.)
Other financial assets	Balances directly attributable to the steel business are included, while short-term and long-term financial instruments and deposit instruments are not allocated to the steel business
Inventories	Balances directly attributable to the steel business are included
Assets held for sale	Balances directly attributable to the steel business are included
Other assets	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as personnel ratio, etc.)
Investment property	Balances directly attributable to the steel business are included
Property, plant and equipment	Balances directly attributable to the steel business are included
Intangible assets	Balances directly attributable to the steel business are included in the carve-out financial statements
Defined benefit assets	Allocated based on the individuals who were transferred to POSCO upon spin-off
Trade accounts and notes payable	Balances directly attributable to the steel business are included
Borrowings	Balances directly attributable to the steel business are included, while exchangeable bonds are not allocated to the steel business
Other payables	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as relevant assets or liabilities ratio, personnel ratio, etc.)
Other financial liabilities	Balances directly attributable to the steel business are included
Current income tax liabilities	Allocated according to the profit and taxable income and losses of the steel business
Provisions	Balances directly attributable to the steel business are included
Other liabilities	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as personnel ratio, etc.)

(b) Statements of comprehensive income

	Criteria for carve-out
Revenue	Items directly attributable to the steel business are reflected in the carve-out financial statements
Cost of sales	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as ratio of relevant revenue)
Selling and administrative expenses	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as relevant assets or liabilities and personnel ratio, etc.)
Finance income and costs	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as ratio of relevant assets or liabilities)
Other non-operating income and expenses	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as relevant assets or liabilities and personnel ratio, etc.)
Income tax expenses	Allocated according to the carve-out profit before income tax and tax adjustments directly related to the steel business

(c) Statements of cash flows

The statements of cash flows have been prepared in accordance with basis of preparation for the statements of financial position and statements of comprehensive income, which are reflected in the carve-out financial statements according to the management’s decision.

Basis of preparation for the condensed interim financial statements

The condensed interim financial statements of the Company have been prepared by combining carve-out financial statements of steel business and certain subsidiaries of Pre-spin off Company.

Pre-spin off Company uses a centralized approach for managing cash and financing operation for its businesses. Only cash balances legally owned by the Company are reflected in the carve-out and combined statements of financial position. Transfers of cash between the Company and Pre-spin off Company are included within “Net contribution (distribution) from (to) the pre-spin off company” on the carve-out and combined statements of cash flows.

All intercompany transactions and balances within the Company have been eliminated in these condensed interim financial statements. Unrealized gains or losses arising from intercompany transactions between the Company and the rest of Pre-spin off Company's subsidiaries have been eliminated in these carve-out and combined financial statements. Transactions that have taken place with the rest of Pre-spin off Company's subsidiaries are regarded as transactions with related parties and as such have been disclosed in Note 27.

Net parent investment in the condensed interim statements of financial position represents Pre-spin off Company's historical investment in the Company, and the Company's accumulated net earnings after taxes, and the net effect of transactions with and allocations from Pre-spin off Company. All intercompany transactions not cash settled through net parent investment in the condensed interim statements of financial position are considered to be settled at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in financing activities in the condensed interim statements of cash flows.

These condensed interim financial statements do not include all of the disclosures required for full annual carve-out 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 carve-out and combined financial statements as of and for the year ended December 31, 2021.

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.

The Company recognized ₩131,823 million and ₩94,550 million of impairment loss for Property, Plant and Equipment and inventories in its production facility, including Pohang works due to the flooding of the Naengcheon stream in Pohang in September 2022, as further explained in Note 7 and 10.

The Company evaluated the degree of flood damage to significant property, plant and equipment and inventories during the nine-month period ended September 30, 2022, and estimated impairment loss based on available information as of September 30, 2022. The amount of damage to the insured property, plant and equipment is still under evaluation, and the amount and timing of insurance payments have not yet been determined and no insurance recovery has been recognized. In addition, impairment losses may be adjusted in the subsequent reporting periods as restoration activities on the business sites, including Pohang works, were still ongoing as of September 30, 2022.

(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

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its carve-out and combined financial statements as of and for the year ended December 31, 2021.

4. Trade Accounts and Notes Receivable

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

(in millions of Won)		September 30, 2022	December 31, 2021
Current			
Trade accounts and notes receivable	₩	5,366,001	6,109,141
Less: Allowance for doubtful accounts		(15,283)	(15,201)
	₩	5,350,718	6,093,940
Non-current			
Trade accounts and notes receivable	₩	21,095	23,956
Less: Allowance for doubtful accounts		(8,278)	(9,158)
	₩	12,817	14,798

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. As of September 30, 2022, and December 31, 2021, the carrying amounts of such secured borrowings are ₩483,520 million and ₩214,465 million, respectively, which are presented in the statements of financial position as the short-term borrowings.

5. Other Receivables

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

(in millions of Won)		September 30, 2022	December 31, 2021
Current			
Loans	₩	179	398
Other accounts receivable		387,017	465,217
Accrued income		50,947	1,342
Deposits		14,668	295
Others		2	11
Finance lease receivables		648	-
Less: Allowance for doubtful accounts		(2,123)	(2,082)
	₩	451,338	465,181
Non-current			
Loans	₩	73,425	66,617
Other accounts receivable		10,338	10,667
Deposits		7,871	6,301
Finance lease receivables		9,870	-
Less: Allowance for doubtful accounts		(10,941)	(9,087)
	₩	90,563	74,498

6. Other Financial Assets

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

(in millions of Won)		September 30, 2022	December 31, 2021
Current			
Derivatives assets	₩	444,270	-
Debt securities		140,000	-
Deposit instruments		2,075,180	48,400
Short-term financial instruments		5,035,857	-
	₩	7,695,307	48,400
Non-current			
Derivatives assets	₩	380,696	170,470
Equity securities		1,272	399
Other securities		494	524
Deposit instruments(*1)		58	5
	₩	382,520	171,398

(*1) As of September 30, 2022 and December 31, 2021, financial instruments amounting to ₩58 million and ₩5 million, respectively, are restricted in use for financial arrangements, pledge and others.

7. Inventories

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

(in millions of Won)		September 30, 2022	December 31, 2021
Finished goods	₩	1,293,523	1,222,499
Merchandise		2,000	752
Semi-finished goods		2,669,194	2,226,858
Raw materials		2,038,754	1,861,885
Fuel and materials		454,319	466,308
Materials-in-transit		1,605,091	1,973,692
Others		30,465	45,492
		8,093,346	7,797,486
Less: Allowance for inventories valuation		(27,759)	(6,721)
	₩	8,065,587	7,790,765

The amounts of loss on valuation of inventories recognized in cost of sales during the nine-month period ended September 30, 2022 and the year ended December 31, 2021 were ₩121,952 million and ₩6,721 million, respectively. The amount of loss on valuation of inventories includes ₩94,550 million of damage caused by the flooding of the Naengcheon stream in Pohang during the nine-month period ended September 30, 2022.

8. Assets Held for Sale

Details of assets held for sale as of September 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)		September 30, 2022	December 31, 2021
Asset			
Tangible assets(*1,2)	₩	15,602	29,236
Intangible assets		-	553
	₩	15,602	29,789
Liability			
Others	₩	-	185

(*1) During the nine-month period ended September 30, 2022, the Company disposed of the assets held for sale related to SNG facilities amounting to ₩9,604 million.
(*2) The Company decided to dispose individual assets for which use was discontinued, such as CEM Plants, and classified the assets as held for sale.

9. Investment Property, Net

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

(a) For the nine-month period ended September 30, 2022

(in millions of Won)		Beginning	Depreciation(*1)	Others(*2)	Ending
Land	₩	3,639	-	-	3,639
Buildings		5,154	(867)	4,771	9,058
Structures		4,372	(345)	1,249	5,276
	₩	13,165	(1,212)	6,020	17,973

(*1) The useful life and depreciation method of investment property are identical to those of property, plant and equipment.
(*2) Includes reclassification resulting from changing purpose of use.

(b) For the year ended December 31, 2021

(in millions of Won)		Beginning	Depreciation(*1)	Ending
Land	₩	3,639	-	3,639
Buildings		6,154	(1,000)	5,154
Structures		4,790	(418)	4,372
	₩	14,583	(1,418)	13,165

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

10. Property, Plant and Equipment, Net

(a) Changes in the carrying amount of property, plant and equipment for the nine-month period ended September 30, 2022 and the year ended December 31, 2021 were as follows:

1) For the nine-month period ended September 30, 2022

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1)	Others(*2)	Ending
Land	₩	1,209,161	14,992	-	-	-	42,751	1,266,904
Buildings		1,970,435	24,332	(1,565)	(144,490)	-	102,505	1,951,217
Structures		1,954,749	18,519	(2,160)	(136,841)	-	119,295	1,953,562
Machinery and equipment		11,838,558	37,392	(12,524)	(1,319,195)	(131,823)	1,088,344	11,500,752
Vehicles		19,289	1,789	(14)	(6,763)	-	1,384	15,685
Tools		24,847	1,808	(45)	(9,014)	-	6,187	23,783
Furniture and fixtures		74,967	1,868	(1)	(20,051)	-	16,160	72,943
Lease assets		450,029	3,764	(96)	(31,843)	-	(84,122)	337,732
Construction-in-progress		1,054,736	1,673,231	-	-	(3)	(1,281,011)	1,446,953
	₩	18,596,771	1,777,695	(16,405)	(1,668,197)	(131,826)	11,493	18,569,531

(*1) The Company estimated the recoverable amount of damaged assets due to the flooding of Naengcheon stream in Pohang at the fair value less cost to sell, and recognized an impairment loss since recoverable amounts are less than their carrying amounts.
(*2) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

2) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1,2)	Others(*3)	Ending
Land	₩	1,261,500	-	(48,527)	-	-	(3,812)	1,209,161
Buildings		1,893,309	5,968	(525)	(192,519)	(20,996)	285,198	1,970,435
Structures		1,920,690	1,639	(14,239)	(167,441)	(4,317)	218,417	1,954,749
Machinery and equipment		12,165,278	56,239	(27,404)	(1,725,349)	(48,800)	1,418,594	11,838,558
Vehicles		15,273	3,815	(20)	(7,877)	(19)	8,117	19,289
Tools		24,581	4,910	(13)	(11,460)	(64)	6,893	24,847
Furniture and fixtures		35,120	8,553	(215)	(17,945)	(142)	49,596	74,967
Lease assets		335,101	132,013	(10)	(48,396)	(1,547)	32,868	450,029
Construction-in-progress		1,387,637	1,961,011	(5,957)	-	(158,544)	(2,129,411)	1,054,736
	₩	19,038,489	2,174,148	(96,910)	(2,170,987)	(234,429)	(113,540)	18,596,771

(*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 accident.
(*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 ₩217,564 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, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

(b) Changes in the carrying amount of right-of-use assets presented as property, plant and equipment for the nine-month period ended September 30, 2022 and the year ended December 31, 2021 were as follows:

1) For the nine-month period ended September 30, 2022

(in millions of Won)		Beginning	Acquisitions	Depreciation	Others(*1)	Ending
Land	₩	8,881	-	(168)	869	9,582
Buildings and structures		122,465	2,417	(11,122)	(1,058)	112,702
Machinery and equipment		83,290	-	(817)	(75,417)	7,056
Vehicles		6,179	381	(240)	(5,752)	568
Ships		210,058	-	(12,514)	-	197,544
Others		19,156	966	(6,982)	(2,860)	10,280
	₩	450,029	3,764	(31,843)	(84,218)	337,732

(*1) Right-of-use assets of machinery and equipment decreased since the Company exercised purchase option.

2) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Depreciation	Others	Ending
Land	₩	10,300	394	(354)	(1,459)	8,881
Buildings and structures		132,384	3,954	(13,873)	-	122,465
Machinery and equipment		54,698	-	(8,532)	37,124	83,290
Vehicles		6,439	526	(772)	(14)	6,179
Ships		106,555	120,217	(16,714)	-	210,058
Others		24,725	6,922	(8,151)	(4,340)	19,156
	₩	335,101	132,013	(48,396)	31,311	450,029

(c) The amounts recognized in profit or loss related to leases for the nine-month periods ended September 30, 2022 and 2021 were as follows:

(in millions of Won)		September 30, 2022	September 30, 2021
Interest on lease liabilities	₩	7,767	9,332
Expenses relating to short-term leases		13,749	3,463
Expenses relating to leases of low-value assets		4,460	4,733
	₩	25,976	17,528

11. Intangible Assets, Net

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

(a) For the nine-month period ended September 30, 2022

(in millions of Won)		Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Intellectual property rights	₩	22,749	9	(568)	(5,183)	-	5,054	22,061
Membership(*1)		76,738	5,486	-	-	828	-	83,052
Development expense		138,279	956	-	(54,212)	-	15,812	100,835
Port facilities usage rights		212,012	-	-	(11,339)	-	-	200,673
Other intangible assets		52,468	37,869	(6)	(3,848)	-	(25,706)	60,777
	₩	502,246	44,320	(574)	(74,582)	828	(4,840)	467,398

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

(b) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Disposals	Amortization	Impairment loss(*2)	Others(*3)	Ending
Intellectual property rights	₩	22,567	83	(580)	(6,058)	-	6,737	22,749
Membership(*1)		75,006	3,597	(708)	-	-	(1,157)	76,738
Development expense		219,812	1,950	-	(74,347)	-	(9,136)	138,279
Port facilities usage rights		232,593	-	-	(20,581)	-	-	212,012
Other intangible assets		59,540	42,419	(14,700)	(4,953)	(7,180)	(22,658)	52,468
	₩	609,518	48,049	(15,988)	(105,939)	(7,180)	(26,214)	502,246

(*1) Economic useful life of membership is indefinite.
(*2) During the year ended December 31, 2021, the Company decided to sell a portion of paid-in emission rights and recognized ₩7,180 million of impairment loss since book value exceeded fair value less costs to sell.
(*3) Represents assets transferred from construction-in-progress to intangible assets and assets transferred from property, plant and equipment, adjustments of foreign currency translation difference and others.

12. Other Assets

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

(in millions of Won)		September 30, 2022	December 31, 2021
Current			
Advance payments	₩	19,313	18,532
Prepaid expenses		44,949	25,527
Others		506	13,803
	₩	64,768	57,862
Non-current			
Long-term prepaid expenses	₩	3,053	3,659
Others		30,699	28,847
	₩	33,752	32,506

13. Borrowings

(a) Short-term borrowings and current portion of debentures as of September 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)	Lenders	Interest rate (%)		September 30, 2022	December 31, 2021
Short-term borrowings					
Short-term borrowings	SC Bank and others	3.71 ~ 4.91	₩	785,932	795,972
Current portion of long-term liabilities					
Current portion of debentures	Global bonds (6th) and others	1.56 ~ 4.00		3,112,200	1,402,750
Less: Current portion of discount on debentures issued				(2,708)	(2,698)
				3,109,492	1,400,052
			₩	3,895,424	2,196,024

(b) Debentures, excluding current portion and others as of September 30, 2022 and December 31, 2021 are as follows:

(in millions of Won)	Lenders	Interest rate (%)		September 30, 2022	December 31, 2021
Debentures	Global bonds (8th) and others	0.50 ~ 4.50	₩	5,677,927	4,711,040
Less: Discount on debentures issued				(27,065)	(17,665)
			₩	5,650,862	4,693,375

(c) Assets pledged as collateral with regard to the borrowings as of September 30, 2022 are as follows:

(in millions of Won)	Lenders		Book value	Pledged amount
Property, plant and equipment	Korea Development Bank and others	₩	123,591	160,722
Trade accounts and notes receivable	Korea Development Bank and others		483,520	483,520
		₩	607,111	644,242

14. Other Payables

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

(in millions of Won)		September 30, 2022	December 31, 2021
Current			
Accounts payable	₩	471,329	703,548
Accrued expenses		406,383	456,464
Dividend payable		454	479
Lease liabilities		42,814	49,418
Withholdings		988	2,121
	₩	921,968	1,212,030
Non-current			
Accrued expenses	₩	902	896
Lease liabilities		329,104	398,945
Long-term withholdings		443	455
	₩	330,449	400,296

15. Other Financial Liabilities

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

(in millions of Won)		September 30, 2022	December 31, 2021
Current			
Derivative liabilities	₩	5,040	3,429
Financial guarantee liabilities		282	-
	₩	5,322	3,429
Non-current			
Financial guarantee liabilities	₩	474	-

16. Provisions

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

(in millions of Won)		September 30, 2022		December 31, 2021	
		Current	Non-current	Current	Non-current
Provision for bonus payments	₩	18,226	24,713	20,403	25,438
Provision for legal contingencies and claims		1,875	-	-	-
Provision for the restoration(*1)		1,052	5,298	2,573	6,314
Emission liabilities(*2)		511	-	35,413	-
Provision for product warranties(*3)		31,973	7,051	24,743	4,999
	₩	53,637	37,062	83,132	36,751

(*1) As of September 30, 2022, due to contamination of certain factory sites in the Company's Pohang works, the Company recognized present value of the estimated cost for recovery as provisions for restoration. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials which are currently available to recover the land. In addition, the Company applied the discount rate of 5.16% to calculate present value of costs.

(*2) The Company has recognized liabilities for the amount of carbon emissions expected to exceed its carbon emission quota.

(*3) The Company has recognized a provision for the claim cost expected to be charged to the Company.

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

1) For the nine-month period ended September 30, 2022

(in millions of Won)		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	45,841	30,611	(33,270)	(336)	93	42,939
Provision for legal contingencies and claims		-	1,875	-	-	-	1,875
Provision for the restoration		8,887	661	(2,292)	(906)	-	6,350
Emission liabilities		35,413	4,554	(27,277)	(12,179)	-	511
Provision for product warranties		29,742	19,570	(10,178)	(110)	-	39,024
	₩	119,883	57,271	(73,017)	(13,531)	93	90,699

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

2) For the year ended December 31, 2021

(in millions of Won)		Beginning	Increase	Utilization	Reversal	Ending
Provision for bonus payments	₩	47,445	75,541	(77,145)	-	45,841
Provision for legal contingencies and claims		6,989	2,500	(7,437)	(2,052)	-
Provision for the restoration		12,424	207	(3,592)	(152)	8,887
Emission liabilities		21,248	35,413	(1,857)	(19,391)	35,413
Provision for product warranties		23,598	27,949	(21,805)	-	29,742
	₩	111,704	141,610	(111,836)	(21,595)	119,883

17. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the nine-month periods ended September 30, 2022 and 2021 were as follows:

(in millions of Won)		September 30, 2022	September 30, 2021
Expense related to post-employment benefit plans under defined contribution plans	₩	32,413	30,322

(b) Defined benefit plans

1) The amounts recognized in relation to net defined benefit assets in the condensed interim consolidated statements of financial position as of September 30, 2022 and the condensed carve-out and combined interim statements of financial position as of December 31, 2021 are as follows:

(in millions of Won)		September 30, 2022	December 31, 2021
Present value of funded obligations	₩	1,448,480	1,406,454
Fair value of plan assets(*1)		(1,479,910)	(1,618,250)
Net defined benefit assets	₩	(31,430)	(211,796)

(*1) As of September 30, 2022 and December 31, 2021, the Company recognized net defined benefit assets amounting to ₩31,661 million and ₩213,570 million respectively, since there are combined entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

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

(in millions of Won)		September 30, 2022	December 31, 2021
Defined benefit obligations at the beginning of period	₩	1,406,454	1,449,259
Current service costs		84,315	130,287
Interest costs		29,492	30,715
Remeasurements		95,961	(45,097)
Benefits paid		(160,108)	(153,104)
Others		(7,634)	(5,606)
Defined benefit obligations at the end of period	₩	1,448,480	1,406,454

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

(in millions of Won)		September 30, 2022	December 31, 2021
Fair value of plan assets at the beginning of period	₩	1,618,250	1,495,722
Interest on plan assets		33,405	32,179
Remeasurement of plan assets		(28,491)	(4,883)
Contributions to plan assets		1,007	238,168
Benefits paid		(141,504)	(137,496)
Others		(2,757)	(5,440)
Fair value of plan assets at the end of period	₩	1,479,910	1,618,250

4) The amounts recognized in condensed interim statements of comprehensive income for the nine-month periods ended September 30, 2022 and 2021 were as follows:

(in millions of Won)		September 30, 2022	September 30, 2021
Current service costs	₩	84,315	98,064
Net interest costs		(3,913)	(1,131)
	₩	80,402	96,933

18. Other Liabilities

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

(in millions of Won)		September 30, 2022	December 31, 2021
Current			
Advances received	₩	28,010	34,387
Unearned revenue		65,621	60,712
Withholdings		44,115	62,211
Others		1	1
	₩	137,747	157,311
Non-current			
Unearned revenue	₩	3,685	3,744
Others		2	6
	₩	3,687	3,750

19. Financial Instruments

(a) Classification and fair value of financial instruments

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

① September 30, 2022

(in millions of Won)			Fair value		
		Book value	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative assets	₩	824,966	824,966	-	824,966
Short-term financial instruments		5,035,857	5,035,857	-	5,035,857
Other securities		494	-	494	494
Fair value through other comprehensive income					
Equity securities		1,272	-	1,272	1,272
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents		2,430,442	-	-	-
Trade accounts and notes receivable		5,360,228	-	-	-
Other receivables		296,422	-	-	-
Debt securities		140,000	-	-	-
Deposit instruments		2,075,238	-	-	-
	₩	16,164,919	5,860,823	1,766	5,862,589
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩	5,040	5,040	-	5,040
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable		2,008,816	-	-	-
Borrowings		9,546,286	9,277,038	-	9,277,038
Financial guarantee liabilities		756	-	-	-
Others		1,135,995	-	-	-
	₩	12,696,893	9,282,078	-	9,282,078

(*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 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative assets	₩	170,470	170,470	-	170,470
Other securities		524	-	524	524
Fair value through other comprehensive income					
Equity securities		399	-	399	399
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents		86,714	-	-	-
Trade accounts and notes receivable		6,104,228	-	-	-
Other receivables		211,665	-	-	-
Deposit instruments		48,405	-	-	-
	₩	6,622,405	170,470	923	171,393
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩	3,429	3,429	-	3,429
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable		2,504,438	-	-	-
Borrowings		6,889,399	6,889,399	-	6,889,399
Others		1,485,241	-	-	-
	₩	10,882,507	6,892,828	-	6,892,828

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

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

① For the nine-month period ended September 30, 2022

(in millions of Won)		Finance income and costs					
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total
Financial assets at fair value through profit or loss	₩	73,269	-	-	13	-	73,282
Derivative assets		-	678,798	-	9,478	-	688,276
Financial assets at fair value through other comprehensive income		-	-	-	(38)	16	(22)
Financial assets measured at amortized cost		30,487	-	532,263	-	-	562,750
Derivative liabilities		-	(9,917)	-	(626)	-	(10,543)
Financial liabilities measured at amortized cost		(136,835)	-	(1,274,512)	-	(1,076)	(1,412,423)
	₩	(33,079)	668,881	(742,249)	8,827	(1,060)	(98,680)

② For the nine-month period ended September 30, 2021

(in millions of Won)		Finance income and costs					
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total
Financial assets at fair value through profit or loss	₩	-	-	-	6	-	6
Derivative assets		-	73,660	-	(479)	-	73,181
Financial assets at fair value through other comprehensive income		-	-	-	-	24	24
Financial assets measured at amortized cost		2,113	-	154,842	-	-	156,955
Derivative liabilities		-	198,895	-	9,093	-	207,988
Financial liabilities measured at amortized cost		(102,105)	-	(488,501)	-	(1,942)	(592,548)
	₩	(99,992)	272,555	(333,659)	8,620	(1,918)	(154,394)

(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 carve-out and combined financial statements as of and for the year ended December 31, 2021.

20. Equity

Equity consists of net parent investment and accumulated other comprehensive loss in the carve-out and combined interim statement of financial position as of December 31, 2021. On the other hand, the detail of equity in the condensed consolidated interim statement of financial position as of September 30, 2022 is as follows:

(in millions of Won)		September 30, 2022
Equity attributable to owners of the controlling company		
Share capital	₩	482,403
Capital surplus		30,394,317
Hybrid bonds		199,384
Reserves		732
Retained earnings		1,348,346
Non-controlling interest		245,320
	₩	32,670,502

21. Revenue

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

(in millions of Won)		September 30, 2022	September 30, 2021
Types of revenue			
Revenue from sales of goods	₩	33,307,028	27,814,829
Revenue from services		1,150,744	934,728
Others		83,523	104,016
	₩	34,541,295	28,853,573
Timing of revenue recognition			
Revenue recognized at a point in time	₩	33,390,552	27,918,845
Revenue recognized over time		1,150,743	934,728
	₩	34,541,295	28,853,573

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

(in millions of Won)		September 30, 2022	December 31, 2021
Receivables			
Account receivables	₩	5,360,228	6,108,738
Contract assets			
Account receivables		3,307	-
Contract liabilities			
Advance received		28,013	34,392
Unearned revenue		69,305	64,456

22. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the nine-month periods ended September 30, 2022 and 2021 were as follows:

(in millions of Won)		September 30, 2022	September 30, 2021
Wages and salaries	₩	223,260	213,214
Expenses related to post-employment benefits		23,349	29,446
Other employee benefits		50,360	43,817
Travel		8,834	5,953
Depreciation		20,029	21,848
Amortization		22,779	29,531
Communication		6,390	6,365
Electricity		1,440	986
Taxes and public dues		5,883	10,230
Rental		51,664	37,567
Repairs		8,512	5,451
Entertainment		2,542	2,055
Advertising		40,279	42,413
Research & development		37,244	54,453
Service fees		133,003	123,678
Vehicles maintenance		1,131	804
Industry association fee		3,119	3,333
Conference		4,285	3,413
Others		25,299	27,736
	₩	669,402	662,293

(b) Selling expenses

Selling expenses for the nine-month periods ended September 30, 2022 and 2021 were as follows:

(in millions of Won)		September 30, 2022	September 30, 2021
Freight and custody expenses	₩	92,804	88,504
Operating expenses for distribution center		4,344	4,614
Sales commissions		64,522	69,008
Sales advertising		1,768	1,494
Sales promotion		1,734	1,014
Sample		937	1,065
Sales insurance premium		5,276	4,530
Others		5	-
	₩	171,390	170,229

23. Finance Income and Costs

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

(in millions of Won)		September 30, 2022	September 30, 2021
Finance income			
Interest income	₩	103,756	2,113
Dividend income		16	24
Gain on foreign currency transactions		449,899	190,376
Gain on foreign currency translations		259,802	70,926
Gain on derivatives transactions		16,465	20,152
Gain on valuations of derivatives		678,798	279,548
Others		26	6
	₩	1,508,762	563,145
Finance costs			
Interest expenses	₩	136,835	102,105
Loss on foreign currency transactions		504,034	264,247
Loss on foreign currency translations		947,916	330,714
Loss on derivatives transactions		7,613	11,539
Loss on valuations of derivatives		9,917	6,993
Loss on disposal of accounts receivable		-	2
Others		1,126	1,942
	₩	1,607,441	717,542

24. Other Non-Operating Income and Expenses

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

(in millions of Won)		September 30, 2022	September 30, 2021
Other non-operating income			
Gain on disposals of assets held for sale	₩	2,706	46,703
Gain on disposals of property, plant and equipment		12,785	7,088
Premium income		1,993	3,763
Others		19,125	27,733
	₩	36,609	85,287
Other non-operating expenses			
Loss on disposals of property, plant and equipment	₩	117,987	70,541
Impairment loss on property, plant and equipment		131,827	2,917
Impairment loss on intangible assets		-	7,180
Loss on disposals of intangible assets		1,482	5,247
Loss on disposals of emission rights		-	5,843
Idle tangible asset expenses		14,091	18,719
Donations		36,788	13,456
Others		22,561	15,385
	₩	324,736	139,288

25. Expenses by Nature

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

(in millions of Won)		September 30, 2022	September 30, 2021
Raw material used, changes in inventories and others	₩	23,050,654	16,045,792
Employee benefits expenses		1,539,527	1,552,567
Outsourced processing cost		1,983,731	1,927,537
Electricity and water expenses		367,699	251,505
Depreciation(*1)		1,669,409	1,625,694
Amortization		74,582	81,874
Freight and custody expenses		1,113,197	734,439
Sales commissions		64,522	69,008
Loss on disposal of property, plant and equipment		117,987	70,541
Impairment loss on property, plant and equipment		131,826	2,917
Impairment loss on intangible assets		-	7,180
Donations		36,788	13,456
Others		1,630,318	1,563,775
	₩	31,780,240	23,946,285

(*1) Includes depreciation expense of investment property.

26. Income Taxes

Income tax expenses were calculated by adjusting deferred tax expenses (income) due to the accrual and reversal of temporary differences in current tax expenses and income tax expenses (income) related to items not recognized in net income (loss). The effective tax rates of the Company for the nine-month periods ended September 30, 2022 and 2021 were 27.75% and 27.09%, respectively.

The Company was established upon vertical spin-off from Pre-spin off Company at the date of spin-off. Deductible temporary difference related to gains on evaluation of assets and liabilities transferred upon the spin-off amounting to ₩8,166,109 million under Corporate Tax Act was incurred. As a result, the Company recognized deferred tax assets of ₩2,245,680 million, and the deferred tax assets were recorded directly in equity at the date of spin-off.

27. Related Party Transactions

(a) Significant transactions between the Company and related companies for the nine-month periods ended September 30, 2022 and 2021 were as follows:

1) For the nine-month period ended September 30, 2022

(in millions of Won)	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
The parent company						
POSCO HOLDINGS INC.	₩ 76,201	-	131,776	-	-	15,873
Other related party(*3)						
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	9,248	32	-	429,331	17	37,772
POSCO ICT(*4)	1,219	18	-	197,806	44,353	136,129
eNtoB Corporation	85	2	271,343	39,894	127	16,301
POSCO CHEMICAL CO., LTD	371,841	52	374,412	30,779	215,142	6,282
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)(*5)	12,235	270	441,041	-	20,580	1,072,138
POSCO MOBILITY SOLUTION	855,645	-	5,658	-	35,930	578
POSCO INTERNATIONAL Corporation	10,264,552	-	1,377,822	-	1,733	4,423
POSCO Thainox Public Company Limited	263,123	-	-	-	-	1
POSCO CANADA LTD.	-	1,226	436,787	-	-	-
POSCO Vietnam Processing Center. Co.,Ltd	177,283	-	-	-	-	537
POSCO COATED STEEL (THAILAND) CO., LTD.	286,372	-	-	-	-	68
POSCO-VIETNAM Co., Ltd.	242,170	-	-	-	-	16
POSCO MEXICO S.A. DE C.V.	421,021	5	-	-	-	1,001
POSCO Maharashtra Steel Private Limited	851,386	-	-	-	-	719
POSCO(Guangdong) Automotive Steel Co., Ltd.	233,273	-	-	-	-	-
POSCO VST CO., LTD.	144,544	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	4,320	1,621,489	-	-	-
POSCO ASSAN TST STEEL INDUSTRY	190,555	-	-	-	-	8
Roy Hill Holdings Pty Ltd	-	6,767	1,165,407	-	-	-
Others	846,171	2,560	689,874	47,659	18,729	125,235
	15,170,723	15,252	6,383,833	745,469	336,611	1,401,208
	₩ 15,246,924	15,252	6,515,609	745,469	336,611	1,417,081

(*1) Sales and others mainly consist of sales of steel products to other related parties.
(*2) Purchases and others mainly consist of related party's purchases of construction services and purchases of raw materials to manufacture steel products.
(*3) Other related parties are subsidiaries, associates, and joint ventures of the parent company, POSCO HOLDINGS INC.
(*4) Others (purchase) mainly consist of maintenance expenses for the ERP System.
(*5) Others (purchase) mainly consist of freight expenses.

2) For the nine-month period ended September 30, 2021

(in millions of Won)		Sales and others(*1)		Purchase and others(*2)			
		Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
The parent company							
POSCO HOLDINGS INC.	₩	-	-	-	-	-	1,429
Other related party(*3)							
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		3,438	58	-	286,992	109	26,431
POSCO ICT(*4)		1,177	22	-	159,361	32,213	136,549
eNtoB Corporation		24	-	243,292	37,809	69	16,506
POSCO CHEMICAL CO., LTD		217,541	15,371	344,195	7,815	225,102	3,977
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)(*5)		15,696	420	507	-	285	4,566
POSCO MOBILITY SOLUTION		570,180	-	3,525	-	32,355	615
POSCO INTERNATIONAL Corporation		7,215,127	-	979,976	-	541	5,241
POSCO Thainox Public Company Limited		228,192	-	-	-	-	20
POSCO CANADA LTD.		-	796	148,558	-	-	-
POSCO Vietnam Processing Center. Co.,Ltd		69,736	-	-	-	-	250
POSCO COATED STEEL (THAILAND) CO., LTD.		248,595	-	-	-	-	47
POSCO-VIETNAM Co., Ltd.		307,322	-	-	-	-	27
POSCO MEXICO S.A. DE C.V.		320,811	-	-	-	-	506
POSCO Maharashtra Steel Private Limited		646,534	35	-	-	-	132
POSCO(Guangdong) Automotive Steel Co., Ltd.		290,634	-	-	-	-	32
POSCO VST CO., LTD.		152,160	-	-	-	-	20
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	-	1,212,212	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		194,480	-	8	-	-	10
Roy Hill Holdings Pty Ltd		-	-	1,630,448	-	-	-
Others		1,933,766	3,263	718,850	40,511	16,017	134,085
		12,415,413	19,965	5,281,571	532,488	306,691	329,014
	₩	12,415,413	19,965	5,281,571	532,488	306,691	330,443

(*1) Sales and others mainly consist of sales of steel products to other related parties.
(*2) Purchases and others mainly consist of related party's purchases of construction services and purchases of raw materials to manufacture steel products.
(*3) Other related parties are subsidiaries, associates, and joint ventures of the parent company, POSCO HOLDINGS INC.
(*4) Others (purchase) mainly consist of maintenance expenses for the ERP System.
(*5) Others (purchase) mainly consist of freight and custody expenses.

(b) The related account balances of significant transactions between the Company and related companies as of September 30, 2022 and December 31, 2021 are as follows:

1) September 30, 2022

(in millions of Won)		Receivables			Payables			
		Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
The parent company								
POSCO HOLDINGS INC.	₩	254	14,701	14,955	382	219	-	601
Other related party								
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		2,042	7	2,049	-	36,090	76	36,166
POSCO ICT		151	-	151	6,690	50,211	4,749	61,650
eNtoB Corporation		-	-	-	1,950	7,257	28	9,235
POSCO CHEMICAL CO., LTD		39,093	2,872	41,965	52,271	12,706	9,841	74,818
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)		1,183	443	1,626	80,381	3,525	341	84,247
POSCO MOBILITY SOLUTION		172,486	-	172,486	785	1,588	2,524	4,897
POSCO INTERNATIONAL Corporation		1,175,577	2	1,175,579	9,933	62	-	9,995
POSCO Thainox Public Company Limited		1,601	-	1,601	-	-	-	-
POSCO Canada Ltd.		-	-	-	6,037	-	-	6,037
POSCO COATED STEEL (THAILAND) CO., LTD.		9,699	-	9,699	-	-	-	-
POSCO MEXICO S.A. DE C.V.		232,312	-	232,312	-	-	1,000	1,000
POSCO Maharashtra Steel Private Limited		326,784	-	326,784	-	-	-	-
POSCO(Guangdong) Automotive Steel Co., Ltd.		105,639	-	105,639	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	-	-	46,860	-	-	46,860
POSCO ASSAN TST STEEL INDUSTRY		213,119	-	213,119	-	-	-	-
Roy Hill Holdings Pty Ltd		-	-	-	537,479	-	-	537,479
Others		293,044	2,236	295,280	14,338	17,068	37,962	69,368
		2,572,730	5,560	2,578,290	756,724	128,507	56,521	941,752
	₩	2,572,984	20,261	2,593,245	757,106	128,726	56,521	942,353

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
The parent company								
POSCO HOLDINGS INC.	₩	-	358	358	-	-	403	403
Other related party								
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		1,016	10	1,026	-	93,417	241	93,658
POSCO ICT		204	3	207	3,917	149,679	26,645	180,241
eNtoB Corporation		10	-	10	3,503	23,085	-	26,588
POSCO CHEMICAL CO., LTD		35,337	3,664	39,001	14,247	55,514	18,133	87,894
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)		1,870	98	1,968	67	1,137	50,502	51,706
POSCO MOBILITY SOLUTION		133,349	-	133,349	769	2,150	5,104	8,023
POSCO INTERNATIONAL Corporation		1,317,833	4	1,317,837	11,195	465	-	11,660
POSCO Thainox Public Company Limited		54,804	-	54,804	-	-	-	-
POSCO Canada Ltd.		-	-	-	16,572	-	-	16,572
POSCO COATED STEEL (THAILAND) CO., LTD.		86,629	-	86,629	-	-	-	-
POSCO MEXICO S.A. DE C.V.		178,390	-	178,390	-	-	-	-
POSCO Maharashtra Steel Private Limited		523,714	-	523,714	-	-	-	-
POSCO(Guangdong) Automotive Steel Co., Ltd.		166,973	-	166,973	-	180	-	180
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	14	14	169,565	87	-	169,652
POSCO ASSAN TST STEEL INDUSTRY		221,031	-	221,031	-	-	-	-
Roy Hill Holdings Pty Ltd		-	-	-	435,257	-	-	435,257
Others		312,640	5,108	317,748	63,774	28,616	26,764	119,154
		3,033,800	8,901	3,042,701	718,866	354,330	127,389	1,200,585
	₩	3,033,800	9,259	3,043,059	718,866	354,330	127,792	1,200,988

(c) Significant transactions between the Company and related companies for the nine-month periods ended September 30, 2022 and 2021 were as follows:

1) For the nine-month period ended September 30, 2022

(in millions of Won)		Beginning	Borrow	Repayment	Others(*1)	Ending
Other related party						
POSCO Asia Co., Ltd.	₩	14,169	-	-	2,980	17,149

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

2) For the year ended December 31, 2021

(in millions of Won)		Beginning	Borrow	Repayment	Others(*1)	Ending
Other related party						
POSCO Asia Co., Ltd.	₩	11,424	1,625	-	1,120	14,169
POSCO O&M		3,200	-	3,200	-	-

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

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

(in millions of Won)		September 30, 2022	September 30, 2021
Short-term benefits	₩	55,637	32,366
Long-term benefits		38	4,050
Retirement benefits		7,917	10,302
	₩	63,592	46,718

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

28. Commitments and Contingencies

(a) Contingent liabilities

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

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

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

(b) Other commitments

POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of September 30, 2022, 76 million tons of iron ore and 1 million tons of coal remained to be purchased under such long-term contracts.

POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

POSCO has a long-term service contract for the transportation of raw material. As of September 30, 2022, there are 36 vessels under contract, and the average remaining contract period is about 8 years.

(c) Litigation in progress

As of September 30, 2022, the number of litigations in progress that the Company is the defendant in legal actions arising from the normal course of business are 37 cases such as claim for employee right and others, and the total litigation value amounts to ₩155.3 billion. For all the other lawsuits and claims, management does not believe the Company has any present obligations and therefore, the Company has not recognized any provisions as of September 30, 2022 for the matters.
The Company lost lawsuits regarding the first and second trials related to confirmation of employee status in the Supreme Court of Korea on July 28, 2022. As of September 30, 2022, plaintiffs whose employee status was confirmed were hired as full-time employees.

(d) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2022 are as follows:

(in millions of Won)			Guarantee limit			Guarantee amount	
Guarantor	Guarantee beneficiary	Financial institution		Foreign currency	Won equivalent	Foreign currency	Won equivalent
[The Company]							
POSCO	POSCO MEXICO S.A. DE C.V.	Citi BANAMEX	USD	20,000,000	28,696	20,000,000	28,696
		BOA	USD	20,000,000	28,696	20,000,000	28,696
		BNP Paribas	USD	20,000,000	28,696	20,000,000	28,696
POSCO STEELEON Co., Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd.	USD	13,986,947	20,068	11,952,170	17,149
			USD	73,986,947	106,156	71,952,170	103,237

(e) The Company was newly incorporated on the date of spin-off, and the Company is jointly liable for the liabilities of POSCO HOLDINGS INC. under Article 530(9)(1) of the Commercial Code of the Republic of Korea.

29. Cash Flows from Operating Activities

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

(in millions of Won)		September 30, 2022	September 30, 2021
Trade accounts and notes receivable	₩	1,022,583	(2,329,859)
Other receivables		120,668	(185,132)
Inventories		(392,721)	(2,446,154)
Other current assets		(20,102)	(18,468)
Other non-current assets		20,589	6,252
Trade accounts and notes payable		(686,331)	837,762
Other payables		(346,657)	(96,598)
Other current liabilities		(22,183)	66,549
Provisions		(15,466)	(23,860)
Payments of severance benefits		(160,107)	(110,558)
Plan assets		140,497	98,206
Other non-current liabilities		(1)	26,591
	₩	(339,231)	(4,175,269)

30. Spin-off

(a) On March 1, 2022 (the date of spin-off), the Company was established and became a new wholly owned subsidiary of POSCO HOLDINGS INC.

	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 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 steel business from January 28, 2022 to the date of spin-off, which occur as a result of operations, were adjusted.

(c) Accounting of spin-off

① Assets and liabilities transferred to the newly established company were measured at carrying amount, after eliminating unrealized gains or losses arising from intercompany transactions between the Company and the rest of Pre-spin off Company's subsidiaries, of consolidated financial statements of POSCO HOLDINGS INC. 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) Responsibilities of the Company as a result of the spin-off

The Company is jointly liable for the liabilities of POSCO HOLDINGS INC. under Article 530(9)(1) of the Commercial Code of the Republic of Korea.

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

(in millions of Won)		**March 1, 2022**
Assets		
Cash and cash equivalents	₩	2,034,150
Trade accounts and notes receivable, net		6,543,524
Other receivables, net		488,951
Other short-term financial assets		3,637,389
Inventories		7,428,434
Current income tax assets		893
Assets held for sale		24,250
Other current assets		107,381
Total current assets		20,264,972
Long-term trade accounts and notes receivable, net		14,497
Other receivables, net		86,669
Other long-term financial assets		185,385
Investment property, net		12,933
Property, plant and equipment, net		18,563,536
Intangible assets, net		493,276
Defined benefit assets, net		100,144
Deferred tax assets		2,537,036
Other non-current assets		32,380
Total non-current assets		22,025,856
Total assets	₩	42,290,828
Liabilities		
Trade accounts and notes payable	₩	2,120,773
Short-term borrowings and current installments of long-term borrowings		3,118,441
Other payables		937,017
Other short-term financial liabilities		3,534
Current income tax liabilities		19,869
Provisions		77,594
Other current liabilities		139,979
Total current liabilities		6,417,207
Long-term borrowings, excluding current installments		4,127,763
Other payables		396,521
Defined benefit liabilities, net		2,973
Deferred tax liabilities		187
Long-term provisions		37,528
Other non-current liabilities		3,704
Total non-current liabilities		4,568,676
Total liabilities		10,985,883
Net assets transferred	₩	31,304,945

31. Events after the reporting period

(a) The Company decided to acquire the shares of POSCO YAMATO VINA STEEL JOINT STOCK COMPANY and 57 other companies from POSCO HOLDINGS INC. to improve the management efficiency of the steel business, as a follow-up to the vertical spin-off in March 2022 (consideration in cash: ₩1,142.7 billion). The acquisition was approved by the ESG Committee on November 7, 2022 and approved by the Board of Directors on November 18, 2022.

(b) The employees who participated in certain lawsuits regarding employee status against the Company in which the Company was ruled against by the Supreme Court of Korea in July 2022, filed additional lawsuits against the Company regarding payroll amount in October 2022. In addition, two lawsuits were filed against the Company regarding employee status in October 2022. The expected impact on the Company's financial statements cannot be reliably estimated.

Independent Auditors' Report

The Board of Directors and Shareholder
POSCO:

Opinion

We have audited the carve-out and combined financial statements of POSCO and Combined Companies (before its establishment, steel business and certain subsidiaries of POSCO HOLDINGS INC.) (the "Company"), which comprise the carve-out and combined statements of financial position as of December 31, 2021 and 2020, the carve-out and combined statements of comprehensive income and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying carve-out and combined financial statements of the Company as of and for the years ended December 31, 2021 and 2020, are prepared, in all material respects, in accordance with the financial reporting provisions of the contract dated July 22, 2022 between the Company and Joint Lead Managers (the "Contract") in connection with its issuance of US Dollar Denominated Notes.

Basis for Opinion

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

Emphasis of Matters

<u>Basis of Accounting and Restriction on Use and Distribution</u>

We draw attention to Note 2 to the carve-out and combined financial statements, which describes the basis of preparation, including the approach to and the purpose for preparing them. Consequently, the Company's carve-out and combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if the Company had operated independently, nor may they be indicative of the results of operations of the Company for any future period. The carve-out and combined financial statements were prepared for the Company's offering circular for the issuance of US Dollar Denominated Notes and should not be used by or distributed for any other purpose. As a result, the carve-out and combined financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Spin-off and Establishment of the Reporting Entity

We draw attention to Note 1 and Note 34 to the carve-out and combined financial statements, which describe the spin-off by the POSCO HOLDINGS INC. (formerly, POSCO) 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. Our opinion is not modified in respect of this matter.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Carve-out and Combined Financial Statements

Management is responsible for the preparation of the carve-out and combined financial statements in accordance with the financial reporting provisions of the Contract for the purpose of the offering circular of the issuance of US Dollar Denominated Notes, and for such internal control as management determines is necessary to enable the preparation of carve-our and combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Carve-out and Combined Financial Statements

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

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

- Identify and assess the risks of material misstatement of the carve-out and combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used in the preparation of the carve-out and combined financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the carve-out and combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

July 22, 2022

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

POSCO and Combined Companies (before its establishment, steel business and certain subsidiaries of POSCO HOLDINGS INC.)
Carve-out and Combined Statements of Financial Position
As of December 31, 2021 and 2020

(in millions of Won)	Notes		December 31, 2021	December 31, 2020
Assets				
Cash and cash equivalents	4,5,21	₩	86,714	78,873
Trade accounts and notes receivable, net	6,15,21,30		6,093,940	3,760,796
Other receivables, net	7,21,30		465,181	181,078
Other short-term financial assets	8,21		48,400	47,800
Inventories	9		7,790,765	4,196,264
Current income tax assets	29		720	711
Assets held for sale	10		29,789	32,266
Other current assets	14		57,862	53,735
Total current assets			14,573,371	8,351,523
Long-term trade accounts and notes receivable, net	6,21		14,798	11,312
Other receivables, net	7,21,30		74,498	55,078
Other long-term financial assets	8,21		171,398	19,519
Investment property, net	11		13,165	14,583
Property, plant and equipment, net	12		18,596,771	19,038,489
Intangible assets, net	13		502,246	609,518
Defined benefit assets, net	19		213,570	75,585
Deferred tax assets	29		314,160	322,799
Other non-current assets	14		32,506	71,962
Total non-current assets			19,933,112	20,218,845
Total assets		₩	34,506,483	28,570,368

See accompanying notes to the carve-out and combined financial statements.

POSCO and Combined Companies (before its establishment, steel business and certain subsidiaries of POSCO HOLDINGS INC.)
Carve-out and Combined Statements of Financial Position, Continued
As of December 31, 2021 and 2020

(in millions of Won)	Notes		December 31, 2021	December 31, 2020
Liabilities				
Trade accounts and notes payable	21,30	₩	2,504,438	1,306,260
Short-term borrowings and current installments of long-term borrowings	4,15,21		2,196,024	2,546,916
Other payables	16,21		1,212,030	1,088,987
Other short-term financial liabilities	17,21,30		3,429	3,087
Current income tax liabilities	29		1,745,323	137,757
Liabilities directly associated with the assets held for sale			185	-
Provisions	18		83,132	64,576
Other current liabilities	20		157,311	87,034
Total current liabilities			7,901,872	5,234,617
Long-term borrowings, excluding current installments	4,15,21		4,693,375	5,347,434
Other payables	16,21		400,296	219,804
Other long-term financial liabilities	17,21		-	92,273
Defined benefit liabilities, net	19		1,774	29,122
Deferred tax liabilities	29		1,013,381	1,207,093
Long-term provisions	18		36,751	47,128
Other non-current liabilities	20		3,750	532
Total non-current liabilities			6,149,327	6,943,386
Total liabilities			14,051,199	12,178,003
Equity				
Net parent investment	22		20,467,308	16,404,643
Accumulated other comprehensive income	22		(12,024)	(12,278)
Total equity			20,455,284	16,392,365
Total liabilities and equity		₩	34,506,483	28,570,368

See accompanying notes to the carve-out and combined financial statements.

POSCO and Combined Companies (before its establishment, steel business and certain subsidiaries of POSCO HOLDINGS INC.)
Carve-out and Combined Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020

(in millions of Won)	Notes		2021	2020
Revenue	23,30	₩	40,543,396	26,982,384
Cost of sales	25,28,30		(32,617,541)	(24,711,297)
Gross profit			7,925,855	2,271,087
Selling and administrative expenses	24,28			
Other administrative expenses	25		(920,397)	(815,830)
Selling expenses			(224,365)	(244,967)
Operating profit			6,781,093	1,210,290
Finance income and costs	21,26			
Finance income			607,585	630,694
Finance costs			(808,896)	(662,488)
Other non-operating income and expenses	27			
Other non-operating income			126,755	116,923
Other non-operating expenses			(453,615)	(298,896)
Profit before income tax			6,252,922	996,523
Income tax benefit (expense)	29		(1,691,190)	17,478
Profit			4,561,732	1,014,001
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	19		28,936	56,034
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences			254	(1,003)
Other comprehensive income, net of tax			29,190	55,031
Total comprehensive income		₩	4,590,922	1,069,032

See accompanying notes to the carve-out and combined financial statements.

POSCO and Combined Companies (before its establishment, steel business and certain subsidiaries of POSCO HOLDINGS INC.)
Carve-out and Combined Statements of Cash Flows
For the years ended December 31, 2021 and 2020

(in millions of Won)	Notes		2021	2020
Cash flows from operating activities				
Profit		₩	4,561,732	1,014,001
Adjustments for:				
Depreciation			2,172,405	2,170,097
Amortization			105,939	109,795
Finance income			(353,968)	(281,986)
Finance costs			482,893	422,847
Income tax expense			1,691,190	(17,478)
Impairment loss on property, plant and equipment			234,429	26,026
Gain on disposal of property, plant and equipment			(30,438)	(12,393)
Loss on disposal of property, plant and equipment			112,310	181,600
Impairment loss on intangible assets			7,180	-
Loss on disposal of intangible assets			5,351	3,707
Gain on disposal of emission rights			-	(24,566)
Loss on disposal of emission rights			5,843	-
Impairment loss on assets held for sale			-	9,093
Gain on disposal of assets held for sale			(48,025)	(22,734)
Loss on disposal of assets held for sale			-	5,383
Expenses related to post-employment benefit			128,823	134,798
Impairment loss on trade and other receivables			2,044	6,594
Loss on valuation of inventories			6,721	7,520
Increase to provisions			44,474	75,094
Others, net			10,689	(787)
			4,577,860	2,792,610
Changes in operating assets and liabilities	32		(4,931,871)	1,616,683
Interest received			2,635	10,105
Interest paid			(156,887)	(234,387)
Dividends received			14	21
Income taxes paid			(279,969)	(311,680)
Net cash provided by operating activities		₩	3,773,514	4,887,353

See accompanying notes to the carve-out and combined financial statements.

POSCO and Combined Companies (before its establishment, steel business and certain subsidiaries of POSCO HOLDINGS INC.)
Carve-out and Combined Statements of Cash Flows, Continued
For the years ended December 31, 2021 and 2020

(in millions of Won)	Notes		2021	2020
Cash flows from investing activities				
Acquisitions of short-term financial instruments		₩	(9,000)	(10,173)
Proceeds from disposal of short-term financial instruments			23,900	8,871
Increase in loans			(20,307)	(22,309)
Collection of loans			7,699	3,398
Acquisitions of securities			(30)	(60)
Proceeds from disposal of securities			84	857
Acquisitions of property, plant and equipment			(1,954,864)	(2,424,358)
Proceeds from disposal of property, plant and equipment			(59,012)	(102,958)
Acquisitions of intangible assets			(45,760)	(100,240)
Proceeds from disposal of intangible assets			4,795	87,896
Proceeds from disposal of assets held for sale			67,293	184,202
Others, net			(1,373)	(2,373)
Net cash used in investing activities			(1,986,575)	(2,377,247)
Cash flows from financing activities	32			
Proceeds from borrowings			498,623	1,720,373
Repayment of borrowings			(1,382,939)	(997,060)
Proceeds from (repayment of) short-term borrowings, net			(374,828)	866,466
Payment of cash dividends			(2,998)	(2,739)
Payment of interest of hybrid bonds			(9,200)	(9,225)
Repayment of lease liabilities			(47,054)	(63,934)
Net distribution to the pre-spin off company			(451,962)	(3,966,279)
Others, net			(8,984)	5,936
Net cash used in financing activities			(1,779,342)	(2,446,462)
Effect of exchange rate fluctuation on cash held			244	(51)
Net increase in cash and cash equivalents			7,841	63,593
Cash and cash equivalents at beginning of the period	5		78,873	15,280
Cash and cash equivalents at end of the period	5	₩	86,714	78,873

See accompanying notes to the carve-out and combined financial statements.

1. General Information

(a) The Reporting Entity

POSCO (the "Company") was newly established upon a vertical spin-off of steel business of POSCO HOLDINGS INC. ("Pre-spin off Company", known as POSCO before spin-off, existing company) on March 1, 2022 (the date of spin-off). Pre-spin off Company transferred all assets and liabilities related to the Company as well as the investments in five subsidiaries including POSCO STEELEON Co., Ltd. (formerly, POSCO COATED & COLOR STEEL Co., Ltd.) on the date of spin-off.

Upon the spin-off, POSCO issued all of its outstanding shares to Pre-spin off Company and became a wholly owned subsidiary of Pre-spin off Company. The Company's head office is located in Pohang, Korea.

(b) Combined Companies

Details of combined companies in these carve-out and combined financial statements as of December 31, 2021 and 2020, are as follows:

		Ownership (%)						
		December 31, 2021			December 31, 2020			
	Principal operations	Pre-spin off company	Subsidiaries	Total	Pre-spin off company	Subsidiaries	Total	Region
[Domestic]								
POSCO STEELEON Co., Ltd.	Coated steel manufacturing	56.87	-	56.87	56.87	-	56.87	Pohang
POSCO M-TECH	Packing materials manufacturing and sales	48.85	-	48.85	48.85	-	48.85	Pohang
POSCO NIPPON STEEL RHF JOINT VENTURE. CO., Ltd.	Steel by product manufacturing and sales	70.00	-	70.00	70.00	-	70.00	Pohang
POSCO Humans	Construction	75.49	0.78	76.27	75.49	0.78	76.27	Pohang
[Foreign]								
Myanmar POSCO C&C Company, Limited.	Steel manufacturing and sales	-	70.00	70.00	-	70.00	70.00	Myanmar

(c) Summarized financial information (before elimination of intercompany transactions and adjustments for differences in accounting policies) of combined companies in these carve-out and combined financial statements as of and for the years ended December 31, 2021 and 2020 are as follows:

1) December 31, 2021

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
POSCO STEELION Co., Ltd.	566,959	251,038	315,921	1,328,999	95,790
POSCO M-TECH	156,334	51,769	104,565	323,878	13,064
POSCO NIPPON STEEL RHF JOINT VENTURE. CO., Ltd.	52,778	32,531	20,247	39,063	(2,145)
POSCO Humans	20,457	5,802	14,655	47,659	56
Myanmar POSCO C&C Company, Limited.	19,474	17,257	2,217	18,275	(12,492)

2) December 31, 2020

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income
POSCO STEELION Co., Ltd.	463,458	238,481	224,977	870,212	4,503
POSCO M-TECH	130,303	33,902	96,401	255,400	9,410
POSCO NIPPON STEEL RHF JOINT VENTURE. CO., Ltd.	57,979	35,901	22,078	38,639	435
POSCO Humans	19,487	4,888	14,599	47,105	375
Myanmar POSCO C&C Company, Limited.	33,079	19,667	13,412	31,443	1,957

2. Basis of Preparation

The carve-out and combined financial statements of the Company are prepared in accordance with the financial reporting provisions of the contract dated July 22, 2022 between the Company and Joint Lead Managers for the purpose of the offering circular of the issuance of US Dollar Denominated Notes.

Throughout the periods included in these carve-out and combined financial statements, the Company did not exist as a separate legal and reporting entity. As the Company operated steel business and consisted of certain subsidiaries of Pre-spin off Company, the steel business has not historically been prepared for the Company before the spin-off. These carve-out and combined financial statements have been prepared on a stand-alone basis and are derived from the historical consolidated financial statements and accounting records of Pre-spin off Company to present the financial position, operating performance and cash flows of the Company for the purpose of the offering circular of the issuance of notes.

Also, the carve-out and combined financial statements of the Company, prepared by combining the carve-out financial statement of POSCO (before its establishment, steel business of Pre-spin off Company) and certain subsidiaries of Pre-spin off Company, are not in accordance with Korean International Financial Reporting Standards ("K-IFRS").

The accounting policies applied in the carve-out and combined financial statements are consistent with accounting policies applied in the consolidated financial statements of Pre-spin off Company for the periods presented herein. The historical consolidated financial statements of Pre-spin off Company have been prepared in accordance with K-IFRS.

As the Company did not exist as a separate legal and reporting entity during the periods presented herein, these carve-out and combined financial statements have been prepared on a carve-out basis and accordingly, the carve-out and combined financial statements may not necessarily be indicative of the financial performance that would have been achieved if the reporting entity had operated as an independent entity, nor may they be indicative of the results of operations of the reporting entity for any future period.

Basis of preparation for the carve-out financial statements (Criteria for carve-out)

Determination of assets and liabilities resulting from spin-off and related gains and losses involves carve-out basis decisions and judgments. The Company applied criteria for carve-out related to the preparation of carve-out financial statements. Also, the Company has applied judgments, estimates, and assumptions on the carrying amounts of assets, liabilities, and gains and losses that cannot be easily identified by businesses.

A process has been completed to specifically identify assets, liabilities, revenues, expenses and cash flows in the historical financial statements of the Company that are associated with the steel business in preparing the carve-out financial statements.

The above process includes the allocation of interest income, interest expenses, deferred tax and income tax expenses and others by businesses. The allocation amount based on these bases of preparation for the carve-out financial statements may be significantly adjusted if the assets, liabilities and gains and losses of the actual business are managed separately.

The criteria applied to prepare the carve-out financial statements are as follow:

- Items directly attributable to the businesses are directly included in the carve-out financial statements.
- Items not directly attributable to the business segment are included in accordance with the criteria for allocation determined by management.

(a) Statements of financial position

	Criteria for carve-out
Cash and cash equivalents	No cash and cash equivalents are included
Trade accounts and notes receivable	Balances directly attributable to the steel business are included
Other receivables	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as personnel ratio, etc.)
Other financial assets	Balances directly attributable to the steel business are included, while short-term and long-term financial instruments and deposit instruments are not allocated to the steel business
Inventories	Balances directly attributable to the steel business are included
Assets held for sale	Balances directly attributable to the steel business are included
Other assets	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as personnel ratio, etc.)
Investment property	Balances directly attributable to the steel business are included
Property, plant and equipment	Balances directly attributable to the steel business are included
Intangible assets	Balances directly attributable to the steel business are included in the carve-out financial statements
Defined benefit assets	Allocated based on the individuals who were transferred to POSCO upon spin-off
Trade accounts and notes payable	Balances directly attributable to the steel business are included
Borrowings	Balances directly attributable to the steel business are included, while exchangeable bonds are not allocated to the steel business
Other payables	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as relevant assets or liabilities ratio, personnel ratio, etc.)
Other financial liabilities	Balances directly attributable to the steel business are included
Current income tax liabilities	Allocated according to the profit and taxable income and losses of the steel business
Provisions	Balances directly attributable to the steel business are included
Other liabilities	Balances directly attributable to the steel business are included in the carve-out financial statements, while other items not directly attributable to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as personnel ratio, etc.)

(b) Statements of comprehensive income

	Criteria for carve-out
Revenue	Items directly attributable to the steel business are reflected in the carve-out financial statements
Cost of sales	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as ratio of relevant revenue)
Selling and administrative expenses	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as relevant assets or liabilities and personnel ratio, etc.)
Finance income and costs	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as ratio of relevant assets or liabilities)
Other non-operating income and expenses	Items directly attributable to the steel business are reflected in the carve-out financial statements, while other items not directly attributed to the steel business are reflected in the carve-out financial statements according to criteria for allocation (such as relevant assets or liabilities and personnel ratio, etc.)
Income tax expenses	Allocated according to the carve-out profit before income tax and tax adjustments directly related to the steel business

(c) Statements of cash flows

The statements of cash flows have been prepared in accordance with basis of preparation for the statements of financial position and statements of comprehensive income, which are reflected in the carve-out financial statements according to the management's decision.

Basis of preparation for the carve-out and combined financial statements

The carve-out and combined financial statements of the Company have been prepared by combining carve-out financial statements of steel business and certain subsidiaries of Pre-spin off Company.

Pre-spin off Company uses a centralized approach for managing cash and financing operation for its businesses. Only cash balances legally owned by the Company are reflected in the carve-out and combined statements of financial position. Transfers of cash between the Company and Pre-spin off Company are included within "Net contribution (distribution) from (to) the pre-spin off company" on the carve-out and combined statements of cash flows.

All intercompany transactions and balances within the Company have been eliminated in these carve-out and combined financial statements. Unrealized gains or losses arising from intercompany transactions between the Company and the rest of Pre-spin off Company's subsidiaries have been eliminated in these carve-out and combined financial statements. Transactions that have taken place with the rest of Pre-spin off Company's subsidiaries are regarded as transactions with related parties and as such have been disclosed in Note 30.

Net parent investment in the carve-out and combined statements of financial position represents Pre-spin off Company's historical investment in the Company, and the Company's accumulated net earnings after taxes, and the net effect of transactions with and allocations from Pre-spin off Company. All intercompany transactions not cash settled through net parent investment in the carve-out and combined statements of financial position are considered to be settled at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in financing activities in the carve-out and combined statements of cash flows.

Basis of measurement

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

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

Functional and presentation currency

The carve-out and combined financial statements of the Company are prepared in functional currency of the respective operation. These carve-out and combined financial statements are presented in Korean Won, which is the Company's functional currency which is the currency of the primary economic environment in which the Company operates.

Use of estimates and judgments

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

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

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the carve-out and combined financial statements is consistent with Pre-spin off Company's critical judgments.

(b) Assumptions and estimation uncertainties

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

- Note 9 - Inventory
- Note 12 - Property, plant and equipment, net
- Note 13 - Intangible assets, net
- Note 18 - Provisions
- Note 19 - Employee benefits
- Note 21 - Financial instruments
- Note 29 - Income taxes
- Note 31 - Commitments and contingencies

(c) Measurement of fair value

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

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

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

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

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

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

- Note 21 - Financial instruments

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its carve-out and combined financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these carve-out and combined financial statements, except for certain items subject to allocation as disclosed in Note 2..

Foreign currency transactions and translation

(a) Foreign currency transactions

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date fair value was initially determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

(b) Foreign operations

If the presentation currency of the Company is different from a foreign operation’s functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a combined company that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

Cash and cash equivalents

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

Non-derivative financial assets

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

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

On initial recognition, a financial asset is classified as measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss.
- it is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, gains and losses on foreign currency translation and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss.
- it is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value. Interest income which is calculated using the effective interest method, gains and losses from foreign currency translation and impairment losses are recognized in profit or loss and other net profit or loss is recognized in other comprehensive income. At the time of elimination, other accumulated comprehensive income is reclassified to profit or loss.

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

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

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

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

All financial assets not classified as measured at amortized cost of fair value through other comprehensive income as described above are measured at fair value through profit or loss.

This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(e) Derecognition of financial assets

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

(f) Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the carve-out and combined statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Inventories

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

Inventories are measured at the lower of cost or net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period, the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

The carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized.

Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. In order to be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable. The assets or disposal groups that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Company recognizes an impairment loss for any initial or subsequent write-down of an asset or disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 “Impairment of Assets”.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

Investment property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Property, plant and equipment

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

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

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	5-40 years
Structures	5-40 years
Machinery and equipment	5-20 years
Vehicles	4-5 years
Tools	4 years
Furniture and fixtures	4-5 years
Lease assets	2-20 years

The estimated residual value, useful lives and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing costs as an expense. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

Intangible assets

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

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

Intellectual property rights	5-10 years
Development expense	4-5 years
Port facilities usage rights	4-75 years
Other intangible assets	4-5 years

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Government grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant's conditions and that the grant will be received.

(a) Grants related to assets

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

(b) Grants related to income

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

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations.

1) As a lessee

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

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset of to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

Lease payments included in the measurement of the lease liability comprise the followings:

- fixed payments
- variable lease payments that depend on an index or a rate
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company's is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit of loss if the carrying amount of the right-of-use asset has been reduced to zero. The lease liability is remeasured when there is:

- a revised in-substance fixed lease payment,
- a change in future lease payments arising from a change in an index or rate,
- a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or
- a change in the Company's assessment of whether it will exercise a purchase, extension or termination option

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

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

2) As a lessor

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

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Impairment for financial assets

The Company recognizes loss allowances for expected credit losses on:

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

If credit risk has increased significantly since the initial recognition, a loss allowance for lifetime expected credit loss is required to be measured at the end of every reporting period. If credit risk has not increased significantly since the initial recognition, a loss allowance is measured based on 12-month expected credit loss.
If the financial instrument has low credit risk at the end of the reporting period, the Company may assume that the credit risk has not increased significantly since initial recognition. However, a loss allowance for lifetime expected credit losses is required for contract assets or trade receivables that do not contain a significant financing component.
(a) Judgments on credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

(b) Measurement of expected credit losses

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of lifetime expected credit losses that result from default that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls such as the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.

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

(c) Credit-impaired financial assets

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

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

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

(d) Write-off

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

Impairment for non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, changes in the fair value of a derivative that is not designated as a hedging instrument are recognized immediately in profit or loss.

Non-derivative financial liabilities

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

(a) Financial liabilities measured at fair value through profit or loss

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(b) Financial liabilities measured at amortized cost

Non-derivative financial liabilities other than financial liabilities measured at fair value through profit or loss are classified as financial liabilities measured at amortized cost. At the date of initial recognition, financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the acquisition. Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method subsequently to initial recognition.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss. If the Company has a legal or constructive obligation which can be reliably measured, the Company recognizes the amount of expected payment for profit-sharing and bonuses payable as liabilities.

(b) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond twelve months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(c) Retirement benefits: Defined contribution plans

For defined contribution plans, when an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(d) Retirement benefits: Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Company recognizes an asset, to the extent of the present value of the total of cumulative any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss in curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

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

A provision is used only for expenditures for which the provision was originally recognized.

Emission Rights

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

(a) Greenhouse Gases Emission Right

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

Emission rights held for the purpose of performing the obligation are classified as intangible asset and initially measured at cost and subsequently carried at cost less accumulated impairment losses. The Company derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government when the future economic benefits are no longer expected to be probable.

(b) Emission liability

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

Equity instruments

(a) Hybrid Bonds

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

Revenue from contracts with customers

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

(a) Sale of good

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

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

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

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

(b) Transportation service

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

Finance income and finance costs

The Company's finance income and finance costs include:

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

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company recognizes interest and penalties related to corporate tax as if it is applicable to the income taxes, the Company applies K-IFRS 1012 "Income Taxes", if it is not applicable to the income taxes, the Company applies K-IFRS 1037 "Provisions Contingent Liabilities and Contingent Assets".

(a) Current income tax

Current income tax is the expected income tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit of future periods, and non-taxable or non-deductible items from the accounting profit.

The Company offsets current tax assets and current tax liabilities if, and only if, the Company:
- has a legally enforceable right to set off the recognized amounts, and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(b) Deferred income tax

The measurement of deferred income tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Company recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiary, associates, and joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred income tax asset for deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

A deferred income tax asset is recognized for the carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilized. The future taxable profit depends on reversing taxable temporary differences. When there are insufficient taxable temporary differences, the probability of future taxable profit (including the reversal of temporary differences) should be considered.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current income tax liabilities and assets on a net basis.

Segment Reporting

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

4. Financial risk management

The Company has exposure to the credit risk, liquidity risk, market risk and capital risk from its use of financial instruments. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these carve-out and combined financial statements.

(a) Financial risk management

1) Risk management framework

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

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

2) Credit risk

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

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

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

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

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

3) Liquidity risk

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

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

4) Market risk

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

① Currency risk

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

② Interest rate risk

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

③ Interest rate benchmark reform risk

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

The USD LIBOR related financial instruments with maturity date before June 30, 2023, and transition not yet completed include borrowings of ₩502,007 million. The transition to alternative benchmark rate is not needed as the USD LIBOR publishment will continue until maturity.

④ Other market price risk

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

(b) Management of capital

The fundamental goal of capital management is the maximization of shareholders' value by means of the stable dividend policy and the retirement of treasury shares.

The capital structure of the Company consists of equity and net borrowings (after deducting cash and cash equivalents). The Company applied the same capital risk management strategy that was applied in the previous period.

Net borrowing-to-equity ratio as of December 31, 2021 and 2020 is as follows:

(in millions of Won)		**2021**	**2020**
Total borrowings	₩	6,889,399	7,894,350
Less: Cash and cash equivalents		(86,714)	(78,873)
Net borrowings		6,802,685	7,815,477
Total equity		20,455,284	16,392,365
Net borrowings-to-equity ratio		33.26%	47.68%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Cash	₩	2,130	87
Demand deposits and checking accounts		20,235	13,756
Other cash equivalents		64,349	65,030
	₩	86,714	78,873

6. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Current			
Trade accounts and notes receivable	₩	6,109,141	3,776,535
Less: Allowance for doubtful accounts		(15,201)	(15,739)
	₩	6,093,940	3,760,796
Non-current			
Trade accounts and notes receivable	₩	23,956	20,345
Less: Allowance for doubtful accounts		(9,158)	(9,033)
	₩	14,798	11,312

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 carve-out and combined 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. As of December 31, 2021 and December 31, 2020, the carrying amounts of such secured borrowings are ₩214,465 million and ₩520,310 million, respectively, which are presented in carve-out and combined statements of financial position as short-term borrowings.

7. Other Receivables

The details of other receivables as of December 31, 2021 and 2020, are as follows:

(in millions of Won)		2021	2020
Current			
Loans	₩	398	392
Other accounts receivable		465,217	163,595
Accrued income		1,342	18,709
Deposits		295	875
Others		11	4
Less: Allowance for doubtful accounts		(2,082)	(2,497)
	₩	465,181	181,078
Non-current			
Loans	₩	66,617	50,958
Other accounts receivable		10,667	5,809
Deposits		6,301	6,719
Less: Allowance for doubtful accounts		(9,087)	(8,408)
	₩	74,498	55,078

8. Other Financial Assets

Other financial assets as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Current			
Deposit instruments	₩	48,400	47,800
Non-current			
Derivatives assets	₩	170,470	18,548
Equity securities		399	400
Other securities		524	566
Deposit instruments(*1)		5	5
	₩	171,398	19,519

(*1) As of December 31, 2021 and 2020, deposit instruments are restricted in use for financial arrangements, pledge and others.

9. Inventories

(a) Inventories as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Finished goods	₩	1,222,499	740,648
Merchandise		752	1,412
Semi-finished goods		2,226,858	1,169,860
Raw materials		1,861,885	930,006
Fuel and materials		466,308	515,226
Materials-in-transit		1,973,692	816,978
Others		45,492	29,113
		7,797,486	4,203,243
Less: Allowance for inventories valuation		(6,721)	(6,979)
	₩	7,790,765	4,196,264

(b) The changes of allowance for inventories valuation for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Beginning	₩	6,979	10,422
Loss on valuation of inventories		6,721	7,520
Utilization on sale of inventories		(6,979)	(10,963)
Ending	₩	6,721	6,979

10. Assets Held for Sale

Details of assets held for sale as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021(*1,2,3,4)	2020(*3)
Asset			
Tangible assets	₩	29,236	32,266
Intangible assets		553	-
	₩	29,789	32,266
Liability			
Others	₩	185	-

(*1) During the year ended December 31, 2021, the Company sold the land in the Yanghak Neighborhood Park development reserve area that was classified as asset held for sale and the Company recognized ₩43,760 million of gain on disposal.

(*2) During the year ended December 31, 2021, the Company decided to trade and exchange the emission rights and reclassified the emission rights to assets held for sale. After that, the Company recognized ₩1,316 million of loss on disposal of assets held for sale.

(*3) During the year ended December 31, 2019, the Company decided to dispose individual assets for which use was discontinued, such as CEM plants, and classified the assets as held for sale. During the year ended December 31, 2020 the Company recognized ₩5,030 million of impairment loss for the difference between the fair value less cost to sell and the carrying amount of the assets. During the year ended December 31, 2021, the Company disposed of the assets held for sale for ₩25,767 million.

(*4) 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.

11. Investment Property, Net

(a) Investment property as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021			2020		
		Acquisition cost	Accumulated depreciation and impairment loss	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Book value
Land	₩	3,639	-	3,639	3,639	-	3,639
Buildings		42,861	(37,707)	5,154	42,861	(36,707)	6,154
Structures		14,949	(10,577)	4,372	14,949	(10,159)	4,790
	₩	61,449	(48,284)	13,165	61,449	(46,866)	14,583

(b) Changes in the carrying amount of investment property for the years ended December 31, 2021 and 2020 were as follows:

1) For the year ended December 31, 2021

(in millions of Won)		Beginning	Depreciation	Ending
Land	₩	3,639	-	3,639
Buildings		6,154	(1,000)	5,154
Structures		4,790	(418)	4,372
	₩	14,583	(1,418)	13,165

2) For the year ended December 31, 2020

(in millions of Won)		Beginning	Depreciation	Ending
Land	₩	3,639	-	3,639
Buildings		7,166	(1,012)	6,154
Structures		5,214	(424)	4,790
	₩	16,019	(1,436)	14,583

12. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021				2020			
		Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value
Land	₩	1,209,161	-	-	1,209,161	1,261,500	-	-	1,261,500
Buildings		5,953,174	(3,979,236)	(3,503)	1,970,435	5,698,183	(3,804,874)	-	1,893,309
Structures		4,662,913	(2,708,164)	-	1,954,749	4,489,329	(2,568,639)	-	1,920,690
Machinery and equipment		38,998,669	(27,160,078)	(33)	11,838,558	38,018,523	(25,853,217)	(28)	12,165,278
Vehicles		219,388	(199,549)	(550)	19,289	211,203	(195,889)	(41)	15,273
Tools		216,641	(191,794)	-	24,847	212,468	(187,887)	-	24,581
Furniture and fixtures		273,746	(198,694)	(85)	74,967	225,429	(190,309)	-	35,120
Lease assets		623,096	(173,067)	-	450,029	458,897	(123,796)	-	335,101
Construction-in-progress		1,154,719	(99,983)	-	1,054,736	2,238,475	(850,838)	-	1,387,637
	₩	53,311,507	(34,710,565)	(4,171)	18,596,771	52,814,007	(33,775,449)	(69)	19,038,489

(b) Changes in the carrying amount of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

1) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1,2)	Others(*3)	Ending
Land	₩	1,261,500	-	(48,527)	-	-	(3,812)	1,209,161
Buildings		1,893,309	5,968	(525)	(192,519)	(20,996)	285,198	1,970,435
Structures		1,920,690	1,639	(14,239)	(167,441)	(4,317)	218,417	1,954,749
Machinery and equipment		12,165,278	56,239	(27,404)	(1,725,349)	(48,800)	1,418,594	11,838,558
Vehicles		15,273	3,815	(20)	(7,877)	(19)	8,117	19,289
Tools		24,581	4,910	(13)	(11,460)	(64)	6,893	24,847
Furniture and fixtures		35,120	8,553	(215)	(17,945)	(142)	49,596	74,967
Lease assets		335,101	132,013	(10)	(48,396)	(1,547)	32,868	450,029
Construction-in-progress		1,387,637	1,961,011	(5,957)	-	(158,544)	(2,129,411)	1,054,736
	₩	19,038,489	2,174,148	(96,910)	(2,170,987)	(234,429)	(113,540)	18,596,771

(*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 accident.

(*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 ₩217,564 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, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

2) For the year ended December 31, 2020

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1)	Others(*2)	Ending
Land	₩	1,259,785	-	(6)	-	-	1,721	1,261,500
Buildings		1,902,192	3,546	(2,415)	(195,880)	(271)	186,137	1,893,309
Structures		1,881,595	4,004	(6,270)	(159,745)	(883)	201,989	1,920,690
Machinery and equipment		12,236,470	52,790	(23,045)	(1,719,018)	(7,602)	1,625,683	12,165,278
Vehicles		10,747	1,712	(48)	(6,864)	-	9,726	15,273
Tools		28,513	4,180	(3)	(12,355)	-	4,246	24,581
Furniture and fixtures		31,175	4,873	(183)	(12,619)	-	11,874	35,120
Lease assets		267,525	22,144	(33)	(62,180)	-	107,645	335,101
Construction-in-progress		1,345,269	2,499,250	(4,812)	-	(17,270)	(2,434,800)	1,387,637
	₩	18,963,271	2,592,499	(36,815)	(2,168,661)	(26,026)	(285,779)	19,038,489

(*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, 2020. During the year ended December 31, 2020, the Company recognized impairment losses on damaged assets caused by a fire accident.

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

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Weighted average expenditure	₩	918,537	918,118
Borrowing costs capitalized		24,164	29,202
Capitalization rate (%)		2.63	3.18

(d) Property, plant and equipment and investment property pledged as collateral as of December 31, 2021 and 2020 are as follows:

(in millions of Won)	Collateral right holder		Book value 2021	Book value 2020
Land	Korean Development Bank and others	₩	19,449	19,449
Buildings and structures	Korean Development Bank and others		33,395	35,935
Machinery and equipment	Korean Development Bank and others		76,256	78,422
		₩	129,100	133,806

As of December 31, 2021, collateral value of pledged assets related to the Company's borrowings and others is ₩154,689 million.

(e) Changes in the carrying amount of right of use assets presented as property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

1) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Depreciation	Others	Ending
Land	₩	10,300	394	(354)	(1,459)	8,881
Buildings and structures		132,384	3,954	(13,873)	-	122,465
Machinery and equipment		54,698	-	(8,532)	37,124	83,290
Vehicles		6,439	526	(772)	(14)	6,179
Ships		106,555	120,217	(16,714)	-	210,058
Others		24,725	6,922	(8,151)	(4,340)	19,156
	₩	335,101	132,013	(48,396)	31,311	450,029

2) For the year ended December 31, 2020

(in millions of Won)		Beginning	Acquisitions	Depreciation	Others	Ending
Land	₩	1,831	9,187	(404)	(314)	10,300
Buildings and structures		139,305	6,074	(12,995)	-	132,384
Machinery and equipment		60,198	-	(5,500)	-	54,698
Vehicles		7,131	197	(851)	(38)	6,439
Ships		24,082	111,537	(29,064)	-	106,555
Others		34,978	6,992	(13,366)	(3,879)	24,725
	₩	267,525	133,987	(62,180)	(4,231)	335,101

(f) The amount recognized in profit or loss related to leases for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Interest on lease liabilities	₩	12,633	10,361
Expenses related to short-term leases		4,599	4,990
Expenses related to leases of low-value assets		6,270	6,253
	₩	23,502	21,604

13. Intangible Assets, Net

(a) Intangible assets as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021			2020		
		Acquisition cost	Accumulated amortization and impairment loss	Book value	Acquisition cost	Accumulated amortization and impairment loss	Book value
Intellectual property rights	₩	51,393	(28,644)	22,749	46,363	(23,796)	22,567
Membership		78,120	(1,382)	76,738	77,695	(2,689)	75,006
Development expense		614,147	(475,868)	138,279	620,106	(400,294)	219,812
Port facilities usage rights		682,305	(470,293)	212,012	682,305	(449,712)	232,593
Other intangible assets		355,380	(302,912)	52,468	351,517	(291,977)	59,540
	₩	1,781,345	(1,279,099)	502,246	1,777,986	(1,168,468)	609,518

(b) Changes in carrying amount of intangible assets for the years ended December 31, 2021 and 2020 were as follows:

1) For the year ended December 31, 2021

(in millions of Won)		Beginning	Acquisitions	Disposals	Amortization	Impairment loss(*2)	Others(*3)	Ending
Intellectual property rights	₩	22,567	83	(580)	(6,058)	-	6,737	22,749
Membership(*1)		75,006	3,597	(708)	-	-	(1,157)	76,738
Development expense		219,812	1,950	-	(74,347)	-	(9,136)	138,279
Port facilities usage rights		232,593	-	-	(20,581)	-	-	212,012
Other intangible assets		59,540	42,419	(14,700)	(4,953)	(7,180)	(22,658)	52,468
	₩	609,518	48,049	(15,988)	(105,939)	(7,180)	(26,214)	502,246

(*1) Economic useful life of membership is indefinite.
(*2) During the year ended December 31, 2021, the Company decided to sell a portion of paid-in emission rights and recognized ₩7,180 million of impairment loss since book value exceeded fair value less costs to sell.
(*3) Represents assets transferred from construction-in-progress to intangible assets and assets transferred from property, plant and equipment, adjustments of foreign currency translation differences and others.

2) For the year ended December 31, 2020

(in millions of Won)		Beginning	Acquisitions	Disposals	Amortization	Others(*2)	Ending
Intellectual property rights	₩	24,390	23	(3,526)	(6,052)	7,732	22,567
Membership(*1)		76,829	-	(1,801)	-	(22)	75,006
Development expense		83,599	1,181	(15)	(51,961)	187,008	219,812
Port facilities usage rights		277,485	-	-	(44,892)	-	232,593
Other intangible assets		239,213	106,237	(61,447)	(6,890)	(217,573)	59,540
	₩	701,516	107,441	(66,789)	(109,795)	(22,855)	609,518

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

14. Other Assets

Other current assets and other non-current assets as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Current			
Advance payments	₩	18,532	6,002
Prepaid expenses		25,527	26,431
Others		13,803	21,302
	₩	57,862	53,735
Non-current			
Long-term prepaid expenses	₩	3,659	4,313
Others		28,847	67,649
	₩	32,506	71,962

15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of December 31, 2021 and 2020 are as follows:

(in millions of Won)	Lenders	Issuance date	Maturity date	Interest rate (%)		2021	2020
Short-term borrowings							
Short-term borrowings	SC Bank and others	January, 2021~ December, 2021	January, 2022~ December, 2022	0.53 ~ 2.48	₩	795,972	1,166,287
Current portion of long-term liabilities							
Current portion of long-term borrowings	-	-	-	-		-	1,600
Current portion of debentures	Global bonds (6th) and others	July, 2019~ November, 2019	July, 2022~ November, 2022	1.56 ~ 2.38		1,402,750	1,379,739
Less: Current portion of discount on debentures issued						(2,698)	(710)
						1,400,052	1,380,629
					₩	2,196,024	2,546,916

(b) Long-term borrowings, excluding current portion as of December 31, 2021 and 2020 are as follows:

(in millions of Won)	Lenders	Issuance date	Maturity date	Interest rate (%)		2021	2020
Long-term borrowings	-	-	-	-	₩	-	1,600
Debentures	Global bonds (4th) and others	October, 2013~ September, 2021	January, 2023~ October, 2029	0.50 ~ 4.00		4,711,040	5,373,840
Less: Discount on debentures issued						(17,665)	(28,006)
					₩	4,693,375	5,347,434

(c) Assets pledged as collateral with regard to the borrowings as of December 31, 2021 are as follows:

(in millions of Won)	Lenders		Book value	Pledged amount
Property, plant and equipment	Korea Development Bank and others	₩	129,100	154,689
Financial Instruments	Kookmin Bank		5	5
		₩	129,105	154,694

16. Other Payables

Other payables as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Current			
Accounts payable	₩	703,548	593,363
Accrued expenses		456,464	397,086
Dividend payable		479	479
Lease liabilities		49,418	96,059
Withholdings		2,121	2,000
	₩	1,212,030	1,088,987
Non-current			
Accounts payable	₩	-	24
Accrued expenses		896	897
Lease liabilities		398,945	218,427
Long-term withholdings		455	456
	₩	400,296	219,804

17. Other Financial Liabilities

Other financial liabilities as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Current			
Derivative liabilities	₩	3,429	3,087
Non-current			
Derivative liabilities	₩	-	92,273

18. Provisions

(a) Provisions as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021		2020	
		Current	Non-current	Current	Non-current
Provision for bonus payments	₩	20,403	25,438	14,958	32,487
Provision for legal contingencies and claims(*1)		-	-	4,937	2,052
Provision for the restoration(*2)		2,573	6,314	3,499	8,925
Emission liabilities(*3)		35,413	-	21,248	-
Provision for product warranties(*4)		24,743	4,999	19,934	3,664
	₩	83,132	36,751	64,576	47,128

(*1) The Company recognizes provisions for contingent liabilities and accusations in which the probability of winning is lower than that of losing.

(*2) As of December 31, 2021, due to contamination of some factory sites in the Company's Pohang steel plants, the Company recognized present value of the estimated cost for recovery as provisions for restoration. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials which are currently available to recover the land. In addition, the Company applied the discount rate of 3.26% to calculate present value of costs.

(*3) The Company has recognized liabilities for the amount of carbon emissions expected to exceed its carbon emission quota.

(*4) The Company has recognized a provision for the claim cost expected to be charged to the Company.

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

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

(c) Changes in provisions for the years ended December 31, 2021 and 2020 were as follows:

1) For the year ended December 31, 2021

(in millions of Won)		Beginning	Increase	Utilization	Reversal	Ending
Provision for bonus payments	₩	47,445	75,541	(77,145)	-	45,841
Provision for legal contingencies and claims		6,989	2,500	(7,437)	(2,052)	-
Provision for the restoration		12,424	207	(3,592)	(152)	8,887
Emission liabilities		21,248	35,413	(1,857)	(19,391)	35,413
Provision for product warranties		23,598	27,949	(21,805)	-	29,742
	₩	111,704	141,610	(111,836)	(21,595)	119,883

2) For the year ended December 31, 2020

(in millions of Won)		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	50,379	25,725	(25,253)	(23)	(3,383)	47,445
Provision for legal contingencies and claims		2,387	4,937	(51)	(284)	-	6,989
Provision for the restoration		16,178	240	(3,654)	(340)	-	12,424
Emission liabilities		1,072	21,683	(1,083)	(424)	-	21,248
Provision for product warranties		-	49,283	(25,685)	-	-	23,598
	₩	70,016	101,868	(55,726)	(1,071)	(3,383)	111,704

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

19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Expense related to post-employment benefit plans under defined contribution plans	₩	43,706	41,191

(b) Defined benefit plans

1) The amounts recognized in relation to net defined benefit liabilities in the carve-out and combined statements of financial position as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Present value of funded obligations	₩	1,406,454	1,449,259
Fair value of plan assets(*1)		(1,618,250)	(1,495,722)
Net defined benefit liabilities	₩	(211,796)	(46,463)

(*1) As of December 31, 2021 and 2020, the Company recognized net defined benefit assets amounting to ₩213,570 million and ₩75,585 million, respectively, since there are combined entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

2) Changes in present value of defined benefit obligations for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Defined benefit obligations at the beginning of period	₩	1,449,259	1,507,173
Current service costs		130,287	133,514
Interest costs		30,715	29,368
Remeasurements :		(45,097)	(77,695)
- Loss (gain) from change in financial assumptions		(102,953)	(75,212)
- Loss (gain) from change in demographic assumptions		92	(4,993)
- Loss (gain) from change in others		57,764	2,510
Benefits paid		(153,104)	(144,192)
Others		(5,606)	1,091
Defined benefit obligations at the end of period	₩	1,406,454	1,449,259

3) Changes in fair value of plan assets for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Fair value of plan assets at the beginning of period	₩	1,495,722	1,419,043
Interest on plan assets		32,179	28,084
Remeasurement of plan assets		(4,883)	(616)
Contributions to plan assets		238,168	183,997
Benefits paid		(137,496)	(135,877)
Others		(5,440)	1,091
Fair value of plan assets at the end of period	₩	1,618,250	1,495,722

The Company expects to make an estimated contribution of ₩60,301 million to the defined benefit plan assets in 2022.

4) The fair value of plan assets as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Debt instruments	₩	549,686	463,752
Deposits		1,046,567	1,031,767
Others		21,997	203
	₩	1,618,250	1,495,722

5) The amounts recognized in combined statement of comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Current service costs	₩	130,287	133,514
Net interest costs(*1)		(1,464)	1,284
	₩	128,823	134,798

(*1) The actual return on plan assets amounted to ₩27,296 million and ₩27,468 million for the years ended December 31, 2021 and 2020, respectively.

The above expenses by function were as follows:

(in millions of Won)		2021	2020
Cost of sales	₩	95,975	106,759
Selling and administrative expenses		32,257	27,111
Others		591	928
	₩	128,823	134,798

6) Accumulated actuarial gains (losses), net of tax recognized in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Beginning	₩	(333,504)	(389,538)
Remeasurements of defined benefit plans		40,215	77,078
Tax effect		(11,278)	(21,044)
Ending	₩	(304,567)	(333,504)

7) The principal actuarial assumptions as of December 31, 2021 and 2020 are as follows:

(%)	2021	2020
Discount rate	2.9 ~ 3.54	2.35 ~ 3.06
Expected future increase in salaries(*1)	1.6 ~ 4.03	1.1 ~ 4.71

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

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

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

(in millions of Won)		1% Increase		1% Decrease	
		Amount	Percentage (%)	Amount	Percentage (%)
Discount rate	₩	(85,475)	(6.08)	110,502	7.86
Expected future increase in salaries		111,697	7.94	(87,945)	(6.25)

9) As of December 31, 2021, the maturity of the expected benefit payments are as follows:

(in millions of Won)		Within 1 year	1 year - 5 years	5 years - 10 years	10 years - 20 years	After 20 years	Total
Benefits to be paid	₩	203,429	528,537	263,329	480,492	262,468	1,738,255

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

20. Other Liabilities

Other liabilities as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Current			
Advances received	₩	34,387	46,261
Unearned revenue		60,712	14,980
Withholdings		62,211	25,792
Others		1	1
	₩	157,311	87,034
Non-current			
Unearned revenue	₩	3,744	524
Others		6	8
	₩	3,750	532

21. Financial Instruments

(a) Classification and fair value of financial instruments

1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of December 31, 2021 and 2020 are as follows:

① December 31, 2021

(in millions of Won)			Fair value		
		Book value	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative assets	₩	170,470	170,470	-	170,470
Other securities		524	-	524	524
Fair value through other comprehensive income					
Equity securities		399	-	399	399
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents		86,714	-	-	-
Trade accounts and notes receivable		6,104,228	-	-	-
Other receivables		211,665	-	-	-
Deposit instruments		48,405	-	-	-
	₩	6,622,405	170,470	923	171,393
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩	3,429	3,429	-	3,429
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable		2,504,438	-	-	-
Borrowings		6,889,399	6,889,399	-	6,889,399
Others		1,485,241	-	-	-
	₩	10,882,507	6,892,828	-	6,892,828

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

② December 31, 2020

(in millions of Won)			Fair value		
		Book value	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative assets	₩	18,548	18,548	-	18,548
Other securities		566	-	566	566
Fair value through other comprehensive income					
Equity securities		400	-	400	400
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents		78,873	-	-	-
Trade accounts and notes receivable		3,772,108	-	-	-
Other receivables		144,095	-	-	-
Deposit instruments		47,805	-	-	-
	₩	4,062,395	18,548	966	19,514
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩	95,360	95,360	-	95,360
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable		1,306,260	-	-	-
Borrowings		7,894,350	7,894,350	-	7,894,350
Others		1,296,529	-	-	-
	₩	10,592,499	7,989,710	-	7,989,710

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

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

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

3) Financial assets and financial liabilities classified as fair value hierarchy Level 3

① Value measurement method and significant but not observable inputs for the financial assets classified as fair value hierarchy Level 3 as of December 31, 2021 are as follows:

(in millions of Won)		Fair value	Valuation technique	Inputs	Range of inputs	Effect on fair value assessment with unobservable input
Financial assets at fair value	₩	923	Asset value approach	-	-	-

② Changes in fair value of financial assets and financial liabilities classified as Level 3 for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Beginning	₩	966	1,000
Acquisition		-	60
Gain on valuations of financial assets		7	6
Disposal and others		(50)	(100)
Ending	₩	923	966

4) Finance income and costs by category of financial instrument for the years ended December 31, 2021 and 2020 were as follows:

① For the year ended December 31, 2021

(in millions of Won)		Finance income and costs					
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total
Financial assets at fair value through profit or loss	₩	-	7	-	6	-	13
Derivative assets		-	152,554	-	(479)	-	152,075
Financial assets at fair value through other comprehensive income		-	-	-	-	24	24
Financial assets measured at amortized cost		3,505	-	161,063	(2)	-	164,566
Derivative liabilities		-	107,463	-	(2,625)	-	104,838
Financial liabilities measured at amortized cost		(135,491)	-	(484,600)	-	(2,736)	(622,827)
	₩	(131,986)	260,024	(323,537)	(3,100)	(2,712)	(201,311)

② For the year ended December 31, 2020

(in millions of Won)		Finance income and costs					
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total
Financial assets at fair value through profit or loss	₩	73	6	-	-	-	79
Derivative assets		-	(35,804)	-	(3,972)	-	(39,776)
Financial assets at fair value through other comprehensive income		-	-	-	-	21	21
Financial assets measured at amortized cost		10,019	-	(75,375)	38	-	(65,318)
Derivative liabilities		-	(75,780)	-	517	-	(75,263)
Financial liabilities measured at amortized cost		(223,990)	-	375,718	-	(3,265)	148,463
	₩	(213,898)	(111,578)	300,343	(3,417)	(3,244)	(31,794)

(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		**2021**	**2020**
Cash and cash equivalents	₩	86,714	78,873
Derivative assets		170,470	18,548
Other securities		524	566
Other receivables		211,665	144,095
Trade accounts and notes receivable		6,104,228	3,772,108
Deposit instruments		48,405	47,805
	₩	6,622,006	4,061,995

2) Impairment losses on financial assets and contract assets

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

① Allowance for doubtful accounts as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		**2021**	**2020**
Trade accounts and notes receivable	₩	(24,359)	(24,772)
Other accounts receivable		(2,352)	(2,768)
Loans		(8,817)	(8,137)
	₩	(35,528)	(35,677)

② Impairment losses on financial assets for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Bad debt expenses	₩	1,080	6,545
Other bad debt expenses(*1)		964	49
Less: Recovery of allowance for other bad debt accounts		-	(272)
	₩	2,044	6,322

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

③ The aging and allowance for doubtful accounts of trade accounts and notes receivable as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021		2020	
		Trade accounts and notes receivable	Allowance for doubtful accounts	Trade accounts and notes receivable	Allowance for doubtful accounts
Not due	₩	6,075,856	1,073	3,710,915	1,235
Over due less than 1 month		5,440	2	15,221	1
1 month - 3 months		5,033	15	18,772	2
3 months - 12 months		3,464	22	18,816	437
Over 12 months		38,794	23,247	33,156	23,097
	₩	6,128,587	24,359	3,796,880	24,772

④ The aging and allowance for doubtful accounts of other receivables as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021		2020	
		Loans and other account receivable	Allowance for doubtful accounts	Loans and other account receivable	Allowance for doubtful accounts
Not due	₩	255,780	8,834	183,421	8,113
Over due less than 1 month		243	-	502	-
1 month - 3 months		10	-	-	-
3 months - 12 months		60	1	20	10
Over 12 months		2,386	2,334	960	2,782
	₩	258,479	11,169	184,903	10,905

⑤ Changes in the allowance for doubtful accounts for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Beginning	₩	35,677	40,806
Bad debt expenses		1,080	6,545
Other bad debt expenses (reversal)		964	(223)
Others		(2,193)	(11,451)
Ending	₩	35,528	35,677

(c) Liquidity risk

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

(in millions of Won)		Book value	Contractual cash flow	Within 1 year	1 year - 5 years	After 5 years
Trade accounts and notes payable	₩	2,504,438	2,504,438	2,504,438	-	-
Borrowings		6,889,399	7,975,192	2,654,191	5,110,375	210,626
Lease liabilities		448,363	1,321,779	97,157	1,111,677	112,945
Other financial liabilities		1,036,878	1,091,645	1,090,295	1,351	-
	₩	10,879,078	12,893,054	6,346,081	6,223,403	323,571

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

(in millions of Won)		Within 1 year	1 year - 5 years	After 5 years	Total
Currency forward	₩	3,429	-	-	3,429

(d) Currency risk

1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The exposure to currency risk as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021		2020	
		Assets	Liabilities	Assets	Liabilities
USD	₩	1,067,485	4,895,387	557,388	4,956,756
EUR		30,083	680,901	15,831	669,115
JPY		113,646	12,692	51,539	162,490
Others		1,727,639	46,142	717,786	217,618

2) As of December 31, 2021 and 2020, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021		2020	
		10% increase	**10% decrease**	**10% increase**	**10% decrease**
USD	₩	(382,790)	382,790	(439,937)	439,937
EUR		(65,082)	65,082	(65,328)	65,328
JPY		10,095	(10,095)	(11,095)	11,095

(e) Interest rate risk

1) The carrying amount of interest-bearing financial instruments as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		**2021**	**2020**
Fixed rate			
Financial assets	₩	191,187	169,805
Financial liabilities		6,794,399	7,789,850
	₩	6,985,586	7,959,655
Variable rate			
Financial liabilities	₩	95,000	104,500

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

The Company's interest rate risk mainly arises from borrowings with variable interest rate. As of December 31, 2021 and 2020, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in interest expense for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021		2020	
		1% increase	**1% decrease**	**1% increase**	**1% decrease**
Variable rate financial instruments	₩	(950)	950	(1,045)	1,045

22. Equity

(a) Equity consists of net parent investment, accumulated other comprehensive income, and non-controlling interests.

(b) As of December 31, 2021 and 2020, as the Company is not a separate entity, capital, capital surplus, and retained earnings were not recorded separately, but were recorded as net parent investment.

23. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Types of revenue			
Revenue from sales of goods	₩	38,926,794	26,133,721
Revenue from services		1,375,661	683,297
Others		240,941	165,366
	₩	40,543,396	26,982,384
Timing of revenue recognition			
Revenue recognized at a point in time	₩	39,106,655	26,229,158
Revenue recognized over time		1,436,741	753,226
	₩	40,543,396	26,982,384

(b) Details of contract assets and liabilities from contracts with customers as of December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021	2020
Receivables			
Account receivables	₩	6,108,738	3,772,108
Contract liabilities			
Advance received		34,392	46,269
Unearned revenue		64,456	15,313

24. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Wages and salaries	₩	280,610	233,814
Expenses related to post-employment benefits		38,602	28,484
Other employee benefits		62,859	59,233
Travel		8,040	8,712
Depreciation		30,345	29,131
Amortization		33,126	46,227
Communication		8,695	8,559
Electricity		1,372	1,695
Taxes and public dues		11,190	10,929
Rental		50,517	50,284
Repairs		9,800	8,823
Entertainment		3,408	2,591
Advertising		65,746	59,316
Research & development		77,792	54,494
Service fees		187,449	164,960
Vehicles maintenance		1,074	990
Industry association fee		4,734	4,511
Conference		5,326	4,335
Others		39,712	38,742
	₩	920,397	815,830

(b) Selling expenses

Selling expenses for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Freight and custody expenses	₩	119,822	130,008
Operating expenses for distribution center		6,211	6,087
Sales commissions		85,907	98,877
Sales advertising		3,056	1,465
Sales promotion		1,582	1,563
Sample		1,350	1,038
Sales insurance premium		6,435	5,924
Others		2	5
	₩	224,365	244,967

25. Research and Development Expenditures Recognized as Expenses

Research and development expenditures recognized as expenses for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Administrative expenses	₩	77,792	54,494
Cost of sales		340,479	346,453
	₩	418,271	400,947

26. Finance Income and Costs

Details of other finance income and costs for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Finance income			
Interest income	₩	3,505	10,092
Dividend income		24	21
Gain on foreign currency transactions		284,985	342,143
Gain on foreign currency translations		34,881	257,144
Gain on derivatives transactions		20,732	12,437
Gain on valuations of derivatives		263,446	8,814
Others		12	43
	₩	607,585	630,694
Finance costs			
Interest expenses	₩	135,491	223,990
Loss on foreign currency transactions		357,546	236,088
Loss on foreign currency translations		285,857	62,856
Loss on derivatives transactions		23,836	15,892
Loss on valuation of derivatives		3,429	120,398
Others		2,737	3,264
	₩	808,896	662,488

27. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Other non-operating income			
Gain on disposals of assets held for sale	₩	48,025	22,734
Gain on disposals of property, plant and equipment		30,438	12,393
Gain on disposals of intangible assets		-	250
Gain on disposals of emission rights		-	24,566
Reversal of other provisions		2,052	-
Premium income		13,113	23,575
Others		33,127	33,405
	₩	126,755	116,923
Other non-operating expenses			
Impairment loss on assets held for sale	₩	-	9,093
Loss on disposals assets held for sale		-	5,383
Loss on disposals of investments in subsidiaries, associates and joint ventures		-	961
Loss on disposals of property, plant and equipment		112,310	181,600
Impairment loss on property, plant and equipment		234,429	26,026
Impairment loss on intangible assets		7,180	-
Loss on disposals of intangible assets		5,351	3,707
Loss on disposals of emission rights		5,843	-
Idle tangible asset expenses		23,863	17,537
Donations		39,365	20,401
Others		25,274	34,188
	₩	453,615	298,896

28. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other non-operating expenses in carve-out and combined statements of comprehensive income for the years ended December 31, 2021 and 2020 were as follows (excluding finance costs and income tax expense):

(in millions of Won)		2021	2020
Raw material used, changes in inventories and others	₩	23,020,183	16,781,271
Employee benefits expenses(*2)		2,134,671	1,906,531
Outsourced processing cost		2,729,725	2,417,768
Electricity and water expenses		361,929	252,278
Depreciation(*1)		2,172,405	2,170,097
Amortization		105,939	109,795
Freight and custody expenses		1,049,300	761,647
Sales commissions		85,907	98,877
Loss on disposal of property, plant and equipment		112,310	181,600
Impairment loss on property, plant and equipment		234,429	26,026
Impairment loss on intangible assets		7,180	-
Donations		39,365	20,400
Other expenses		2,162,575	1,344,700
	₩	34,215,918	26,070,990

(*1) Includes depreciation expense of investment property.
(*2) The details of employee benefits expenses for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Wages and salaries	₩	1,956,028	1,728,602
Expenses related to post-employment benefits		178,643	177,929
	₩	2,134,671	1,906,531

29. Income Taxes

(a) Income tax expense (benefit) for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Current income taxes(*1)	₩	1,887,451	286,619
Deferred income tax due to temporary differences		(185,073)	(370,203)
Items recorded directly to equity		(11,188)	66,106
Income tax expense (benefit)	₩	1,691,190	(17,478)

(*1) Refund (additional payment) of income taxes when filing a final corporation tax return is credited (charged) directly to current income taxes.

(b) The income taxes credited (charged) directly to equity for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Remeasurements of defined benefit plans	₩	(11,188)	(20,962)
Gain from merger		-	87,068
	₩	(11,188)	66,106

(c) The following table reconciles the calculated income tax expense based on POSCO's statutory rate (27.5%) to the actual amount of taxes recorded by the Company for the years ended December 31, 2021 and 2020.

(in millions of Won)		2021	2020
Profit before income tax expense	₩	6,252,922	996,523
Income tax expense computed at statutory rate		1,709,192	263,682
Adjustments:			
Tax credit		(16,267)	(19,381)
Additional Income tax expense for prior years (Refund related to prior years)		1,676	(17,644)
Investment in subsidiaries, associates and joint ventures		3,427	(817)
Tax effect due to permanent differences		1,117	(548)
Others(*1)		(7,955)	(242,770)
		(18,002)	(281,160)
Income tax expense (benefit)	₩	1,691,190	(17,478)
Effective tax rate (%)		27.05%	-

(*1) Due to changes in estimation on deductibility of temporary difference related to Synthetic Natural Gas (SNG) facility, ₩241,385 million of income tax benefit is recognized for the year ended December 31, 2020.

(d) The movements in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021			2020		
		Beginning	Increase (decrease)	Ending	Beginning	Increase (decrease)	Ending
Deferred income tax due to temporary differences							
Allowance for doubtful account	₩	15,557	94	15,651	18,665	(3,108)	15,557
PPE - Depreciation		6,096	939	7,035	14,235	(8,139)	6,096
Allowance for inventories valuation		1,795	(49)	1,746	2,590	(795)	1,795
PP&E - Revaluation		(1,737,168)	117,235	(1,619,933)	(1,818,229)	81,061	(1,737,168)
Prepaid expenses		19,634	7,449	27,083	15,118	4,516	19,634
PP&E - Impairment loss		380,320	61,764	442,084	134,184	246,136	380,320
Gain or loss on foreign currency translation		(47,772)	61,991	14,219	10,461	(58,233)	(47,772)
Defined benefit liabilities		(140,144)	15,620	(124,524)	(136,455)	(3,689)	(140,144)
Accured income		(4,432)	105	(4,327)	(4,138)	(294)	(4,432)
Others		200,065	(66,319)	133,746	71,798	128,267	200,065
		(1,306,049)	198,829	(1,107,220)	(1,691,771)	385,722	(1,306,049)
Deferred income taxes recognized directly to equity							
Gain on PP&E Revaluation		(13,656)	-	(13,656)	(13,656)	-	(13,656)
Remeasurements of defined benefit plans		124,045	(11,188)	112,857	145,007	(20,962)	124,045
		110,389	(11,188)	99,201	131,351	(20,962)	110,389
Deferred tax from tax credit							
Tax credit carry-forward and others		10,153	(7,451)	2,702	11,393	(1,240)	10,153
Investments in subsidiaries, associates and joint ventures							
Investments in subsidiaries, associates and joint ventures		301,213	4,883	306,096	294,530	6,683	301,213
	₩	(884,294)	185,073	(699,221)	(1,254,497)	370,203	(884,294)

(e) Deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 are as follows:

(in millions of Won)		2021			2020		
		Asset	Liabilities	Net	Asset	Liabilities	Net
Deferred income tax due to temporary differences							
Allowance for doubtful account	₩	15,708	(57)	15,651	15,557	-	15,557
PPE - Depreciation		13,671	(6,636)	7,035	13,997	(7,901)	6,096
Allowance for inventories valuation		1,746	-	1,746	1,795	-	1,795
PP&E - Revaluation		-	(1,619,933)	(1,619,933)	-	(1,737,168)	(1,737,168)
Prepaid expenses		27,083	-	27,083	19,634	-	19,634
PP&E - Impairment loss		442,084	-	442,084	380,320	-	380,320
Gain or loss on foreign currency translation		85,507	(71,288)	14,219	100,192	(147,964)	(47,772)
Defined benefit liabilities		247,164	(371,688)	(124,524)	242,907	(383,051)	(140,144)
Accured income		-	(4,327)	(4,327)	-	(4,432)	(4,432)
Others		261,650	(127,904)	133,746	460,159	(260,094)	200,065
		1,094,613	(2,201,833)	(1,107,220)	1,234,561	(2,540,610)	(1,306,049)
Deferred income taxes recognized directly to equity							
Gain on PP&E Revaluation		-	(13,656)	(13,656)	-	(13,656)	(13,656)
Remeasurements of defined benefit plans		112,857	-	112,857	124,045	-	124,045
		112,857	(13,656)	99,201	124,045	(13,656)	110,389
Deferred tax from tax credit							
Tax credit carry-forward and others		2,702	-	2,702	10,153	-	10,153
Investments in subsidiaries, associates and joint ventures							
Investments in subsidiaries, associates and joint ventures		306,756	(660)	306,096	301,893	(680)	301,213
	₩	1,516,928	(2,216,149)	(699,221)	1,670,652	(2,554,946)	(884,294)

(f) As of December 31, 2021, deductible temporary differences of ₩55,562 million and taxable temporary differences of ₩245,809 million related to investments in subsidiaries and associates were not recognized as deferred tax assets or liabilities, because it is not probable they will reverse in the foreseeable future.

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

30. Related Party Transactions

(a) As discussed in Note 1, upon the spin-off on March 1, 2022, the Company became a wholly owned subsidiary of Pre-spin off Company.

(b) Significant transactions between the Company and related companies for the years ended December 31, 2021 and 2020 were as follows:

1) For the year ended December 31, 2021

(in millions of Won)		Sales and others(*1)		Purchase and others(*2)			
		Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
The parent company							
POSCO HOLDINGS INC.	₩	-	-	-	-	-	1,733
Other related party(*3)							
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		5,096	76	-	491,624	158	32,328
POSCO ICT(*4)		1,584	26	-	324,303	46,037	184,498
eNtoB Corporation		40	-	390,396	65,474	115	26,796
POSCO CHEMICAL CO., LTD		319,964	20,709	465,475	14,471	301,022	4,936
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)(*5)		20,576	644	752	-	292	6,342
POSCO MOBILITY SOLUTION		807,410	-	4,447	-	45,758	894
POSCO INTERNATIONAL Corporation		10,116,128	-	1,445,413	-	988	8,968
POSCO Thainox Public Company Limited		309,295	-	-	-	-	69
POSCO CANADA LTD.		-	1,372	202,523	-	-	-
POSCO Vietnam Processing Center. Co.,Ltd		93,744	-	-	-	-	424
POSCO COATED STEEL (THAILAND) CO., LTD.		340,889	650	-	-	-	78
POSCO-VIETNAM Co., Ltd.		441,774	553	-	-	-	46
POSCO MEXICO S.A. DE C.V.		460,773	423	-	-	-	1,494
POSCO Maharashtra Steel Private Limited		899,279	616	-	-	-	229
POSCO(Guangdong) Automotive Steel Co., Ltd.		-	-	-	-	-	-
POSCO VST CO., LTD.		201,529	-	-	-	-	20
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	600	1,704,193	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		278,675	470	8	-	-	24
Roy Hill Holdings Pty Ltd		-	-	2,338,625	-	-	-
Others		3,047,800	9,798	1,011,151	62,421	28,515	209,166
		17,344,556	35,937	7,562,983	958,293	422,885	476,312
	₩	17,344,556	35,937	7,562,983	958,293	422,885	478,045

(*1) Sales and others mainly consist of sales of steel products to other related parties.
(*2) Purchases and others mainly consist of related party's purchases of construction services and purchases of raw materials to manufacture steel products.
(*3) Other related parties are subsidiaries, associates, and joint ventures of the Pre-spin off Company.
(*4) Others (purchase) mainly consist of maintenance expenses for the ERP System.
(*5) Others (purchase) mainly consist of freight expenses.

2) For the year ended December 31, 2020

(in millions of Won)		Sales and others(*1)		Purchase and others(*2)			
		Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
The parent company							
POSCO HOLDINGS INC.	₩	-	-	-	-	-	1,594
Other related party(*3)							
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		3,612	87	14,424	758,437	220	63,467
POSCO ICT(*4)		1,876	25	-	375,130	41,384	184,699
eNtoB Corporation		29	5	222,290	34,417	76	27,360
POSCO CHEMICAL CO., LTD		259,992	20,345	460,120	23,003	306,870	5,432
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)(*5)		21,421	512	1,846	-	855	3,054
POSCO MOBILITY SOLUTION		381,591	-	2,570	-	32,325	1,500
POSCO INTERNATIONAL Corporation		5,852,212	1,988	392,380	-	11,371	4,375
POSCO Thainox Public Company Limited		311,008	137	2,538	-	-	-
POSCO CANADA LTD.		-	1,325	162,385	-	-	-
POSCO Vietnam Processing Center. Co.,Ltd		82,664	-	-	-	-	452
POSCO COATED STEEL (THAILAND) CO., LTD.		196,034	-	-	-	-	106
POSCO-VIETNAM Co., Ltd.		252,713	319	-	-	-	96
POSCO MEXICO S.A. DE C.V.		168,188	232	-	-	-	2,000
POSCO Maharashtra Steel Private Limited		328,380	2,293	-	-	-	479
POSCO(Guangdong) Automotive Steel Co., Ltd.		-	-	-	-	-	-
POSCO VST CO., LTD.		208,337	218	-	-	-	156
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	-	600,580	-	-	-
POSCO ASSAN TST STEEL INDUSTRY		264,786	700	1,729	-	-	18
Roy Hill Holdings Pty Ltd		-	-	1,300,296	-	-	-
Others		3,446,071	10,425	838,867	139,317	23,846	186,797
		11,778,914	38,611	4,000,025	1,330,304	416,947	479,991
	₩	11,778,914	38,611	4,000,025	1,330,304	416,947	481,585

(*1) Sales and others mainly consist of sales of steel products to other related parties.
(*2) Purchases and others mainly consist of related party's purchases of construction services and purchases of raw materials to manufacture steel products.
(*3) Other related parties are subsidiaries, associates, and joint ventures of the Pre-spin off Company.
(*4) Others (purchase) mainly consist of maintenance expenses for the ERP System.
(*5) Others (purchase) mainly consist of freight expenses.

(c) The related account balances of significant transactions between the Company and related companies as of December 31, 2021 and 2020 are as follows:

1) 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
The parent company								
POSCO HOLDINGS INC.	₩	-	358	358	-	-	403	403
Other related party								
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		1,016	10	1,026	-	93,417	241	93,658
POSCO ICT		204	3	207	3,917	149,679	26,645	180,241
eNtoB Corporation		10	-	10	3,503	23,085	-	26,588
POSCO CHEMICAL CO., LTD		35,337	3,664	39,001	14,247	55,514	18,133	87,894
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)		1,870	98	1,968	67	1,137	50,502	51,706
POSCO MOBILITY SOLUTION		133,349	-	133,349	769	2,150	5,104	8,023
POSCO INTERNATIONAL Corporation		1,317,833	4	1,317,837	11,195	465	-	11,660
POSCO Thainox Public Company Limited		54,804	-	54,804	-	-	-	-
POSCO Canada Ltd.		-	-	-	16,572	-	-	16,572
POSCO COATED STEEL (THAILAND) CO., LTD.		86,629	-	86,629	-	-	-	-
POSCO MEXICO S.A. DE C.V.		178,390	-	178,390	-	-	-	-
POSCO Maharashtra Steel Private Limited		523,714	-	523,714	-	-	-	-
POSCO(Guangdong) Automotive Steel Co., Ltd.		166,973	-	166,973	-	180	-	180
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	14	14	169,565	87	-	169,652
POSCO ASSAN TST STEEL INDUSTRY		221,031	-	221,031	-	-	-	-
Roy Hill Holdings Pty Ltd		-	-	-	435,257	-	-	435,257
Others		312,640	5,108	317,748	63,774	28,616	26,764	119,154
		3,033,800	8,901	3,042,701	718,866	354,330	127,389	1,200,585
	₩	3,033,800	9,259	3,043,059	718,866	354,330	127,792	1,200,988

2) December 31, 2020

(in millions of Won)		Receivables			Payables			
		Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
The parent company								
POSCO HOLDINGS INC.	₩	-	358	358	-	-	357	357
Other related party								
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		715	11	726	-	78,588	133	78,721
POSCO ICT		235	1	236	2,949	114,659	30,083	147,691
eNtoB Corporation		9	-	9	3,104	34,556	18	37,678
POSCO CHEMICAL CO., LTD		19,166	3,434	22,600	13,936	53,461	18,290	85,687
POSCO FLOW CO., LTD. (formerly, Posco Terminal Co., Ltd.)		1,496	41	1,537	75	532	53,076	53,683
POSCO MOBILITY SOLUTION		72,009	-	72,009	958	2,265	4,175	7,398
POSCO INTERNATIONAL Corporation		548,464	-	548,464	10,911	-	-	10,911
POSCO Thainox Public Company Limited		39,920	-	39,920	-	-	-	-
POSCO Canada Ltd.		-	-	-	3,217	-	-	3,217
POSCO COATED STEEL (THAILAND) CO., LTD.		62,530	-	62,530	-	-	-	-
POSCO MEXICO S.A. DE C.V.		71,306	-	71,306	-	-	-	-
POSCO Maharashtra Steel Private Limited		172,741	-	172,741	-	-	-	-
POSCO(Guangdong) Automotive Steel Co., Ltd.		4,752	-	4,752	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.		-	13	13	42,596	-	-	42,596
POSCO ASSAN TST STEEL INDUSTRY		237,835	-	237,835	-	-	-	-
Roy Hill Holdings Pty Ltd		-	-	-	201,925	-	-	201,925
Others		446,500	843	447,343	48,285	17,129	29,548	94,962
		1,677,678	4,343	1,682,021	321,522	301,190	135,323	758,035
	₩	1,677,678	4,701	1,682,379	321,522	301,190	135,680	758,392

(d) Significant transactions between the Company and related companies for the years ended December 31, 2021 and 2020 were as follows:

1) For the year ended December 31, 2021

(in millions of Won)		Beginning	Borrow	Repayment	Others(*1)	Ending
Other related party						
POSCO Asia Co., Ltd.	₩	11,424	1,625	-	1,120	14,169
POSCO O&M		3,200	-	3,200	-	-

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

2) For the year ended December 31, 2020

(in millions of Won)		Beginning	Borrow	Repayment	Others(*1)	Ending
Other related party						
POSCO Asia Co., Ltd.	₩	16,194	-	4,919	149	11,424
POSCO O&M		4,800	-	1,600	-	3,200

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

(f) For the years ended December 31, 2021 and 2020, details of compensation to key management officers were as follows:

(in millions of Won)		2021	2020
Short-term benefits	₩	43,329	40,746
Long-term benefits		5,480	3,890
Retirement benefits		13,348	7,983
	₩	62,157	52,619

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

31. Commitments and Contingencies

(a) Contingent liabilities

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

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

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

(b) Other commitments

POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of December 31, 2021, 32 million tons of iron ore and 5 million tons of coal remained to be purchased under such long-term contracts.

POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

POSCO has a long-term service contract for the transportation of raw material. As of December 31, 2021, there are 37 vessels under contract, and the average remaining contract period is about 9 years.

(c) Litigation in progress

As of December 31, 2021, litigations in progress that the Company is the defendant in legal actions arising from the normal course of business are as follows:

(in millions of Won)

Company	Legal actions	Claim amount	Descrioption
POSCO	36	140,410	Lawsuit on claim for employee right and others
POSCO M-TECH	2	70	Lawsuit on claim for damages and others

For all the other lawsuits and claims, management does not believe the Company has any present obligations and therefore, the Company has not recognized any provisions as of December 31, 2021 for the matters.

32. Statements of Cash Flows

(a) Changes in operating assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

(in millions of Won)		2021	2020
Trade accounts and notes receivable	₩	(2,222,467)	343,383
Other receivables		(288,783)	88,074
Inventories		(3,585,847)	903,055
Other current assets		(14,110)	(6,971)
Other non-current assets		40,140	11,956
Trade accounts and notes payable		1,195,907	601,960
Other payables		111,608	(24,979)
Other current liabilities		99,592	(80,667)
Provisions		(36,295)	(30,024)
Payments of severance benefits		(153,104)	(144,192)
Plan assets		(100,672)	(48,120)
Other non-current liabilities		22,160	3,208
	₩	(4,931,871)	1,616,683

(b) Changes in liabilities arising from financial activities for the year ended December 31, 2021 and 2020 were as follows:

1) December 31, 2021

(in millions of Won)		Liabilities			
		Short-term borrowings	Long-term borrowings	Dividend payable	Finance lease liabilities
Beginning	₩	1,166,287	6,728,063	479	314,486
Changes from financing cash flows		(374,828)	(884,316)	(12,198)	(47,054)
The effect of changes in foreign exchange rates		4,513	242,659	-	11,772
Other changes:					
Decrease in retained earnings		-	-	9,200	-
Decrease in non-controlling interest		-	-	2,998	-
Interest expenses		-	7,021	-	22
Increase in lease assets		-	-	-	169,137
Ending	₩	795,972	6,093,427	479	448,363

2) December 31, 2020

(in millions of Won)		Liabilities			
		Short-term borrowings	Long-term borrowings	Dividend payable	Finance lease liabilities
Beginning	₩	322,884	6,189,610	479	260,623
Changes from financing cash flows		866,466	723,313	(11,964)	(63,934)
The effect of changes in foreign exchange rates		(23,063)	(196,005)	-	(16,200)
Other changes:					
Decrease in retained earnings		-	-	9,225	-
Decrease in non-controlling interest		-	-	2,739	-
Interest expenses		-	11,145	-	10
Increase in lease assets		-	-	-	133,987
Ending	₩	1,166,287	6,728,063	479	314,486

33. Events after the Reporting Period

Pursuant to board of directors meeting resolution on December 10, 2021 and approval in the Extraordinary General Meeting of Shareholders on January 28, 2022, Pre-spin off Company decided to, by way of a vertical spin-off, transform to a holding company under the new name of POSCO HOLDINGS INC. The purpose of the spin-off is to establish corporate governance to seek long-term balanced growth of the group businesses. The Spin-off was completed on March 1, 2022.

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posco