

POSCO and its subsidiaries

Consolidated financial statements
for the year ended December 31, 2024
with the independent auditor's report

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Independent auditor's report

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Independent auditor's report

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors POSCO

Opinion

We have audited the consolidated financial statements of POSCO and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing("KSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the 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.

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2023 were audited by KPMG Samjong Accounting Corp. in accordance with KSA, whose audit report dated March 12, 2024 expressed an unqualified opinion thereon.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Ernst & Young Han Young

Seoul, Korea

March 12, 2025

This audit report is effective as of the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

POSCO and its subsidiaries

Consolidated financial statements
for each of the two years in the period ended December 31, 2024

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Si-woo Lee
Chief Executive Officer
POSCO

POSCO and its subsidiaries

Consolidated statements of financial position

as of December 31, 2024 and 2023

(in millions of Won)

	Notes	December 31, 2024	December 31, 2023
Assets			
Cash and cash equivalents	4,5,21	₩ 2,435,951	2,426,344
Trade accounts and notes receivable, net	6,15,21,24	4,868,534	5,600,881
Other receivables, net	7,21	863,292	531,514
Other short-term financial assets	8,21,34	4,092,620	5,216,059
Inventories	9,29	9,447,667	8,547,046
Current income tax assets		44,881	18,411
Other current assets	14	145,693	145,873
Total current assets		21,898,638	22,486,128
Long-term trade accounts and notes receivable, net	6,21,24	10,634	25,278
Other receivables, net	7,21	333,589	154,401
Other long-term financial assets	8,21,34	935,714	540,171
Investments in subsidiaries, associates and joint ventures	10	70,599	74,974
Investment property, net	11	55,062	80,546
Property, plant and equipment, net	12	25,195,316	23,601,579
Intangible assets, net	13	466,992	447,620
Defined benefit assets, net	19	242,940	324,232
Deferred tax assets	30	2,168,515	2,142,437
Other non-current assets	14	34,847	56,930
Total non-current assets		29,514,208	27,448,168
Total assets		₩ 51,412,846	49,934,296

(continued)

POSCO and its subsidiaries

Consolidated statements of financial position, continued

as of December 31, 2024 and 2023

(in millions of Won)

	Notes	December 31, 2024	December 31, 2023
Liabilities			
Trade accounts and notes payable	21,34	₩ 4,186,525	3,334,297
Short-term borrowings			
and current installments of long-term borrowings	4,6,15,21,34	3,522,204	3,009,380
Other payables	16,21,34	1,764,862	1,712,172
Other short-term financial liabilities	17,21,34	-	769
Current income tax liabilities		205,096	107,089
Provisions	18	51,289	52,902
Other current liabilities	20,24	214,009	132,269
Total current liabilities		9,943,985	8,348,878
Long-term borrowings,			
excluding current installments	4,15,21	7,312,602	7,956,334
Other payables	16,21,34	636,863	633,130
Other long-term financial liabilities	17,21,34	-	56,076
Defined benefit liabilities, net	19	24,932	26,807
Deferred tax liabilities	30	37,664	26,696
Long-term provisions	18	87,930	33,755
Other non-current liabilities	20	1,471	1,651
Total non-current liabilities		8,101,462	8,734,449
Total liabilities		18,045,447	17,083,327
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	22,705,568	22,659,008
Accumulated other comprehensive income	23	242,066	(22,112)
Retained earnings		8,955,007	8,753,924
Equity attributed to owners of the controlling company		32,385,044	31,873,223
Non-controlling interests		982,355	977,746
Total equity		33,367,399	32,850,969
Total liabilities and equity	₩	51,412,846	49,934,296

The accompanying notes are an integral part of the consolidated financial statements.

POSCO and its subsidiaries

Consolidated statements of comprehensive income

for each of the two years in the period ended December 31, 2024

<i>(in millions of Won, except per share informations)</i>			
	Notes	2024	2023
Revenue	24,32,35	₩ 44,644,092	43,135,165
Cost of sales	9,19,26,29,32	(41,410,019)	(39,418,306)
Gross profit		3,234,073	3,716,859
Selling and administrative expenses			
Other administrative expenses	19,25,26,29	(1,175,517)	(1,136,256)
Selling expenses	25,29	(326,403)	(275,278)
Operating profit		1,732,153	2,305,325
Share of profit of equity-accounted investees, net		(11,913)	(379)
Finance income and costs	21,27		
Finance income		2,407,217	1,277,946
Finance costs		(2,532,258)	(1,338,186)
Other non-operating income and expenses			
Other non-operating income	28	208,453	111,828
Other non-operating expenses	28,29	(430,413)	(429,879)
Profit before income tax		1,373,239	1,926,655
Income tax expense	30	(294,495)	(504,443)
Profit		1,078,744	1,422,212
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	19	(67,764)	(27,450)
Net changes in fair value of equity investments at fair value through other comprehensive income	21,23	30,687	4,231
Foreign currency translation differences		79,100	(5,618)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		223,615	726
Capital adjustment arising from investments in equity-accounted investees	10	6,345	(24,553)
Other comprehensive income, net of tax		271,983	(52,664)
Total comprehensive income		₩ 1,350,727	1,369,548
Profit attribute to:			
Owners of the controlling company		₩ 1,159,006	1,409,658
Non-controlling interests		(80,262)	12,554
Profit		₩ 1,078,744	1,422,212
Total comprehensive income attribute to:			
Owners of the controlling company		₩ 1,353,832	1,365,553
Non-controlling interests		(3,105)	3,995
Total comprehensive income		₩ 1,350,727	1,369,548
Earnings per share (in Won)	31		
Basic earnings per share (in Won)		12,013	14,579
Diluted earnings per share (in Won)		₩ 12,013	14,579

The accompanying notes are an integral part of the consolidated financial statements.

POSCO and its subsidiaries

Consolidated statements of changes in equity

for each of the two years in the period ended December 31, 2024

(in millions of Won)

	Attributable to owners of the controlling company						Non- controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Accumulated other comprehensive income	Retained earnings	Subtotal		
Balance as of January 1, 2023	₩ 482,403	30,314,258	199,384	(2,503)	697,091	31,690,633	522,769	32,213,402
Comprehensive income:								
Profit	-	-	-	-	1,409,658	1,409,658	12,554	1,422,212
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax	-	-	-	-	(24,494)	(24,494)	(2,956)	(27,450)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	712	-	712	14	726
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	4,231	-	4,231	-	4,231
Foreign currency translation differences, net of tax	-	-	-	(24,552)	-	(24,552)	(5,619)	(30,171)
Transactions with owners of the controlling company, recognized directly in equity:								
Year-end dividends	-	-	-	-	(325,043)	(325,043)	(7,184)	(332,227)
Changes due to business combination	-	(630,326)	-	-	-	(630,326)	459,581	(170,745)
Shared based payments	-	(9,137)	-	-	-	(9,137)	-	(9,137)
Interest of hybrid bonds	-	-	-	-	(4,108)	(4,108)	-	(4,108)
Repayment of hybrid bonds	-	(453)	(199,384)	-	-	(199,837)	-	(199,837)
Share premium transferred to retained earnings	-	(7,000,000)	-	-	7,000,000	-	-	-
Others	-	(15,334)	-	-	821	(14,513)	(1,413)	(15,926)
Balance as of December 31, 2023	₩ 482,403	22,659,008	-	(22,112)	8,753,924	31,873,223	977,746	32,850,969

(continued)

POSCO and its subsidiaries

Consolidated statements of changes in equity, Continued

for each of the two years in the period ended December 31, 2024

(in millions of Won)

	Attributable to owners of the controlling company						Non-cotrolling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Accumulated other comprehensive income	Retained earnings	Subtotal		
Balance as of January 1, 2024	₩ 482,403	22,659,008	-	(22,112)	8,753,924	31,873,223	977,746	32,850,969
Comprehensive income:								
Profit	-	-	-	-	1,159,006	1,159,006	(80,262)	1,078,744
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax	-	-	-	-	(65,741)	(65,741)	(2,023)	(67,764)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	6,265	-	6,265	80	6,345
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	34,298	(3,611)	30,687	-	30,687
Foreign currency translation differences, net of tax	-	-	-	223,615	-	223,615	79,100	302,715
Transactions with owners of the controlling company, recognized directly in equity:								
Year-end dividends	-	-	-	-	(589,786)	(589,786)	(5,828)	(595,614)
Interim dividends	-	-	-	-	(298,222)	(298,222)	-	(298,222)
Changes due to business combination	-	31,787	-	-	-	31,787	16,584	48,371
Shared based payments	-	14,623	-	-	-	14,623	-	14,623
Others	-	150	-	-	(563)	(413)	(3,042)	(3,455)
Balance as of December 31, 2024	₩ 482,403	22,705,568	-	242,066	8,955,007	32,385,044	982,355	33,367,399

The accompanying notes are an integral part of the consolidated financial statements.

POSCO and its subsidiaries

Consolidated statements of cash flows

for each of the two years in the period ended December 31, 2024

(in millions of Won)

	Notes	2024	2023
Cash flows from operating activities			
Profit	₩	1,078,744	1,422,212
Adjustments for :			
Depreciation		2,711,220	2,325,457
Amortization		87,672	91,628
Finance income		(1,847,195)	(680,556)
Finance costs		1,952,401	753,003
Income tax expense		294,495	504,443
Impairment loss on property, plant and equipment		223,849	200,069
Gain on disposal of property, plant and equipment		(11,297)	(22,366)
Loss on disposal of property, plant and equipment		132,495	138,364
Impairment loss on intangible assets		608	4,057
Loss on disposal of intangible assets		256	104
Gain on disposal of intangible assets		-	(368)
Gain on disposal of investment property		-	(17,614)
Share of loss of equity-accounted investees		11,913	379
Gain on disposal of assets held for sale		(4,801)	(13,448)
Expenses related to post-employment benefit		120,012	98,780
Impairment loss on trade and other receivables		6,205	13,442
Loss on valuation of inventories		52,893	58,225
Increase to provisions		51,155	26,365
Gain on disposal of emission rights		-	(25,989)
Gain on insurance claim		(157,282)	(8,122)
Others, net		1,033	(221)
Changes in operating assets and liabilities	34	822,971	(49,429)
Interest received		156,267	189,084
Interest paid		(545,266)	(446,507)
Dividends received		27,770	3,275
Income taxes paid		(205,099)	(98,046)
Net cash provided by operating activities	₩	4,961,019	4,466,221

(continued)

POSCO and its subsidiaries

Consolidated statements of cash flows, continued

for each of the two years in the period ended December 31, 2024

(in millions of Won)

	Notes	2024	2023
Cash flows from investing activities			
Acquisition of short-term financial instruments	₩	(7,231,322)	(29,963,248)
Proceeds from disposal of short-term financial instruments		8,801,721	30,810,806
Increase in loans		(26,194)	(12,686)
Collection of loans		37,203	27,955
Acquisition of securities		(1,013,258)	(570,529)
Proceeds from disposal of securities		904,248	140,075
Proceeds from disposal of long-term financial instruments		(2)	-
Acquisition of investments in associates		-	(12,101)
Acquisition of property, plant and equipment		(3,407,705)	(3,491,413)
Proceeds from disposal of property, plant and equipment		(81,945)	(58,566)
Acquisition of intangible assets		(94,270)	(60,389)
Proceeds from disposal of intangible assets		55	26,780
Proceeds from disposal of assets held for sale		4,836	21,477
Collection of lease receivables		11,632	821
Cash outflows due to business combinations, net of cash acquired		(602,967)	(885,236)
Cash inflow from insurance claim		157,278	8,122
Payment for deposits		(12,657)	(17,268)
Acquisition of deposits		1,595	10,640
Others, net		693	(432)
Net cash used in investing activities	₩	(2,551,059)	(4,025,192)
Cash flows from financing activities	34		
Proceeds from borrowings		4,988,778	4,156,479
Repayment of borrowings		(6,597,355)	(4,136,960)
Payment of cash dividends		(893,835)	(332,225)
Payment of interest of hybrid bonds		-	(4,587)
Repayment of lease liabilities		(107,976)	(47,550)
Decrease in derivatives		177,380	119,550
Repayment of hybrid bonds		-	(200,000)
Increase in security deposits		-	13,793
Others, net		(6,812)	373
Net cash used in financing activities	₩	(2,439,820)	(431,127)
Effect of exchange rate fluctuation on cash held		39,467	32,687
Net increase in cash and cash equivalents		9,607	42,589
Cash and cash equivalents at beginning of the period	5	2,426,344	2,383,755
Cash and cash equivalents at end of the period	5 ₩	2,435,951	2,426,344

The accompanying notes are an integral part of the consolidated financial statements.

POSCO and its subsidiaries

Notes to the consolidated financial statements

December 31, 2024 and 2023

1. General Information

The general information about POSCO (the "Company"), the controlling company in accordance with KIFRS 1110, its 11 domestic subsidiaries including POSCO STEELEON CO., Ltd, 26 foreign subsidiaries including POSCO YAMATO VINA STEEL JOINT STOCK COMPANY and its 15 associates is as follows:

(a) The controlling company

POSCO, the controlling company, was newly established with the purpose of production and sales of steel rolled products and plates, upon a vertical spin-off of steel business of POSCO HOLDINGS INC. ("Pre-spin off Company", known as POSCO before spin-off, the surviving company) on March 1, 2022 (the date of spin-off). As of December 31, 2024, POSCO is wholly owned by POSCO HOLDINGS INC. (100% ownership).

(b) Consolidated subsidiaries

Details of the Group's consolidated subsidiaries as of December 31, 2024 and 2023 are as follows:

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

(in millions of Won)

(in millions of Won)

		Ownership (%)						Region
		December 31, 2024			December 31, 2023			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
Principal operations								
[Domestic]								
POSCO STEELON Co., Ltd.(¹)	Coated steel manufacturing	56.87	-	56.87	56.87	-	56.87	Pohang
eNtoB Corporation	Electronic commerce	69.32	-	69.32	69.32	-	69.32	Seoul
POSCO M-TECH(^{2, 3})	Packing materials manufacturing and sales	48.85	-	48.85	48.85	-	48.85	Pohang
PNR	Steel by product processing and sales	70.00	-	70.00	70.00	-	70.00	Pohang
POSCO Humans Co.,Ltd.(⁶)	Business assistance service	100.00	-	100.00	75.49	0.78	76.27	Pohang
POSCO PS Tech	Maintenance service	100.00	-	100.00	100.00	-	100.00	Pohang
POSCO PR Tech	Maintenance service	100.00	-	100.00	100.00	-	100.00	Pohang
POSCO PH Solution	Maintenance service	100.00	-	100.00	100.00	-	100.00	Pohang
POSCO GYS Tech	Maintenance service	100.00	-	100.00	100.00	-	100.00	Gwangyang
POSCO GYR Tech	Maintenance service	100.00	-	100.00	100.00	-	100.00	Gwangyang
POSCO GY Solution	Maintenance service	100.00	-	100.00	100.00	-	100.00	Gwangyang
[Foreign]								
POSCO (Thailand) Company.Ltd	Steel processing and sales	100.00	-	100.00	100.00	-	100.00	Thailand
POSCO-MKPC SDN BHD	Steel processing and sales	70.00	-	70.00	70.00	-	70.00	Malaysia
POSCO-India Private Limited	Steel manufacturing and sales	100.00	-	100.00	100.00	-	100.00	India
POSCO-VIETNAM Co., Ltd.	Steel manufacturing and sales	100.00	-	100.00	100.00	-	100.00	Vietnam
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	Steel processing and sales	60.00	-	60.00	60.00	-	60.00	Poland
POSCO Thainox Public Company Limited	STS cold-rolled steel manufacturing and sales	74.56	-	74.56	74.56	-	74.56	Thailand
POSCO(Chongqing) Automotive Processing Center Co., Ltd.	Steel processing and sales	90.00	-	90.00	90.00	-	90.00	China
POSCO-Malaysia SDN. BHD.	Steel processing and sales	81.79	-	81.79	81.79	-	81.79	Malaysia
Myanmar POSCO C&C Company.Limited.	Steel processing and sales	-	70.00	70.00	-	70.00	70.00	Myanmar
POSCO COATED STEEL (THAILAND) CO., LTD.	Automotive steel manufacturing and sales	100.00	-	100.00	100.00	-	100.00	Thailand
POSCO ChengDu Processing Center(³)	Steel processing and sales	33.00	-	33.00	33.00	-	33.00	China
POSCO Philippine Manila Processing Center, Inc.	Steel processing and sales	100.00	-	100.00	100.00	-	100.00	Philippines
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	Steel processing and sales	100.00	-	100.00	100.00	-	100.00	Turkiye
POSCO BRAZIL LTDA	Office Administration, Management Consulting	100.00	-	100.00	100.00	-	100.00	Brazil
POSCO YAMATO VINA STEEL JOINT STOCK COMPANY	Steel manufacturing and sales	51.00	-	51.00	51.00	-	51.00	Vietnam
Port Hedland Green Steel Pty Ltd(⁷)	Other iron and steel manufacturing	100.00	-	100.00	100.00	-	100.00	Australia
POSCO MEXICO S.A. DE C.V.	Automotive steel manufacturing and sales	83.28	-	83.28	83.28	-	83.28	Mexico
PT. POSCO INDONESIA JAKARTA PROCESSING CENTER	Steel processing and sales	70.51	-	70.51	70.51	-	70.51	Indonesia
PT. KRAKATAU POSCO	Steel manufacturing and sales	50.00	-	50.00	50.00	-	50.00	Indonesia
POSCO-Mexico Villagran Wire-rod Processing Center	Steel processing and sales	56.75	-	56.75	56.75	-	56.75	Mexico
PT.KRAKATAU POSCO SOCIAL ENTERPRISE SERVICES INDONESIA	Social enterprise	-	99.91	99.91	-	99.91	99.91	Indonesia
POSCO Maharashtra Steel Private Limited(⁴)	Steel processing and sales	100.00	-	100.00	-	-	-	India
POSCO-India Pune Processing Center Private Limited(⁴)	Steel processing and sales	65.00	-	65.00	-	-	-	India
POSCO ASSAN TST STEEL INDUSTRY Inc.(⁴)	Steel processing and sales	60.00	-	60.00	-	-	-	Turkiye
POSCO INDIA PROCESSING CENTER PRIVATE LIMITED(⁴)	Steel processing and sales	93.34	1.98	95.32	-	-	-	India
POSCO-INDIA STEEL DISTRIBUTION CENTER PRIVATE LIMITED(^{4, 5})	Steel logistics	-	65.00	65.00	-	-	-	India

(*1) Excluding the treasury shares acquired for the year ended December 31, 2023, the ownership of the controlling company in terms of voting rights is 56.96%.

(*2) Excluding the treasury shares acquired for the year ended December 31, 2023, the ownership of the controlling company in terms of voting rights is 48.86%.

(*3) As of December 31, 2024, the Group classified the entities as investments in a subsidiary, considering additional facts and circumstances, such as the relative size of the voting rights held by the Group, structure of its Board of Directors and the degree of diversification of other voting rights holders, although the Group holds less than half of the voting rights of the entities.

(*4) Acquired from POSCO HOLDINGS INC. for the year ended December 31, 2024.

(*5) Newly classified as a subsidiary due to the new classification of POSCO-India Pune Processing Center Private Limited as a subsidiary for the year ended December 31, 2024.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

(*6) Additionally acquired from POSCO M-TECH, POSCO DX, POSCO FUTURE M, POSCO INTERNATIONAL Corporation for the year ended December 31, 2024.

(*7) For the year ended December 31, 2024, the Group participated in a capital increase and acquired additional shares.

POSCO received dividends of ₩8,473 million and ₩14,371 million from its subsidiaries in aggregate for each of the two years in the period ended December 31, 2024.

There are no significant restrictions on the ability of subsidiaries and associates to transfer funds to the controlling company, such as in the forms of cash dividends and repayment of loans or payment of advances.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

(c) The summarized financial information on major subsidiaries as of and for each of the two years in the period ended December 31, 2024 are as follows:

1) As of and for the year ended December 31, 2024

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales(*1)	Net income(loss)(*1)
[Domestic]					
POSCO STEELEON Co., Ltd.	530,860	154,751	376,109	1,175,769	32,358
eNtoB Corporation	186,221	116,120	70,101	1,018,894	4,683
POSCO M-TECH	149,758	37,945	111,813	346,628	568
PNR	39,267	25,608	13,659	46,507	(246)
POSCO Humans Co.,Ltd.	25,220	8,642	16,578	62,656	1,128
POSCO PS Tech	37,161	27,244	9,917	144,264	309
POSCO PR Tech	29,519	20,038	9,481	124,512	1,260
POSCO PH Solution	23,138	15,173	7,965	68,588	576
POSCO GYS Tech	37,162	22,830	14,332	140,138	4,301
POSCO GYR Tech	42,780	23,954	18,826	136,217	4,292
POSCO GY Solution	27,072	12,439	14,633	76,846	2,611
[Foreign]					
POSCO (Thailand) Company Ltd	197,326	77,129	120,197	407,074	2,400
POSCO-MKPC SDN BHD	164,150	72,783	91,367	257,822	7,271
POSCO-India Private Limited	106,006	2,091	103,915	-	4,402
POSCO-VIETNAM Co., Ltd.	350,524	337,418	13,106	835,631	1,136
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	81,553	48,406	33,147	116,366	(356)
POSCO Thainox Public Company Limited	512,321	115,149	397,172	576,912	14,948
POSCO(Chongqing) Automotive Processing Center Co., Ltd.	39,169	10,748	28,421	65,154	433
POSCO-Malaysia SDN. BHD.	61,951	60,051	1,900	143,209	349
Myanmar POSCO C&C Company,Limited.	25,285	15,961	9,324	33,927	3,399
POSCO COATED STEEL (THAILAND) CO., LTD.	324,391	228,055	96,336	402,981	(3,165)
POSCO ChengDu Processing Center	40,586	36,102	4,484	49,006	(3,184)
POSCO Philippine Manila Processing Center, Inc.	26,659	4,451	22,208	29,701	266
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	145,488	120,415	25,073	200,891	7,949
POSCO BRAZIL LTDA	42	110	(68)	792	(45)
POSCO YAMATO VINA STEEL JOINT STOCK COMPANY	466,488	142,002	324,486	423,938	(24,091)
Port Hedland Iron Pty Ltd	5,773	209	5,564	-	(2,086)
POSCO MEXICO S.A. DE C.V.	749,960	475,331	274,629	999,807	16,243
PT. POSCO INDONESIA JAKARTA PROCESSING CENTER	244,928	170,375	74,553	345,729	1,006
PT. KRAKATAU POSCO	3,523,003	2,874,800	648,203	2,817,274	(168,700)
POSCO-Mexico Villagran Wire-rod Processing Center	50,765	47,657	3,108	57,310	(1,668)
POSCO Maharashtra Steel Private Limited(*1)	1,471,597	695,297	776,300	58,451	50,904
POSCO INDIA PROCESSING CENTER PRIVATE LIMITED(*1)	210,000	156,856	53,144	15,810	160
POSCO ASSAN TST STEEL INDUSTRY Inc.(*1)	568,566	568,513	53	13,314	1,352
POSCO-India Pune Processing Center Private Limited(*1)	424,014	310,883	113,131	30,213	49
POSCO-INDIA STEEL DISTRIBUTION CENTER PRIVATE LIMITED(*1)	26,992	16,123	10,869	3,968	66

(*1) For newly consolidated subsidiaries for the year ended December 31, 2024, their amounts occurred after their new inclusion in the consolidation scope.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

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

Company	Assets	Liabilities	Equity	Sales(*1)	Net income (loss)(*1)
[Domestic]					
POSCO STEELEON Co., Ltd.	529,525	174,724	354,801	1,132,510	32,276
eNtoB Corporation	164,228	97,127	67,101	1,110,222	8,491
POSCO M-TECH	154,927	39,295	115,632	341,410	4,517
PNR	42,434	28,513	13,921	51,800	2,582
POSCO Humans Co.,Ltd.	22,949	7,499	15,450	58,711	764
POSCO PS Tech	34,551	24,689	9,862	73,129	(5,066)
POSCO PR Tech	28,979	20,614	8,365	60,382	(3,876)
POSCO PH Solution	17,945	10,384	7,561	32,986	(1,794)
POSCO GYS Tech	34,529	24,765	9,764	69,430	(5,164)
POSCO GYR Tech	35,640	20,667	14,973	66,001	(8,215)
POSCO GY Solution	26,305	14,401	11,904	44,091	(3,024)
[Foreign]					
POSCO (Thailand) Company, Ltd	185,281	82,457	102,824	440,532	(3,621)
POSCO-MKPC SDN BHD	132,043	59,916	72,127	244,754	8,770
POSCO-India Private Limited	91,237	1,726	89,511	-	2,646
POSCO-VIETNAM Co., Ltd.	309,476	299,054	10,422	737,530	(5,594)
POSCO-Poland Wroclaw Processing Center Sp. z o. o.(*1)	64,485	33,614	30,871	86,904	(180)
POSCO Thainox Public Company Limited	433,638	100,507	333,131	551,000	(4,170)
POSCO(Chongqing) Automotive Processing Center Co., Ltd.	41,734	16,612	25,122	67,972	(4,561)
POSCO-Malaysia SDN. BHD.	60,512	59,224	1,288	123,599	4,182
Myanmar POSCO C&C Company, Limited.	22,053	17,089	4,964	25,999	1,520
POSCO COATED STEEL (THAILAND) CO., LTD.	307,619	220,259	87,360	386,992	1,459
POSCO ChengDu Processing Center	34,644	27,571	7,073	33,299	(2,993)
POSCO Philippine Manila Processing Center, Inc.	24,582	5,379	19,203	24,807	(544)
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	98,466	80,379	18,087	176,464	14,597
POSCO BRAZIL LTDA	70	99	(29)	289	(520)
POSCO YAMATO VINA STEEL JOINT STOCK COMPANY	434,496	127,087	307,409	395,261	8,993
Port Hedland Iron Pty Ltd	3,144	232	2,912	-	(13,716)
POSCO MEXICO S.A. DE C.V.(*1)	726,121	500,597	225,524	202,351	(10,612)
PT. POSCO INDONESIA JAKARTA PROCESSING CENTER(*1)	214,503	150,069	64,434	81,541	(1,164)
PT. KRAKATAU POSCO(*1)	3,475,929	2,747,948	727,981	726,226	(10,553)
POSCO-Mexico Villagran Wire-rod Processing Center(*1)	44,396	40,301	4,095	13,587	(274)

(*1) For newly consolidated subsidiaries for the year ended December 31, 2023, their amounts occurred after their new inclusion in the consolidation scope.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

(d) Details of non-controlling interests as of and for each of the two years in the period ended December 31, 2024 are as follows:

1) As of and for the year ended December 31, 2024

(in millions of Won)

	POSCO STEELEON Co., Ltd.	PT. KRAKATAU POSCO	POSCO Thainox Public Company Limited	POSCO YAMATO VINA STEEL JOINT STOCK COMPANY	POSCO MEXICO S.A. DE C.V.	Others
[Accumulated non-controlling interests of subsidiaries]						
Current assets	376,939	769,024	399,869	257,212	463,794	1,829,295
Non-current assets	153,921	2,753,979	112,452	209,276	286,166	483,909
Current liabilities	(151,878)	(1,272,856)	(106,642)	(141,798)	(442,346)	(1,458,895)
Non-current liabilities	(2,873)	(1,601,944)	(8,507)	(204)	(32,986)	(235,236)
Equity	376,109	648,203	397,172	324,486	274,628	619,073
Non-controlling interest (before elimination of inter-segment revenue)	161,892	324,102	101,033	158,998	45,914	186,312
Elimination of inter-segment revenue	4,423	(45)	786	-	(231)	(829)
Non-controlling interest (after elimination of inter-segment revenue)	166,315	324,057	101,819	158,998	45,683	185,483
[Profit attributable to non-controlling interests of subsidiaries]						
Sales	1,175,769	2,817,274	576,912	423,938	999,807	4,572,018
Profit for the period	32,358	(168,700)	14,948	(24,091)	16,243	1,498
Profit attributable to non-controlling interests (before elimination of inter-segment revenue)	13,928	(84,350)	3,803	(11,804)	2,716	(4,575)
Elimination of inter-segment revenue	(184)	159	15	-	-	30
Profit attributable to non-controlling interests (after elimination of inter-segment revenue)	13,744	(84,191)	3,818	(11,804)	2,716	(4,545)
[Summarized Cash Flows]						
Cash flows from operating activities	31,973	324,031	38,732	(51,878)	19,989	47,622
Cash flows from investing activities	(10,339)	(37,704)	(8,545)	(166)	1,275	(4,460)
Cash flows from financing activities (before dividends to non-controlling interest)	(10,739)	(319,100)	(1,500)	51,915	(22,667)	(19,946)
Dividends to non-controlling interest	(4,164)	-	-	-	-	(1,663)
Effect of exchange rate fluctuation on cash held	50	4,978	15,603	413	3,907	2,295
Net increase (decrease) in cash and cash equivalents	6,781	(27,795)	44,290	284	2,504	23,848

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

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

(in millions of Won)

	POSCO STEELEON Co., Ltd.	PT. KRAKATAU POSCO	POSCO Thainox Public Company Limited	POSCO YAMATO VINA STEEL JOINT STOCK COMPANY	Others
[Accumulated non-controlling interests of subsidiaries]					
Current assets	367,243	811,060	328,695	232,601	782,595
Non-current assets	162,282	2,664,869	104,943	201,895	216,314
Current liabilities	(172,001)	(1,318,358)	(93,229)	(126,784)	(566,577)
Non-current liabilities	(2,723)	(1,429,590)	(7,278)	(303)	(10,253)
Equity	354,801	727,981	333,131	307,409	422,079
Non-controlling interest					
(before elimination of inter-segment revenue)	152,720	363,991	84,742	150,630	151,423
Elimination of inter-segment revenue	24,904	(184)	613	-	48,908
Non-controlling interest					
(after elimination of inter-segment revenue)	177,624	363,807	85,355	150,630	200,331
[Profit attributable to non-controlling interests of subsidiaries]					
Sales	1,132,510	726,226	551,000	395,261	2,442,147
Profit for the period	32,276	(10,553)	(4,170)	8,993	9,778
Profit attributable to non-controlling interests					
(before elimination of inter-segment revenue)	13,893	(5,276)	(1,061)	4,406	4,451
Elimination of inter-segment revenue	(3,320)	(159)	-	-	(380)
Profit attributable to non-controlling interests					
(after elimination of inter-segment revenue)	10,573	(5,435)	(1,061)	4,406	4,071
[Summarized Cash Flows]					
Cash flows from operating activities	26,377	22,130	14,253	15,827	30,636
Cash flows from investing activities	(6,022)	(9,218)	(457)	(135)	(8,029)
Cash flows from financing activities					
(before dividends to non-controlling interest)	(19,628)	(126,611)	(525)	(14,876)	(19,886)
Dividends to non-controlling interest	(2,265)	-	(1,864)	-	(3,054)
Effect of exchange rate fluctuation					
on cash held	(24)	17,414	295	(3)	(1,363)
Net increase (decrease)					
in cash and cash equivalents	(1,562)	(96,285)	11,702	813	(1,696)

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

(e) Details of associates

Details of associates as of December 31, 2024 and 2023 are as follows:

Investee	Category of business	Ownership (%)		Region
		2024	2023	
[Domestic]				
DAEHO GLOBAL MANAGEMENT CO., LTD.	Investment advisory service	35.82	35.82	Pohang
Pohang Special Welding Co., Ltd.	welding material and tools manufacturing and sales	50.00	50.00	Pohang
[Foreign]				
POSK(Pinghu) Steel Processing Center Co., Ltd.	Steel processing and sales	20.00	20.00	China
LLP POSUK TITANIUM	Titanium raw material manufacturing and sales	33.90	33.90	Kazakhstan
POSCO SUZHOU PROCESSING CENTER CO.,LTD	Steel processing and sales	30.00	30.00	China
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	Steel processing and sales	23.82	23.82	China
	Steel processing and sales	30.00	30.00	Slovakia
POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER				
ZHANGJIAGANG XIAO-SHA COIL SERVICE CENTER CO.,LTD(*1)	Steel processing and sales	17.50	17.50	China
POSCO Vietnam Processing Center. Co.,Ltd(*1)	Steel processing and sales	9.17	9.17	Vietnam
NS-Thainox Auto Co., Ltd.	STS cold-rolled steel sales and Distribution	49.00	49.00	Thailand
POS-SeAH Steel Wire (Thailand) Co., Ltd.	Steel manufacturing and sales	25.00	25.00	Thailand
SAMHWAN VINA CO., LTD(*1)	Steel manufacturing and sales	17.26	17.26	Vietnam
Brazil Sao Paulo Steel Processing Center	Steel processing and sales	25.00	25.00	Brazil
POSCO-POGGENAMP ELECTRICAL STEEL PRIVATE LIMITED(*2)	Steel processing and sales	16.90	-	India
POSCO INTERNATIONAL INDIA E-MOBILITY(*2, 3)	Steel processing and sales	17.15	-	India

(*1) The Group has determined that it has significant influence even though the Group's percentage of ownership is less than 20% considering the composition of its Board of Directors and others.

(*2) For the year ended December 31, 2024, the Group acquired shares of the entity.

(*3) For the year ended December 31, 2024, POSCO TMC INDIA PRIVATE LIMITED changed its name to POSCO INTERNATIONAL INDIA E-MOBILITY.

(f) New subsidiaries

Details of consolidated subsidiaries newly included in the consolidation scope for the year ended December 31, 2024 are as follows:

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

1. General Information (cont'd)

Company	Date if addition	Ownership (%)	Reason
POSCO Maharashtra Steel Private Limited	December 2024	100.00	Acquisition from POSCO HOLDINGS INC.
POSCO-India Pune Processing Center Private Limited	December 2024	65.00	Acquisition from POSCO HOLDINGS INC.
POSCO ASSAN TST STEEL INDUSTRY Inc.	December 2024	60.00	Acquisition from POSCO HOLDINGS INC.
POSCO INDIA PROCESSING CENTER PRIVATE LIMITED	December 2024	95.32	Acquisition from POSCO HOLDINGS INC.
POSCO-INDIA STEEL DISTRIBUTION CENTER PRIVATE LIMITED	December 2024	65.00	Subsidiary of POSCO-India Pune Processing Center Private Limited

(g) Loss of controls

There are no subsidiaries over which the Group has lost control for the year ended December 31, 2024.

2. Basis of Preparation

Statement of compliance

POSCO and its subsidiaries (collectively referred to as the "Group") prepares its consolidated financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"), enacted based on the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2025 and will be submitted for approval at the shareholders' meeting to be held on March 21, 2025.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

2. Basis of Preparation (cont'd)

Basis of measurement

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

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

Functional and presentation currency

The consolidated financial statements are presented in Korean Won (presented as "Korean won" or "Won"), which is the Group's functional currency which is the currency of the primary economic environment in which the Group operates.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with KIFRS requires management to make judgments, estimates about the future, including climate-related risks and opportunities, 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 and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

2. Basis of Preparation (cont'd)

(a) Judgments

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

- Note 1 – Subsidiaries and associates; and
- Note 10 - Investments in associates.

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

- Note 6 - Allowance for trade accounts and notes receivable;
- Note 9 – Inventory;
- Note 12 - Property, plant and equipment;
- Note 18 – Provisions;
- Note 19 - Employee benefits;
- Note 21 - Financial instruments;
- Note 30 - Income taxes; and
- Note 33 - Commitments and contingencies.

(c) Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group 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 CFO.

The valuation team regularly reviews significant unobservable inputs and valuation

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

2. Basis of Preparation (cont'd)

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 KIFRS including the level in the fair value hierarchy in which such valuation techniques should be classified.

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

When measuring the fair value of an asset or a liability, the Group 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 – quoted prices (unadjusted) 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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 Group 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.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

2. Basis of Preparation (cont'd)

Changes in accounting policies

Except for the standards and amendments applied for the first time for the reporting period commenced January 1, 2024 described below, the accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its financial statements as of and for the year ended December 31, 2023.

1) Amendments to KIFRS 1116: *Lease Liability in a Sale and Leaseback*

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Group's consolidated financial statements.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

2. Basis of Preparation (cont'd)

2) Amendments to KIFRS 1001: *Classification of Liabilities as Current or Non-current*

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that terms of a liability that could result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the entity classifies the option as an equity instrument, recognizing it separately from the liability as an equity component of a compound financial instrument.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's consolidated financial statements.

3) Amendments to KIFRS 1007 *Statement of Cash Flows* and 1107 *Financial Instruments: Disclosures – Supplier Finance Arrangements*

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understand the effects of supplier finance agreements on an entity's liabilities, cash flows, and exposure to liquidity risks.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

2. Basis of Preparation (cont'd)

As a result of implementing the amendments, the Group has provided additional disclosures about its supplier finance arrangement. Please refer to Note 33.

3. Material Accounting Policy Information

The material accounting policy information applied by the Group in preparation of its consolidated financial statements are included below.

Basis of consolidation

(a) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(b) Transactions eliminated on consolidation

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

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

In a business combination of entities or businesses under common control, the assets acquired and liabilities acquired are recognized at their carrying amounts in the consolidated

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

financial statements of the Group. The difference between the consideration transferred and the carrying amount of the net assets acquired is adjusted in capital surplus.

Foreign currency

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.

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.

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 Group 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.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

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 after their initial recognition unless the Group 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

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

- 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 Group 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 or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group 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.

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Notes to the consolidated financial statements, continued

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3. Material Accounting Policy Information (cont'd)

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) Interest rate benchmark reform

The Group reflects the changes in the basis for determining contractual cash flows of financial assets and financial liabilities as a result of interest rate benchmark reform by updating the effective interest rate. A change in the basis for determining the contractual cash flows is required by the interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate, and then applies the policies on accounting for modifications to the additional changes.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

(f) 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 Group has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

If the Group has transferred substantially all the risks and rewards of ownership of a financial asset, the Group continues to recognize the asset and recognizes the asset as a liability.

(g) Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group 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.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

The carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized.

Investment property

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

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

Property, plant and equipment

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group 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 of property and equipment is provided using the straight-line method over the following estimated useful lives:

Buildings	3-50 years
Structures	3-45 years
Machinery	2-25 years
Vehicles	3-15 years
Tools and equipment	2-20 years
Furniture and fixtures	2-15 years

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 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.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

Intellectual property rights	3-20 years
Development expense	4-5 years
Port facilities usage rights	4-75 years
Other intangible assets	3-10 years

Government grants

(a) Grants related to assets

Government grants whose primary condition is that the Group 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 Group for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Group recognizes the related costs as expenses.

Leases

(a) Group as a lessee

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

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

The Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

(b) Group as a lessor

When the Group 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 Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. The Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

Impairment for financial assets

The Group recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost (i.e., cash and cash equivalents and trade and other receivables);
- debt instruments measured at fair value through other comprehensive income; and
- 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.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

If the financial instrument has low credit risk at the end of the reporting period, the Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

(c) Credit-impaired financial assets

At each reporting date, the Group 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;
- and
- 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 Group has no reasonable expectations of recovering a financial asset in entirety or a portion. The Group 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 Group expects no significant recovery from the amount

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities measured at fair value through profit or loss or other financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

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 Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss. If the Group has a legal or constructive obligation which can be reliably measured, the Group 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 12 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

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

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3. Material Accounting Policy Information (cont'd)

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 Group during a period, the Group 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 Group 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 Group'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 Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

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Notes to the consolidated financial statements, continued

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3. Material Accounting Policy Information (cont'd)

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group 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 Group 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 Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions

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

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

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Notes to the consolidated financial statements, continued

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3. Material Accounting Policy Information (cont'd)

Emission rights

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

(a) Greenhouse gas emission right

Greenhouse gas emission rights consist of emission allowances which are allocated from the government free of charge and those purchased from the market. Emission allowances which are allocated from the government free of charge are measured and recognized as zero (0) and 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 portion to be submitted to the government within one year from the reporting date is classified as current assets.

Green gas emission rights are eliminated when future economic benefits are not expected with the rights submitted to the government, sold or not available for sale any more.

(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

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

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3. Material Accounting Policy Information (cont'd)

obligations for emission rights to be submitted to the government for the commitment period. The emission liability is measured based on the expected quantity of emission for the commitment 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.

The Group 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.

Revenue from contracts with customers

Revenue is measured based on the consideration promised in the contract with the customer. The Group 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 KIFRS 1115.

(a) Sale of goods

The goods sold by the Group consist mainly of steel products.

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

For export sales, revenue is recognized at the time when control of the product is transferred

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

to the customer based on the "International Incoterms for Interpretation of Trade Terms" in the respective contracts. The Group's export contracts typically stipulate transfer of control to the customer at the shipment of the products. Invoices are usually issued on 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 Group offers certain discount when the customer makes payments prior to the due date in the invoice in accordance with the payment terms. The Group recognized revenue only to the extent that it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the credit term period elapses.

(b) Transportation service

Revenue for the transportation services performance included in the Group's product sales contracts is recognized over the period when in which the services are provided. Revenue is measured by reference to the degree to which the service has been completed. The billing date and payment terms for the service charge are the same as those for the sale of goods.

Finance income and finance costs

The Group'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; and

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

- 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 Group's right to receive payment is established.

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 Group recognizes interest and penalties related to corporate tax as if it is applicable to the income taxes, the Group applies KIFRS 1012 *Income Taxes*, if it is not applicable to the income taxes, the Group applies KIFRS 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 Group offsets current tax assets and current tax liabilities if, and only if, the Group:

- has a legally enforceable right to set off the recognized amounts, and

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

- 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Group recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Group 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 Group 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

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

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.

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted but the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

(a) Amendments to KIFRS 1021: *Lack of Exchangeability*

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require the disclosure of information that enables users of its financial statements to understand how the currency that not being exchangeable into the other currency affects, or is expected to affect,

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

the Group's financial performance, financial position, and cash flows.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendment, the Group cannot restate comparative information. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

(b) Amendments to KIFRS 1109 and 1107: *Classification and Measurement of Financial Instruments*

The amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments* include the following:

- clarifying that a financial liability is derecognized on the settlement date and introducing an accounting policy choice to derecognize financial liabilities that are settled by using electronic payment system before the settlement date (if specific criteria are met);
- providing additional guidance as to how to assess contractual cash flows of financial assets that include environmental, social and governance (ESG)-linked features and similar features;
- clarifying what constitutes non-recourse features and the characteristics of contractually linked financial instruments; and
- introducing new disclosures for financial instruments with contingent features and adding a disclosure requirement for equity instruments measured at fair value through other comprehensive income.

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but only for the amendments for the classification of financial assets and related disclosures. The Group does not plan to early apply the amendments.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

3. Material Accounting Policy Information (cont'd)

(c) Annual Improvements to KIFRS Volume 11

Annual Improvements to KIFRS – Volume 11 have been announced for the purpose of improving consistency of requirements set out in each standard, enhancing clarity, and providing better understanding of the amendments.

- Amendments to KIFRS 1101 *First-time adoption of KIFRS: Hedge accounting by a first-time adopter*
- Amendments to KIFRS 1107 *Financial Instruments: Disclosures: Gain or loss on derecognition, Guidance for application of amendments in practice*
- Amendments to KIFRS 1109 *Financial Instruments: Accounting for derecognition of lease liabilities and definition of transaction prices*
- Amendments to KIFRS 1110 *Consolidated Financial Statements: Determination of a 'de facto agent'*
- Amendments to KIFRS 1007 *Statement of Cash Flows: Cost Method*

The amendments will be effective for the annual periods beginning on or after January 1, 2026.

Early adoption is permitted but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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Notes to the consolidated financial statements, continued

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4. Risk management

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

- credit risk;
- liquidity risk;
- market risk; and
- capital risk.

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

(a) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities.

The Group, 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.

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

4. Risk management (cont'd)

2) Credit risk

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

The Group implements a credit risk management policy under which the Group only transacts business with counterparties that have a certain level of credit rate evaluated based on financial condition, historical experience, and other factors. The Group'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 Group has established a credit policy under which each new customer is analyzed individually for creditworthiness.

The Group 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 Group manages its exposure to this credit risk by only entering into transactions with banks that have high international credit ratings. The Group's treasury department authorizes, manages, and oversees new transactions with financial institutions with whom the Group has no previous relationship.

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

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

4. Risk management (cont'd)

the approval of the Board of Directors.

3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group's cash flow from business, borrowing or financing is sufficient to meet the cash requirements for the Group's strategic investments. Management believes that the Group is capable of raising funds by borrowing or financing if the Group is not able to generate cash flow requirements from its operations. The Group 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 Group'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 Group's derivative transactions are limited to hedging actual foreign currency transactions and speculative hedging is not permitted. Based on this policy, the Group has performed currency risk

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

4. Risk management (cont'd)

management specific to various characteristics of different segments. The Group 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 Group manages the exposure to interest rate risk by adjusting of borrowing structure ratio between borrowings at fixed interest rate and variable interest rate. The Group monitors interest rate risks regularly in order to avoid exposure to interest rate risk on borrowings at variable interest rate.

③ Market price risk

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

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

4. Risk management (cont'd)

(b) Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure consists of net liability, which is the borrowings less cash and cash equivalents. Details of the net borrowing-to-equity ratio as of December 31, 2024 and 2023 are as follows:

(in millions of Won)		2024	2023
Total borrowings	₩	10,834,806	10,965,714
Less: Cash and cash equivalents		2,435,951	2,426,344
Net borrowings		8,398,855	8,539,370
Total equity	₩	33,367,399	32,850,969
Net borrowings-to-equity ratio		25.17%	25.99%

5. Cash and Cash Equivalents

Details of cash and cash equivalents as of December 31, 2024 and 2023 are as follows:

(in millions of Won)		2024	2023
Cash		406	4,274
Demand deposits and checking accounts(*1)		29,748	212,644
Time deposits		1,466,289	985,682
Other cash equivalents		939,508	1,223,744
	₩	2,435,951	2,426,344

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

5. Cash and Cash Equivalents (cont'd)

(*1) As of December 31, 2024 and 2023, cash and cash equivalents of ₩1,845 million and ₩4,040 million, respectively, are restricted for use in connection with government entrustments.

6. Trade Accounts and Notes Receivable

Details of trade accounts and notes receivable as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Current			
Trade accounts and notes receivable	₩	4,884,992	5,614,573
Less: Allowance for doubtful accounts		(16,458)	(13,692)
	₩	<u>4,868,534</u>	<u>5,600,881</u>
Non-current			
Trade accounts and notes receivable	₩	29,762	37,309
Less: Allowance for doubtful accounts		(19,128)	(12,031)
	₩	<u>10,634</u>	<u>25,278</u>

The Group discounted its trade receivables in accordance with factoring agreement entered into with financial institutions. These trade accounts and notes receivable have not been derecognized from the statement of financial position because the Group 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, 2024 and 2023, the carrying amount of such secured borrowings are ₩56,079 million and ₩34,238 million, respectively, which are presented in the statements of financial position as short-term borrowings.

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Notes to the consolidated financial statements, continued

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7. Other Receivables

(a) Details of other receivables as of December 31, 2024 and 2023, are as follows:

<i>(in millions of Won)</i>		2024	2023
Current			
Loans	₩	25,683	43,257
Other accounts receivable		647,592	443,596
Lease receivables		12,121	11,648
Accrued income		177,763	31,353
Others		3,947	1,963
Less: Allowance for doubtful accounts		(3,814)	(303)
	₩	863,292	531,514
Non-current			
Loans	₩	56,452	55,667
Other accounts receivable		9,156	16,124
Accrued income		188,089	-
Deposits		59,034	46,930
Lease receivables		46,568	57,648
Less: Allowance for doubtful accounts		(25,710)	(21,968)
	₩	333,589	154,401

(b) Other receivables include finance lease receivables and details of lease receivables for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Customer	Leased items		
Pohang University of Science and Technology	Lease contract	₩ 7,429	7,586
Korea Business Angels Association	Lease contract	2,090	2,339
POSCO FUTURE M CO.,LTD.	Lease contract	49,170	59,371
		₩ 58,689	69,296

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

7. Other Receivables (cont'd)

(c) As of December 31, 2024 and 2023, details of the total lease investment and net lease investment by maturity are as follows:

<i>(in millions of Won)</i>		2024	2023
Less than 1 year	₩	14,155	14,095
1 year 3 years		41,627	30,411
3 years 5 years		919	25,433
Over 5 years		9,905	9,747
Undiscounted lease payments		66,606	79,686
Unrealized interest income		(7,917)	(10,390)
Present value of minimum lease payment	₩	58,689	69,296

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

8. Other Financial Assets

(a) Details of other financial assets as of December 31, 2024 and December 31, 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Current			
Derivative assets	₩	301,242	115,362
Debt securities		400,000	292,857
Deposit instruments(*1)		2,977,402	1,212,639
Short-term financial instruments(*1)		413,976	3,595,201
	₩	<u>4,092,620</u>	<u>5,216,059</u>
Non-current			
Derivative assets	₩	453,652	98,030
Equity securities		468,418	429,192
Debt securities		3,217	-
Other securities(*2)		10,091	12,836
Deposit instruments(*1)		123	113
Long-term financial instruments(*1)		213	-
	₩	<u>935,714</u>	<u>540,171</u>

(*1) As of December 31, 2024 and 2023, financial instruments amounting to ₩369 million and ₩113 million, respectively, are restricted in use for financial arrangements, pledge and others.

(*2) As of December 31, 2024, ₩213 million of other securities have been provided as collateral for business of automation of packaging facilities.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

8. Other Financial Assets (cont'd)

(b) Details of equity securities as of December 31, 2024 and 2023 are as follows:

(in millions of Won)

	December 31, 2024						December 31, 2023
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value	Book value
Marketable equity securities							
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	₩ 14,878	13,367	(1,511)	13,367	17,471
YODOGAWA STEEL WORKS, LTD.	600,000	1.72	13,842	31,522	17,680	31,522	20,891
DONGKUK INDUSTRIES CO., LTD.	2,611,989	4.82	12,852	11,571	(1,281)	11,571	12,577
PT. Krakatau Steel	236,625,000	1.22	6,876	2,177	(4,699)	2,177	2,809
AJUSTEEL Co., Ltd.	510,000	1.93	4,600	1,981	(2,619)	1,981	3,621
dhSteel	1,564,296	7.21	4,224	698	(3,526)	698	3,113
Woori Financial Group Inc.	20,280,000	2.79	261,638	311,704	50,066	311,704	263,640
Others (5 companies)			14,616	12,731	(1,885)	12,731	13,020
			333,526	385,751	52,225	385,751	337,142
Non-marketable equity securities							
TAECHANG STEEL	99,999	10.99	8,845	8,845	-	8,845	8,845
Pinetree PosMagnesium Co., Ltd.	11,144,000	19.90	8,794	8,794	-	8,794	8,794
WINSTEEL CO.	342,577	10.00	8,060	8,060	-	8,060	8,060
KOH-A JUNG GONG CO., LTD.	490,000	19.84	7,573	7,573	-	7,573	7,573
POONGSAN SPECIAL METAL CO., LTC	315,790	5.00	7,556	7,556	-	7,556	7,556
DK Corporation	55,000	4.91	7,446	7,446	-	7,446	7,446
DaeSung SnM Co., Ltd.	50,567	8.21	7,237	7,237	-	7,237	7,237
Others (22 companies)			29,861	27,156	(2,705)	27,156	36,539
			85,372	82,667	(2,705)	82,667	92,050
			₩ 418,898	468,418	49,520	468,418	429,192

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

9. Inventories

(a) Details of inventories as of December 31, 2024 and December 31, 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Finished goods	₩	2,178,803	1,819,803
Merchandise		39,832	12,972
Semi-finished goods		2,162,964	2,481,107
Raw materials		2,515,302	1,650,216
Fuel and materials		790,243	685,347
Materials-in-transit		1,791,284	1,924,383
Others		28,374	31,443
		9,506,802	8,605,271
Less: Allowance for inventories valuation		(59,135)	(58,225)
	₩	<u>9,447,667</u>	<u>8,547,046</u>

(b) Changes in allowance for inventories valuation for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Beginning	₩	58,225	79,295
Loss on Valuation of inventories		52,893	58,225
Utilization on sale of inventories		(58,225)	(79,866)
Business combination		2,518	-
Others		3,724	571
Ending	₩	<u>59,135</u>	<u>58,225</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

10. Investments in Associates

(a) Details of investments in associates as of December 31, 2024 and 2023 are as follows:

(in millions of Won)

		2024	2023
Investments in associates	₩	70,599	74,974

(b) Details of investments in associates as of December 31, 2024 and 2023 are as follows:

(in millions of Won)

Company	2024			2023	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
DAEHO GLOBAL MANAGEMENT CO., LTD.	71,647	35.82	₩ 4,108	₩ 4,502	3,943
Pohang Special Welding Co., Ltd.	400,000	50.00	3,111	4,121	4,221
				8,623	8,164
[Foreign]					
POSK(Pinghu) Steel Processing Center Co., Ltd.(*3)	-	20.00	2,313	410	1,041
LLP POSUK Titanium	-	33.90	10,068	11,428	10,420
POSCO SUZHOU PROCESSING CENTER CO.,LTD	-	30.00	2,763	4,752	2,382
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.(-	23.82	23,489	9,932	21,998
POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER	-	30.00	6,206	4,151	4,719
ZHANGJIAGANG XIAO-SHA COIL SERVICE CENTER CO.,LTD(*1)	-	17.50	2,885	2,919	2,760
POSCO Vietnam Processing Center. Co.,Ltd(*1)	6,544,366	9.17	12,101	14,177	12,255
Others (6 companies)(*2, 4)	-	-	12,468	14,207	11,235
				61,976	66,810
				₩ 70,599	74,974

(*1) As of December 31, 2024, it was classified as an associate even though the Group's ownership percentage is less than 20%, considering the Group's significant influence over the investee when it comes to the composition of its Board of Directors and others.

(*2) For the year ended December 31, 2024, the Group acquired shares in POSCO INTERNATIONAL INDIA E-MOBILITY and another associate.

(*3) As of December 31, 2024, the book value significantly exceeded the recoverable amount, thereby ending up with the recognition of the impairment loss.

(*4) For the year ended December 31, 2024, POSCO TMC INDIA PRIVATE LIMITED changed its name to POSCO INTERNATIONAL INDIA E-MOBILITY.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

10. Investments in Associates (cont'd)

(c) Changes in investments in associates for the year ended December 31, 2024 are as follows:

(in millions of Won)

Company	2023, Book value	Acquisition	Share of profits (losses)	Others increase (decrease)(*1)	2024, Book value
[Domestic]					
DAEHO GLOBAL MANAGEMENT CO., LTD.	₩ 3,943	-	460	99	4,502
Pohang Special Welding Co., Ltd.	4,221	-	(93)	(7)	4,121
	<u>8,164</u>	<u>-</u>	<u>367</u>	<u>92</u>	<u>8,623</u>
[Foreign]					
POSK(Pinghu) Steel Processing Center Co., Ltd.	1,041	-	(725)	94	410
LLP POSUK Titanium	10,420	-	270	738	11,428
POSCO SUZHOU PROCESSING CENTER CO., LTD	2,382	-	2,039	331	4,752
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.(*2)	21,998	-	(13,857)	1,791	9,932
ZHANGJIAGANG XIAO-SHA COIL SERVICE CENTER CO., LTD	2,760	-	(43)	202	2,919
POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER	4,719	-	(896)	328	4,151
POSCO Vietnam Processing Center. Co., Ltd	12,255	-	452	1,470	14,177
Others (6 companies)	11,235	540	481	1,951	14,207
	<u>66,810</u>	<u>540</u>	<u>(12,279)</u>	<u>6,905</u>	<u>61,976</u>
	<u>₩ 74,974</u>	<u>540</u>	<u>(11,912)</u>	<u>6,997</u>	<u>70,599</u>

(*1) Other increase (decrease) represents the changes in investments in associates and joint ventures due to change in capital adjustments effect from accumulated other comprehensive income and others for the year ended December 31, 2024.

(*2) As a result of the impairment test, the Group recognized ₩6,358 million of impairment loss.

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

10. Investments in Associates (cont'd)

(d) The summarized financial information on associates and joint ventures as of and for the year ended December 31, 2024 and 2023 are as follows:

1) As of and for the year ended December 31, 2024

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
DAEHO GLOBAL MANAGEMENT CO., LTD.	₩ 18,400	269	18,131	-	1,284
Pohang Special Welding Co., Ltd.	10,073	2,346	7,727	6,021	(187)
[Foreign]					
POSK(Pinghu) Steel Processing Center Co., Ltd.	4,478	1,435	3,043	782	(3,623)
LLP POSUK Titanium	71,619	53,748	17,871	36,385	796
POSCO SUZHOU PROCESSING CENTER CO., LTD	15,095	1,280	13,815	11,565	6,797
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	98,195	37,710	60,485	104,495	(31,480)
ZHANGJIAGANG XIAO-SHA COIL SERVICE CENTER CO., LTD	41,208	26,533	14,675	74,377	(3,415)
POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER	29,090	8,911	20,179	59,552	(248)
POSCO Vietnam Processing Center. Co., Ltd	267,778	134,759	133,019	637,594	5,307

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

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
DAEHO GLOBAL MANAGEMENT CO., LTD.	₩ 16,838	269	16,569	-	(195)
Pohang Special Welding Co., Ltd.	11,443	3,517	7,926	7,322	465
[Foreign]					
POSK(Pinghu) Steel Processing Center Co., Ltd.	10,214	4,016	6,198	9,058	(4,208)
LLP POSUK Titanium	59,690	44,766	14,924	33,633	865
POSCO SUZHOU PROCESSING CENTER CO., LTD	12,089	6,175	5,914	27,609	(1,221)
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	137,098	52,652	84,446	114,447	(5,945)
ZHANGJIAGANG XIAO-SHA COIL SERVICE CENTER CO., LTD	24,755	5,482	19,273	40,390	86
POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER	54,431	37,433	16,998	104,126	443
POSCO Vietnam Processing Center. Co., Ltd	238,694	127,038	111,656	577,064	7,003

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

11. Investment Property, Net

(a) Details of investment properties as of December 31, 2024 and 2023 are as follows:

(in millions of Won)		2024			2023		
		Acquisition Cost	Accumulated depreciation and impairment loss	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Book value
Land	₩	81	-	81	81	-	81
Buildings		7,260	(3,283)	3,977	7,260	(2,932)	4,328
Structures		1,749	(771)	978	1,749	(684)	1,065
Right-of-use assets		77,044	(27,018)	50,026	75,072	-	75,072
	₩	86,134	(31,072)	55,062	84,162	(3,616)	80,546

As of December 31, 2024, the fair values of investment properties approximate their carrying amounts.

(b) Changes in the carrying amounts of investment properties for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

(in millions of Won)	Beginning	Depreciation(*1)	Others(*2)	Ending
Land	₩ 81	-	-	81
Buildings	4,328	(351)	-	3,977
Structures	1,065	(87)	-	978
Right-of-use assets	75,072	(27,018)	1,972	50,026
	₩ 80,546	(27,456)	1,972	55,062

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

(*2) Others include the transfer resulting from changes in rental ratio of the subleased asset.

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

11. Investment Property, Net (cont'd)

2) For the year ended December 31, 2023

(in millions of Won)		Beginning	Depreciation(*1)	Others(*2)	Ending
Land	₩	3,718	-	(3,637)	81
Buildings		9,048	(1,120)	(3,600)	4,328
Structures		5,150	(486)	(3,599)	1,065
Right-of-use assets		-	-	75,072	75,072
	₩	17,916	(1,606)	64,236	80,546

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

(*2) Others include the transfer resulting from changes in the purpose of use.

(*3) For the year ended December 31, 2023, the Group classified the subleased right-of-use asset as investment property.

12. Property, Plant and Equipment, Net

(a) Details of property, plant and equipment as of December 31, 2024 and 2023 are as follows:

(in millions of Won)	2024					2023				
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Government grants	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Government grants	Book value
Land	₩ 1,900,497	-	-	-	1,900,497	1,780,406	-	-	-	1,780,406
Buildings	8,142,941	(5,326,425)	(109,050)	(3,275)	2,704,191	7,450,980	(4,903,859)	(89,292)	(3,317)	2,454,512
Structures	6,642,258	(3,779,983)	(58,396)	-	2,803,879	5,802,045	(3,429,179)	(42,726)	-	2,330,140
Machinery and equipment	49,923,972	(34,983,913)	(596,277)	(44)	14,343,738	45,895,007	(32,322,903)	(439,764)	(51)	13,132,289
Vehicles	326,997	(274,063)	(894)	(2,172)	49,868	286,108	(242,430)	(799)	(1,961)	40,918
Tools	329,657	(267,447)	(4,572)	-	57,638	303,486	(246,087)	(4,506)	-	52,893
Furniture and fixtures	454,365	(361,483)	(3,786)	(13)	89,083	369,370	(270,684)	(3,297)	(25)	95,364
Lease assets	1,305,848	(668,274)	(1,918)	-	635,656	1,163,380	(524,108)	(1,683)	-	637,589
Construction-in-progress	2,651,919	-	(41,153)	-	2,610,766	3,118,974	-	(41,506)	-	3,077,468
	₩ 71,678,454	(45,661,588)	(816,046)	(5,504)	25,195,316	66,169,756	(41,939,250)	(623,573)	(5,354)	23,601,579

(b) Changes in the carrying amounts of property, plant and equipment for each of the two years in the period ended December 31, 2024 are as follows:

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

12. Property, Plant and Equipment, Net (cont'd)

1) For the year ended December 31, 2024

(in millions of Won)		Beginning	Acquisitions	Business Combination	Disposals	Depreciation	Impairment(*2)	Others(*1)	Ending
Land	₩	1,780,406	-	36,363	(130)	-	-	83,858	1,900,497
Buildings		2,454,512	1,375	210,065	(528)	(234,934)	(10,390)	284,091	2,704,191
Structures		2,330,140	4,597	50,627	(3,777)	(237,531)	(16,701)	676,524	2,803,879
Machinery and equipment		13,132,289	57,852	361,614	(21,889)	(2,037,558)	(178,800)	3,030,230	14,343,738
Vehicles		40,918	4,611	3,554	(347)	(27,384)	-	28,516	49,868
Tools		52,893	7,477	4,481	(210)	(21,164)	(24)	14,185	57,638
Furniture and fixtures		95,364	7,573	4,986	(889)	(36,982)	(216)	19,247	89,083
Right-of-use assets		637,589	30,675	27,493	(4,144)	(88,210)	-	32,253	635,656
Construction-in-progress		3,077,468	3,261,280	2,226	(1,587)	-	(17,718)	(3,710,903)	2,610,766
	₩	23,601,579	3,375,440	701,409	(33,501)	(2,683,763)	(223,849)	458,001	25,195,316

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

(*2) The Group estimated the recoverable amount after calculating the net fair value of individual assets whose operation was suspended due to operation plan changes, such as steelmaking plant no. 1 and blast furnace no. 4 in Pohang, and recognized an impairment loss of ₩223,849 million for property, plant and equipment for the year ended December 31, 2024.

2) For the year ended December 31, 2023

(in millions of Won)		Beginning	Acquisitions	Business Combination	Disposals	Depreciation	Impairment	Others(*1)	Ending
Land	₩	1,306,119	14,718	470,650	(1,607)	-	-	(9,474)	1,780,406
Buildings		2,112,378	5,076	462,255	(1,341)	(206,607)	(26,340)	109,091	2,454,512
Structures		2,030,737	2,998	390,814	(7,654)	(190,107)	(28,181)	131,533	2,330,140
Machinery and equipment		11,852,921	75,195	1,527,526	(49,581)	(1,808,050)	(145,404)	1,679,682	13,132,289
Vehicles		20,974	21,243	2,313	(169)	(15,592)	-	12,149	40,918
Tools		41,130	18,105	5,638	(221)	(20,658)	(11)	8,910	52,893
Furniture and fixtures		78,174	10,713	6,002	(273)	(31,889)	(133)	32,770	95,364
Right-of-use assets		391,776	147,620	238,258	-	(50,948)	-	(89,117)	637,589
Construction-in-progress		1,833,679	3,367,117	6,095	-	-	-	(2,129,423)	3,077,468
	₩	19,667,888	3,662,785	3,109,551	(60,846)	(2,323,851)	(200,069)	(253,879)	23,601,579

(*1) Others represent assets transferred from construction-in-progress to property, plant and equipment, reclassifications resulting from changes in the purpose of use, right-of-use assets transferred to investment properties, adjustments of foreign currency translation differences and others.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

12. Property, Plant and Equipment, Net (cont'd)

(*2) The Group estimated the recoverable amount after calculating the net fair value of individual assets whose operation was suspended due to operation plan change, such as lithium production facilities in Gwangyang and Argentina, and recognized an impairment loss of ₩199,774 million on property, plant and equipment whose recoverable amount was less the book value.

(c) Details of borrowing costs capitalized and the capitalized interest rate for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Weighted average expenditure	₩	1,918,316	1,593,142
Borrowing costs capitalized		90,333	63,614
Capitalization rate		4.71%	3.99%

(d) Details of property, plant and equipment and investment property pledged as collateral for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		Book value	
	Collateral right holder	2024	2023
Land	Korea Development Bank and others	₩ 11,047	353,002
Buildings and structures	Korea Development Bank and others	181,184	462,716
Machinery and equipment	Korea Development Bank	481,436	746,949
		₩ <u>673,667</u>	<u>1,562,667</u>

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

12. Property, Plant and Equipment, Net (cont'd)

(e) Changes in the carrying amounts of right-of-use assets presented as property, plant and equipment and investment property for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

<i>(in millions of Won)</i>	Beginning	Acquisitions	Business Combination	Depreciation	Others	Ending
Land	₩ 52,186	-	6,157	(1,124)	4,740	61,959
Buildings and structures	236,687	16,465	525	(62,475)	4,874	196,076
Machinery and equipment	224,120	2,171	19,801	(25,042)	21,858	242,908
Vehicles	10,361	3,115	185	(4,977)	521	9,205
Ships	176,687	-	-	(16,685)	-	160,002
Furniture and fixtures	12,620	8,924	825	(4,926)	(1,911)	15,532
	₩ 712,661	30,675	27,493	(115,229)	30,082	685,682

2) For the year ended December 31, 2023

<i>(in millions of Won)</i>	Beginning	Acquisitions	Business Combination	Depreciation	Others (*1)	Ending
Land	₩ 53,277	-	-	(1,598)	507	52,186
Buildings and structures	115,408	132,357	7,834	(18,005)	(907)	236,687
Machinery and equipment	11,697	160	229,518	(7,743)	(9,512)	224,120
Vehicles	1,634	10,117	870	(1,963)	(297)	10,361
Ships	193,373	-	-	(16,686)	-	176,687
Furniture and fixtures	16,387	4,986	36	(4,953)	(3,836)	12,620
	₩ 391,776	147,620	238,258	(50,948)	(14,045)	712,661

(f) The amounts recognized in profit or loss related to leases for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>	2024	2023
Interest on lease liabilities	₩ 53,429	10,837
Expenses relating to short-term leases	13,422	34,151
Expenses relating to leases of low-value assets	7,855	6,722
	₩ 74,706	51,710

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

13. Intangible Assets, Net

(a) Details of intangible assets as of December 31, 2024 and 2023 are as follows:

(in millions of Won)	2024			2023		
	Acquisition cost	Accumulated amortization and impairment loss	Book value	Acquisition cost	Accumulated amortization and impairment loss	Book value
Intellectual property rights	₩ 79,083	(58,420)	20,663	67,287	(51,505)	15,782
Membership	89,622	(3,720)	85,902	89,822	(4,019)	85,803
Development expense	717,828	(648,488)	69,340	730,040	(629,779)	100,261
Port facilities usage rights	681,386	(514,013)	167,373	682,305	(500,132)	182,173
Construction-in-progress	106,029	-	106,029	47,954	-	47,954
Other intangible assets	322,598	(304,913)	17,685	295,617	(279,970)	15,647
	₩ 1,996,546	(1,529,554)	466,992	1,913,025	(1,465,405)	447,620

(b) Changes in the carrying amounts of intangible assets for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

(in millions of Won)	Business						
	Beginning	Acquisitions	Combination	Disposals	Amortization	Impairment	Ending
Intellectual property rights	₩ 15,782	197	-	(235)	(8,581)	-	20,663
Membership(*1)	85,803	68	-	(64)	-	(11)	85,902
Development expense	100,261	5,073	-	(22)	(58,089)	(597)	69,340
Port facilities usage rights	182,173	-	-	-	(14,800)	-	167,373
Construction-in-progress	47,954	95,388	-	(36)	-	-	106,029
Other intangible assets	15,647	926	589	(24)	(6,202)	-	17,685
	₩ 447,620	101,652	589	(381)	(87,672)	(608)	466,992

(*1) The economic useful life of membership is indefinite.

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

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

13. Intangible Assets, Net (cont'd)

2) For the year ended December 31, 2023

<i>(in millions of Won)</i>	Beginning	Acquisitions	Business Combination	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Intellectual property rights	₩ 20,850	89	1,252	(4)	(6,376)	-	(29)	15,782
Membership(*1)	84,844	1,116	-	(114)	-	(29)	(14)	85,803
Development expense	101,961	13,129	1,194	(97)	(65,534)	-	49,608	100,261
Port facilities usage rights	196,973	-	-	-	(14,800)	-	-	182,173
Construction-in-progress	51,105	41,275	-	(2)	-	-	(44,424)	47,954
Other intangible assets	13,155	7,127	186	(20)	(4,918)	(4,028)	4,145	15,647
	₩ 468,888	62,736	2,632	(237)	(91,628)	(4,057)	9,286	447,620

(*1) The economic useful life of membership is indefinite.

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

14. Other Assets

Details of other assets as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>	2024	2023
Current		
Advance payments	₩ 22,273	40,364
Prepaid expenses	122,878	105,138
Others	542	371
	₩ 145,693	145,873
Non-current		
Long-term advance payments	₩ 380	1,109
Long-term prepaid expenses	5,421	5,030
Others	29,046	50,791
	₩ 34,847	56,930

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

15. Borrowings

(a) Details of short-term borrowings and current portion of long-term borrowings and others as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>	Lenders	Maturity date	Interest rate (%)	2024	2023
Short-term borrowings					
Bank overdrafts	JP Morgan	January, 2025~ December, 2025	3.65 ~ 7.45	₩ 67,328	32,901
Short-term borrowings	SC and others	January, 2025~ December, 2025	1.8 ~ 62	1,076,198	706,128
				<u>1,143,526</u>	<u>739,029</u>
Current portion of long-term liabilities					
Current portion of long-term borrowings	POSCO-ASIA	April, 2025	4.37	5,351	293,711
Current portion of debentures	Global debentures 7-2nd and others	January, 2025~ August, 2025	2.5~4.04	2,375,800	1,977,995
Less: Current portion of discount on debentures issued				<u>(2,473)</u>	<u>(1,355)</u>
				<u>2,378,678</u>	<u>2,270,351</u>
				<u>₩ 3,522,204</u>	<u>3,009,380</u>

(b) Details of long-term borrowings as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>	Lenders	Maturity date	Interest rate (%)	2024	2023
Long-term borrowings	Korea Development Bank and others	May, 2026~ December, 2032	3.35~6.36	₩ 840,994	1,494,110
Less: Present value discount				(7,599)	(3,596)
Debentures	Global debentures 8-2nd and others	January, 2026~ January, 2033	1.72~6.38	6,515,000	6,505,536
Less: Discount on debentures issued				<u>(35,793)</u>	<u>(39,716)</u>
				<u>₩ 7,312,602</u>	<u>7,956,334</u>

(c) Details of assets pledged as collateral with regards to the borrowings as of December 31, 2024 are as follows:

<i>(in millions of Won)</i>	Lenders	Book value	Pledged amount
Property, plant and equipment	Export-Import Bank of Korea and others	₩ 673,667	773,719
Trade accounts and notes receivable	Shinhan Card	56,079	56,079
		<u>₩ 729,746</u>	<u>829,798</u>

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

16. Other Payables

Details of other payables as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Current			
Accounts payable	₩	830,843	925,976
Accrued expenses		800,276	655,507
Dividend payable		9	9
Lease liabilities		113,023	108,638
Withholdings		20,711	22,042
	₩	<u>1,764,862</u>	<u>1,712,172</u>
Non-current			
Accounts payable	₩	1,109	1,619
Accrued expenses		1,848	1,287
Lease liabilities		632,592	629,924
Long-term withholdings		1,314	300
	₩	<u>636,863</u>	<u>633,130</u>

17. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Current			
Financial guarantee liabilities	₩	-	769
Non-current			
Derivative liabilities	₩	-	54,955
Financial guarantee liabilities		-	1,121
	₩	<u>-</u>	<u>56,076</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

18. Provisions

(a) Details of provisions as of December 31, 2024 and 2023 are as follows:

(in millions of Won)	December 31, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 29,274	51,143	26,470	29,159
Provision for restoration(*1)	2,977	977	5,442	920
Emission liabilities(*2)	542	-	370	-
Provision for product warranties(*3)	17,844	3,599	20,153	3,627
Provision for legal contingencies and claims(*4)	652	32,211	467	49
	₩ 51,289	87,930	52,902	33,755

(*1) As of December 31, 2024, due to contamination of certain factory sites in the Group's Pohang works, the Group recognized present value of the estimated cost for recovery as provisions for restoration. In order to determine the estimated costs, the Group has assumed that it would use all of technologies and materials which are currently available to recover the land. In addition, the Group has applied the discount rate of 2.79% to calculate present value of costs.

(*2) The Group has recognized liabilities for the amount of greenhouse gas emissions expected to exceed its greenhouse gas allowances allocated free of charge.

(*3) As of December 31, 2024, the Group recognized the expected claim cost to be charged as a provision.

(*4) As of December 31, 2024, the Group recognized provisions in relation to lawsuits.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

18. Provisions (cont'd)

(b) Changes in provisions for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Business Combination	Others	Ending
Provision for bonus payments	₩ 55,629	88,626	(37,560)	(27,024)	105	641	80,417
Provision for restoration	6,362	244	(1,012)	(1,640)	-	-	3,954
Emission liabilities	370	531	(359)	-	-	-	542
Provision for product warranties	23,780	10,572	(12,909)	-	-	-	21,443
Provision for legal contingencies and claims	516	32,211	(47)	-	135	48	32,863
Others	-	9,237	(9,237)	-	-	-	-
₩	86,657	141,421	(61,124)	(28,664)	240	689	139,219

2) For the year ended December 31, 2023

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Business Combination	Others	Ending
Provision for bonus payments	₩ 43,199	41,126	(30,733)	(948)	3,101	(116)	55,629
Provision for legal contingencies and claims	21,444	2,795	(23,083)	(615)	-	(25)	516
Provision for restoration	7,044	400	(1,082)	-	-	-	6,362
Emission liabilities	776	431	(837)	-	-	-	370
Provision for product warranties	39,193	37,238	(38,767)	(13,884)	-	-	23,780
₩	111,656	81,990	(94,502)	(15,447)	3,101	(141)	86,657

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Expense related to post-employment benefit plans under defined contribution plans	₩	57,148	51,149

(b) Defined benefit plans

- 1) The amounts recognized in relation to net defined benefit liabilities (assets) in the consolidated statements of financial position as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Present value of funded obligations	₩	1,473,467	1,357,578
Fair value of plan assets(*1)		(1,717,646)	(1,681,398)
Present value of non-funded obligations		26,171	26,395
Net defined benefit assets	₩	(218,008)	(297,425)

(*1) As of December 31, 2024 and 2023, the Group recognized net defined benefit assets amounting to ₩242,940 million and ₩324,232 million respectively, since the fair values of plan assets exceeded the present values of defined benefit obligations at consolidation level.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

19. Employee Benefits (cont'd)

- 2) Changes in the present values of defined benefit obligations for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Defined benefit obligation at the beginning of period	₩	1,383,973	1,288,252
Current service costs		135,316	116,868
Interest costs		52,899	53,467
Remeasurements :		102,816	54,093
- Loss (gain) from change in financial assumptions		51,384	68,371
- Loss (gain) from change in demographic assumptions		2,133	(4,631)
- Loss (gain) from change in others		49,299	(9,647)
Benefits paid		(188,721)	(121,001)
Business combination		11,889	-
Others		1,466	(7,706)
Defined benefit obligation at the end of period	₩	1,499,638	1,383,973

- 3) Changes in the fair values of plan assets for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Fair value of plan assets at the beginning of period	₩	1,681,398	1,586,314
Interest on plan assets		68,203	71,555
Remeasurement of plan assets		11,252	17,463
Contributions to plan assets		118,996	115,108
Benefits paid		(162,310)	(99,003)
Others		107	(10,039)
Fair value of plan assets at the end of period	₩	1,717,646	1,681,398

The Group expects to make an estimated contribution of ₩89,243 million to the defined benefit plan assets in 2025.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

19. Employee Benefits (cont'd)

- 4) The fair values of plan assets as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>	2024	2023
Debt instruments	₩ 238,849	258,086
Deposits	1,478,772	1,398,033
Others	25	25,279
	₩ 1,717,646	1,681,398

- 5) The amounts related to net defined benefit plans recognized in the consolidated statement of comprehensive income for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>	2024	2023
Current service costs	₩ 135,316	116,868
Net interest costs(*1)	(15,304)	(18,088)
	₩ 120,012	98,780

- (*1) The actual return on plan assets amounts to ₩79,455 million and ₩89,018 million for the years ended December 31, 2024 and 2023, respectively.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

19. Employee Benefits (cont'd)

- 6) Details of remeasurement gains (losses) in other comprehensive income for each of the two years in the period ended December 31, 2024 are as follows: for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Beginning	₩	70,778	98,228
Remeasurements of defined benefit plans		(67,764)	(27,450)
Ending	₩	3,014	70,778

- 7) The principal actuarial assumptions as of December 31, 2024 and 2023 are as follows:

<i>(%)</i>	2024	2023
Discount rate	2.5 ~ 7.09	3.07 ~ 7.50
Expected future increases in salaries(* 1)	1.5 ~ 29.32	1.50 ~ 28.11

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

All assumptions deigned to calculate the defined benefit obligations 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.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

19. Employee Benefits (cont'd)

- 8) A quantitative sensitivity analysis for changes in significant assumptions of defined benefit obligations as of December 31, 2024 is as follows:

(in millions of Won)		1% Increase		1% Decrease	
		Amount	Percentage (%)	Amount	Percentage (%)
Discount rate	₩	(91,272)	(6.1)	113,106	7.5
Expected future increases in salaries		111,148	7.4	(90,309)	(6.0)

- 9) As of December 31, 2024, the maturity of the expected benefit payments is 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	₩	192,389	583,852	396,635	1,171,416	288,145	2,632,437

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

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

20. Other Liabilities

Details of other liabilities as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Current			
Advances received	₩	60,132	34,023
Unearned revenue		81,086	52,288
Withholdings		72,745	45,929
Others		46	29
	₩	<u>214,009</u>	<u>132,269</u>
Non-current			
Unearned revenue	₩	1,380	1,640
Others		92	11
	₩	<u>1,472</u>	<u>1,651</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments

(a) Classification and fair value of financial instruments

- 1) The carrying amounts and fair values of financial assets and liabilities as of December 31, 2024 and 2023 are as follows:

① As of December 31, 2024

(in millions of Won)		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivate assets	₩ 754,894	-	754,894	-	754,894
Short term financial instruments	413,976	-	413,976	-	413,976
Long term financial instruments	214	-	214	-	214
Debt securities	3,217	-	-	3,217	3,217
Equity securities	35,541	-	-	35,541	35,541
Other securities	10,091	-	-	10,091	10,091
Fair value through other comprehensive income					
Equity securities	432,877	385,750	-	47,127	432,877
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	2,435,951	-	-	-	-
Trade accounts and notes receivable	4,867,571	-	-	-	-
Other receivables	753,880	-	-	-	-
Debt securities	400,000	-	-	-	-
Deposit instruments	2,977,524	-	-	-	-
	₩ 13,085,736	385,750	1,169,084	95,976	1,650,810
Financial liabilities					
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	4,186,525	-	-	-	-
Borrowings	10,834,806	-	11,032,896	-	11,032,896
Financial guarantee liabilities	-	-	-	-	-
Others	2,178,243	-	-	-	-
	₩ 17,199,574	-	11,032,896	-	11,032,896

(*1) The fair values of financial assets and liabilities measured at amortized cost except borrowings approximate their carrying amounts.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

② As of December 31, 2023

(in millions of Won)

(in millions of Won)		Fair value				
		Book value	Level 1	Level 2	Level 3	Total
Financial assets						
Fair value through profit or loss						
Derivate assets	₩	213,392	-	213,392	-	213,392
Short term financial instruments		3,595,201	-	3,595,201	-	3,595,201
Debt securities		3,420	-	-	3,420	3,420
Equity securities		1,526	-	-	1,526	1,526
Other securities		12,836	-	-	12,836	12,836
Fair value through other comprehensive income						
Equity securities		427,666	337,142	-	90,524	427,666
Financial assets measured at amortized cost(*1)						
Cash and cash equivalents		2,426,344	-	-	-	-
Trade accounts and notes receivable		5,621,333	-	-	-	-
Other receivables		341,685	-	-	-	-
Debt securities		289,437	-	-	-	-
Deposit instruments		1,212,752	-	-	-	-
	₩	14,145,592	337,142	3,808,593	108,306	4,254,041
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities	₩	54,955	-	54,955	-	54,955
Financial liabilities measured at amortized cost(*1)						
Trade accounts and notes payable		3,334,297	-	-	-	-
Borrowings		10,965,714	-	11,064,231	-	11,064,231
Financial guarantee liabilities		1,890	-	-	-	-
Others		2,225,836	-	-	-	-
	₩	16,582,692	-	11,119,186	-	11,119,186

(*1) The fair values of financial assets and liabilities measured at amortized cost except borrowings approximate their carrying amounts.

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

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

Fair values of financial instruments 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. Debt instruments were measured using market-observable interest rates.

3) Financial assets and financial liabilities classified as the fair value hierarchy Level 3

- ① Details of valuation methods for major financial assets classified as the fair value hierarchy Level 3 and input variables that are significant but not observable as of December 31, 2024 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	₩ 95,976	Asset value approach	-	-	-

- ② Changes in the fair values of financial assets classified as the fair value hierarchy Level 3 for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Won)		2024	2023
Beginning	₩	108,306	105,445
Acquisition		348	6,357
Gain or loss on valuation of financial assets		2,073	(2,525)
Other comprehensive income (loss)		(1,059)	(971)
Disposal		(13,692)	-
Ending	₩	95,976	108,306

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

- 4) Details of the amount guarantee commitments provided by the consolidated entity as of December 31, 2024 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-VIETNAM Co., Ltd.	Citi	USD	25,000,000	36,750	11,363,636	16,705
		HSBC	USD	40,000,000	58,800	18,181,818	26,727
		Shinhan Bank	USD	45,000,000	66,150	20,454,545	30,068
	POSCO COATED STEEL (THAILAND) CO.,	Citi	THB	800,000,000	34,400	392,000,000	16,856
		HSBC	THB	800,000,000	34,400	392,000,000	16,856
		Mizuho	THB	800,000,000	34,400	392,000,000	16,856
		MUFG	THB	800,000,000	34,400	392,000,000	16,856
		SC	THB	800,000,000	34,400	392,000,000	16,856
		SMBC	THB	800,000,000	34,400	392,000,000	16,856
	POSCO ASSAN TST STEEL INDUSTRY	Citi	USD	42,145,620	61,954	42,145,620	61,954
		Shinhan Bank	USD	40,352,190	59,318	40,352,190	59,318
		Woori Bank	USD	40,352,190	59,318	40,352,190	59,318
POSCO STEELEON CO.,LTD.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd.	USD	13,986,947	20,561	13,986,947	20,561
[Associates]							
POSCO	LLP POSUK Titanium	Shinhan Bank	USD	12,750,000	18,743	12,750,000	18,743
[Others]							
POSCO Maharashtra Steel Private Limited	REGIONAL OFFICER MAHARA	HSBC	INR	5,000,000	86	5,000,000	86
	Gail India	DB	INR	497,862,688	8,558	497,862,688	8,558
	MAHARASHTRA POLLUTION CONTROL BOARD	DB	INR	500,000	9	500,000	9
	MAHARASHTRA STATE ELECTRICITY	HSBC	INR	330,401,355	5,680	330,401,355	5,680
POSCO COATED STEEL (THAILAND) CO., LTD.	BUREAU OF INDIAN STANDARDS (BIS)	SC	THB	16,069,000	691	16,069,000	691
	AMATA NATURAL GAS DISTRIBUTION COMPANY LIMITED	SC	THB	38,500,000	1,656	38,500,000	1,656
	BUREAU OF INDIAN STANDARDS (BIS)	SC	USD	10,000	15	10,000	15
			USD	259,596,947	381,609	199,596,946	293,409
			THB	4,854,569,000	208,747	2,406,569,000	103,483
			INR	833,764,043	14,333	833,764,043	14,333

- 5) Financial income and costs by category of financial instruments for the years ended December 31, 2024 and 2023 are as follows:

① For the year ended December 31, 2024

(in millions of Won)		Finance income and costs(*1)						Other comprehensive income
		Interest income (expense)	Dividend income	Gain and loss on foreign currency	Gain on disposal	Gain valuation	Others	Total
Financial assets at fair value through profit or loss	₩	151	-	-	100,355	31,921	(5,560)	126,867
Derivative assets					76,643	679,953		756,596
Financial assets at fair value through other comprehensive income		-	26,886	-	-	-	-	26,886
Financial assets measured at amortized cost		170,848	-	415,430	(53)	-	-	586,225
Financial liabilities at fair value through profit or loss		-	-	-	373	54,956	-	55,329
Financial liabilities measured at amortized cost		(573,394)	-	(1,105,653)	-	-	2,104	(1,676,943)
	₩	(402,395)	26,886	(690,223)	177,318	766,830	(3,456)	(125,040)
								30,687

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

② For the year ended December 31, 2023

(in millions of Won)

	Finance income and costs(*1)						Other comprehensive income
	Interest income (expense)	Dividend income	Gain and loss on foreign currency	Gain on disposal	Gain valuation	Others	
Financial assets at fair value through profit or loss	₩ 189	-	(371)	99,392	315,654	(790)	414,074
Financial assets at fair value through other comprehensive income	-	2,517	-	-	-	-	2,517
Financial assets measured at amortized cost	188,046	-	55,908	-	-	-	243,954
Financial liabilities at fair value through profit or loss	-	-	60	(4,394)	8,221	-	3,887
Financial liabilities measured at amortized cost	(452,385)	-	(270,467)	-	-	(1,820)	(724,672)
	₩ (264,150)	2,517	(214,870)	94,998	323,875	(2,610)	(60,240)
							4,231

(b) Credit risk

1) Credit risk exposure

The carrying amounts of financial assets and contract assets represent the Group's maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2024 and 2023 are as follows:

(in millions of Won)

	2024	2023
Cash and cash equivalents	₩ 2,435,951	2,426,344
Derivate assets	754,894	213,392
Short-term financial instruments	413,976	3,595,201
Long-term financial instruments	213	-
Debt securities	403,217	292,857
Equity securities	10,091	12,836
Other securities	35,541	1,526
Other receivables	753,880	341,685
Trade accounts and notes receivable	4,879,168	5,626,159
Deposit instruments	2,977,524	1,212,752
	₩ 12,664,455	13,722,752

The Group provided financial guarantee for the repayment of loans of associates and third parties. As of December 31, 2024 and 2023, the maximum exposure to credit risk

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

caused by financial guarantee amounts to ₩34,760 million and ₩227,064 million, respectively.

2) Impairment losses on financial assets and contract assets

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

- ① Details of allowances for doubtful accounts as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>	2024	2023
Trade accounts and notes receivable	₩ 35,586	25,723
Other accounts receivable	9,685	5,807
Loans	19,379	16,464
Others	460	-
	₩ 65,110	47,994

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

- ② Details of impairment losses on financial assets for each of the two years in the period ended December 31, 2024 are as follows:

	2024	2023
Bad debt expenses	₩ 3,903	7,926
Other bad debt expenses(*1)	2,302	5,516
Less: Recovery of allowance for other bad debt accounts	-	-
	₩ 6,205	13,442

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

- ③ The aging analysis on trade receivables and their allowance for doubtful accounts as of December 31, 2024 and 2023 is as follows:

(in millions of Won)	2024		2023	
	Trade accounts and notes receivable	Allowance for doubtful accounts	Trade accounts and notes	Allowance for doubtful accounts
Not due	₩ 4,786,932	974	5,400,130	1,215
Over due less than 1 month	58,505	799	141,718	2,086
1 month - 3 months	10,465	161	26,447	2,526
3 months - 12 months	7,240	2,621	51,249	939
Over 12 months	51,612	31,031	32,338	18,957
	₩ 4,914,754	35,586	5,651,882	25,723

- ④ The aging analysis on other receivables and their allowances for doubtful accounts as of December 31, 2024 and 2023 is as follows:

(in millions of Won)	2024		2023	
	Loans and other account receivable	Allowance for doubtful accounts	Loans and other account receivable	Allowance for doubtful accounts
Not due	₩ 716,315	24,749	330,399	21,986
Over due less than 1 month	1,595	1	917	-
1 month - 3 months	40,194	-	24,964	-
3 months - 12 months	8,763	2	5,424	14
Over 12 months	16,538	4,772	2,252	271
	₩ 783,405	29,524	363,956	22,271

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

- ⑤ Changes in allowances for doubtful accounts for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Beginning	₩	47,994	48,309
Bad debt expenses		3,903	7,926
Write-off		(35)	(15,975)
Other bad debt expenses		2,302	5,516
Others		10,946	2,218
Ending	₩	<u>65,110</u>	<u>47,994</u>

(c) Liquidity risk

The contractual maturities for financial liabilities as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		Book value	Contractual cash flow	Within 1 year	1 year - 5 years	After 5 years
Trade accounts and notes payable	₩	4,186,525	4,186,525	4,186,525	-	-
Borrowings		10,834,806	11,633,805	3,610,895	7,489,700	533,210
Financial guarantee liabilities(*1)		-	34,760	34,760	-	-
Lease liabilities		745,615	1,101,344	160,998	421,418	518,928
Others		1,338,031	1,338,191	1,333,866	4,325	-
	₩	<u>17,104,977</u>	<u>18,294,625</u>	<u>9,327,044</u>	<u>7,915,443</u>	<u>1,052,138</u>

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

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

(d) Currency risk

- 1) The Group 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, 2024 and 2023 are as follows:

(in millions of Won)		2024		2023	
		Assets	Liabilities	Assets	Liabilities
USD	₩	1,789,288	7,466,533	1,134,669	6,969,775
JPY		75,633	9,588	111,552	9,909
CNY		281,254	10,692	330,547	63,210
INR		559,290	-	630,689	-
EUR		15,544	22,470	35,394	742,082
Others		669,351	79,463	626,530	117,536
	₩	3,390,360	7,588,746	2,869,381	7,902,512

- 2) As of December 31, 2024 and 2023, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gains or losses for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Won)		2024		2023	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	(567,724)	567,724	(583,511)	583,511
JPY		6,605	(6,605)	10,164	(10,164)
CNY		27,056	(27,056)	26,734	(26,734)
INR		55,929	(55,929)	63,069	(63,069)
EUR		(693)	693	(70,669)	70,669

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

21. Financial Instruments (cont'd)

(e) Interest rate risk

- 1) The carrying amount of interest-bearing financial instruments as of December 31, 2024 and 2023 are as follows:

(in millions of Won)

		<u>2024</u>	<u>2023</u>
Fixed rate			
Financial assets	₩	6,290,221	7,605,339
Financial liabilities		(11,532,100)	(9,141,609)
		<u>(5,241,879)</u>	<u>(1,536,270)</u>
Variable rate			
Financial liabilities	₩	(48,321)	(2,353,521)

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

The Group's interest rate risk mainly arises from borrowings with variable interest rate. As of December 31, 2024 and 2023, 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 each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Won)

(in millions of Won)		2024		2023	
		1% increase	1% decrease	1% increase	1% decrease
Variable rate					
Financial instruments	₩	(483)	483	(23,535)	23,535

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

22. Share Capital and Capital Surplus

(a) Details of share capital as of December 31, 2024 and 2023 are as follows:

<i>(share, in Won)</i>		2024	2023
Authorized shares		200,000,000	200,000,000
Par value	₩	5,000	5,000
Issued shares		96,480,625	96,480,625
Shared capital	₩	482,403,125,000	482,403,125,000

(b) Details of capital surplus as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Share premium	₩	24,222,056	24,222,056
Other capital surplus		(1,516,488)	(1,563,048)
	₩	<u>22,705,568</u>	<u>22,659,008</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

23. Accumulated Other Comprehensive Income

(a) Details of accumulated other comprehensive income as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Accumulated comprehensive income of investments in associates	₩	6,977	712
Changes in fair value of equity investments at fair value through other comprehensive income		35,743	1,445
Foreign currency translation differences		199,346	(24,269)
	₩	<u>242,066</u>	<u>(22,112)</u>

(b) Changes in the fair values of equity investments at fair value through other comprehensive income for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Beginning balance	₩	1,445	(2,786)
Changes in fair value of equity investments		34,298	4,231
Ending balance	₩	<u>35,743</u>	<u>1,445</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

24. Revenue

- (a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		<u>2024</u>	<u>2023</u>
Types of revenue			
Revenue from sales of goods	₩	43,007,231	41,748,837
Revenue from services		1,435,447	1,189,511
Others		<u>201,414</u>	<u>196,817</u>
	₩	<u>44,644,092</u>	<u>43,135,165</u>
Timing of revenue recognition			
Revenue recognized at a point in time	₩	43,198,379	41,940,828
Revenue recognized over time		<u>1,445,713</u>	<u>1,194,337</u>
	₩	<u>44,644,092</u>	<u>43,135,165</u>

- (b) Details of contract assets and liabilities from contracts with customers as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		<u>2024</u>	<u>2023</u>
Receivables			
Account receivables	₩	4,868,903	5,621,333
Contract assets			
Account receivables		10,265	4,826
Contract liabilities			
Advance received		60,192	34,034
Unearned revenue		82,467	53,928

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

25. Selling and Administrative Expenses

(a) Other administrative expenses

Details of other administrative expenses for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Wages and salaries	₩	376,798	349,988
Expenses related to post-employment benefits		34,396	38,416
Other employee benefits		101,379	90,292
Travel		13,004	12,732
Depreciation		54,067	32,339
Amortization		30,123	28,273
Communication		10,373	9,956
Electricity		4,095	3,001
Taxes and public dues		18,563	9,527
Rental		67,998	83,611
Repairs		10,687	11,784
Entertainment		3,184	3,455
Advertising		57,948	59,201
Research & development		27,400	23,365
Service fees		296,488	311,893
Vehicles maintenance		2,578	2,518
Industry associaton fee		5,761	5,453
Conference		6,904	5,704
Impairment loss on trade and other receivables		3,903	7,926
Others		49,868	46,822
	₩	1,175,517	1,136,256

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

25. Selling and Administrative Expenses (cont'd)

(b) Selling expenses

Details of selling expenses for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Freight and custody expenses	₩	175,774	162,346
Operating expenses for distribution center		6,233	7,575
Sales commissions		114,082	86,671
Sales advertising		4,362	4,159
Sales promotion		4,231	3,758
Sample		1,658	1,158
Sales insurance premium		8,270	7,410
Contract cost		653	103
Others		11,140	2,098
	₩	<u>326,403</u>	<u>275,278</u>

26. Research and Development Expenditures Recognized as Expenses

Details of research and development expenditures recognized as expenses for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Administrative expenses	₩	27,400	23,366
Cost of sales		343,504	338,184
	₩	<u>370,904</u>	<u>361,550</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

27. Finance Income and Costs

Details of finance income and costs for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Finance income			
Interest income(*1)	₩	170,999	188,235
Dividend income		26,886	2,517
Gain on foreign currency transactions		545,673	586,924
Gain on foreign currency translations		710,467	48,250
Gain on transactions of derivatives		79,987	20,754
Gain on valuation of derivatives		736,502	132,083
Gain on disposals of financial assets at fair value through profit or loss		104,008	94,135
Gain on valuations of financial assets at fair value through profit or loss		31,921	204,971
Others		774	77
	₩	<u>2,407,217</u>	<u>1,277,946</u>
Finance costs			
Interest expenses	₩	573,394	452,385
Loss on foreign currency transactions		572,603	572,869
Loss on foreign currency translations		1,373,760	277,175
Loss on transactions of derivatives		2,971	19,885
Loss on valuation of derivatives		1,593	10,651
Loss on valuations of financial assets at fair value through profit or loss		-	2,528
Loss on disposals of financial assets at fair value through profit or loss		3,654	7
Others		4,283	2,686
	₩	<u>2,532,258</u>	<u>1,338,186</u>

(*1) Interest income calculated using the effective interest method for the years ended December 31, 2024 and 2023 is ₩151,612 million and ₩170,717 million, respectively.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

28. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>	2024	2023
Other non-operating income		
Gain on disposals of assets held for sale(*1)	₩ 4,801	13,448
Gain on disposals of Investment Property	-	17,614
Gain on disposals of property, plant and equipment	11,297	22,366
Gain on disposals of emission rights	-	25,989
Premium income(*2)	157,282	8,790
Others	35,073	23,621
	₩ 208,453	111,828
Other non-operating expenses		
Loss on disposals of property, plant and equipment	₩ 132,495	138,364
Loss on disposals of intangible assets	256	104
Impairment loss on property, plant and equipment	223,849	200,069
Impairment loss on intangible assets	608	4,057
Idle tangible asset expenses	2,827	3,418
Donations	46,151	50,206
Other amortization expense	2,302	5,516
Others	21,925	28,145
	₩ 430,413	429,879

(*1) For the year ended December 31, 2024, the Group disposed of Plant 1 of POSCO (Chongqing) Automotive Processing Center Co., Ltd.

(*2) For the year ended December 31, 2024, the Group received insurance payments of ₩155,900 million related to damage due to the flooding of the Naengcheon stream in Pohang.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

29. Expenses by Nature

Details of expenses categorized by nature for each of the two years in the period ended December 31, 2024 are as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>	2024	2023
Raw material used, changes in inventories and others	₩ 29,292,768	27,723,023
Employee benefits expenses(*2)	2,745,841	2,429,483
Outsourced processing cost	3,265,097	2,994,949
Electricity and water expenses	765,871	662,188
Service fees	421,712	419,583
Depreciation(*1)	2,711,220	2,325,457
Amortization	87,672	91,628
Freight and custody expenses	1,541,534	1,300,596
Sales commissions	114,082	86,671
Loss on disposal of property, plant and equipment	132,495	138,364
Impairment loss on property, plant and equipment	223,849	200,069
Impairment loss on intangible assets	608	4,057
Donations	46,151	50,206
Other expenses	1,993,452	2,833,445
	₩ 43,342,352	41,259,719

(*1) Including depreciation of investment property.

(*2) Details of employee benefits for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>	2024	2023
Wages and salaries	₩ 2,568,681	2,278,152
Expenses related to post-employment benefits	177,160	151,331
	₩ 2,745,841	2,429,483

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

30. Income Taxes

(a) Details of income tax expenses for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		<u>2024</u>	<u>2023</u>
Current income taxes(*1)	₩	298,949	256,076
Deferred income tax due to temporary differences		(15,109)	255,931
Items credited directly to equity		10,655	(7,564)
Income tax expense	₩	<u>294,495</u>	<u>504,443</u>

(*1) Income tax refunds (additions) incurred from the final tax filings are included in income payables.

(b) Details of income taxes credited (charged) directly to equity for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		<u>2024</u>	<u>2023</u>
Changes in fair value of equity investments			
at fair value through other comprehensive income(*1)	₩	(12,836)	(1,955)
Remeasurements of defined benefit plans(*1)		23,491	8,041
Loss on disposal of hybrid Bonds		-	163
Share premium		-	(13,813)
	₩	<u>10,655</u>	<u>(7,564)</u>

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

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

30. Income Taxes (cont'd)

(c) Reconciliations between income tax expense at the effective income tax rate and profit before tax at the statutory tax rate of the Republic of Korea for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Won)		2024	2023
Profit before income tax expense	₩	1,373,239	1,926,655
Income tax expense computed at statutory rate		352,173	498,275
Adjustments:			
Tax credit		(51,736)	(59,147)
Investment in subsidiaries and associates		(4,956)	22,596
Tax effect due to permanent differences		3,038	32,132
Tax effects due to a tax audit		-	9,710
Tax effect from tax audit		-	8,049
Others		(4,024)	(7,172)
		(57,678)	6,168
Income tax expense	₩	294,495	504,443
Effective tax rate (%)		21.45%	26.18%

(d) Changes in deferred tax assets (liabilities) for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Won)		2024			2023		
		Beginning	Increase (decrease)	Ending	Beginning	Increase (decrease)	Ending
Deferred income tax due to temporary differences							
Idle capacity loss	₩	-	-	-	24,629	(24,629)	-
PPE - Depreciation		176,292	45,586	221,878	322,110	(145,818)	176,292
Prepaid expenses		9,993	1,761	11,754	10,914	(921)	9,993
Gain or loss on foreign currency translation		92,268	122,866	215,134	26,634	65,634	92,268
Defined benefit liabilities		(25,285)	(36,878)	(62,163)	(9,003)	(16,282)	(25,285)
Accrued revenue		(7,974)	(4,172)	(12,146)	(2,576)	(5,398)	(7,974)
Effect of spin-off		1,536,176	(557)	1,535,619	1,543,628	(7,452)	1,536,176
Others		93,592	(136,720)	(43,128)	212,364	(118,772)	93,592
		1,875,062	(8,114)	1,866,948	2,128,700	(253,638)	1,875,062
Deferred income taxes recognized directly to equity							
Net changes in fair value of equity investments at fair value through other comprehensive income		(951)	(12,836)	(13,787)	1,004	(1,955)	(951)
Remeasurements of defined benefit plans		(18,492)	23,491	4,999	(26,533)	8,041	(18,492)
		(19,443)	10,655	(8,788)	(25,529)	6,086	(19,443)
Deferred tax from tax credit							
Tax credit carry-forward and others		10,704	(3,178)	7,526	2,340	8,364	10,704
Deferred tax on unrealized gains and losses, etc.							
Unrealized gains and losses and others		249,419	15,746	265,165	266,162	(16,743)	249,419
	₩	2,115,742	15,109	2,130,851	2,371,673	(255,931)	2,115,742

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

30. Income Taxes (cont'd)

(e) Deferred tax assets and liabilities for the years ended December 31, 2024 and 2023 are as follows:

(in millions of Won)

	2024			2023		
	Asset	Liabilities	Net	Asset	Liabilities	Net
Deferred income tax due to temporary differences						
PPE - Depreciation	₩ 275,283	(53,405)	221,878	204,881	(28,589)	176,292
Prepaid expenses	11,754	-	11,754	9,993	-	9,993
Gain or loss on foreign currency translation	380,280	(165,146)	215,134	109,899	(17,631)	92,268
Defined benefit liabilities	377,347	(439,510)	(62,163)	372,424	(397,709)	(25,285)
Accrued revenue	-	(12,146)	(12,146)	-	(7,974)	(7,974)
Effect of spin-off	1,535,619	-	1,535,619	1,539,176	(3,000)	1,536,176
Others	107,282	(150,410)	(43,128)	226,541	(132,949)	93,592
	<u>2,687,565</u>	<u>(820,617)</u>	<u>1,866,948</u>	<u>2,462,914</u>	<u>(587,852)</u>	<u>1,875,062</u>
Deferred income taxes						
recognized directly to equity						
Net changes in fair value of equity investments						
at fair value through other comprehensive income	4,626	(18,413)	(13,787)	2,149	(3,100)	(951)
Remeasurements of defined benefit plans	6,263	(1,264)	4,999	5,169	(23,661)	(18,492)
	<u>10,889</u>	<u>(19,677)</u>	<u>(8,788)</u>	<u>7,318</u>	<u>(26,761)</u>	<u>(19,443)</u>
Deferred tax from tax credit						
Tax credit carry-forward and others	7,526	-	7,526	10,704	-	10,704
Deferred tax on unrealized gains and losses, etc.						
Unrealized gains and losses and others	268,353	(3,188)	265,165	249,712	(293)	249,419
	<u>₩ 2,974,333</u>	<u>(843,482)</u>	<u>2,130,851</u>	<u>2,730,648</u>	<u>(614,906)</u>	<u>2,115,742</u>

(f) As of December 31, 2024, deductible temporary differences of ₩940,489 million and taxable temporary differences of ₩547,167 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 Group recognized current tax payable or receivable at the amount expected to be paid or received that reflects uncertainty related to income taxes.

(h) The Group is not subject to the global minimum top-up tax in relation to the enactment of the global minimum top-up tax law.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

31. Earnings Per Share

Basic earnings per share for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in Won, except share information)</i>		2024	2023
Profit for the period	₩	1,159,006,394,342	1,409,657,641,464
Interests of hybrid bonds, net of tax		-	(3,023,850,958)
Weighted-average number of common shares outstanding(*1)		96,480,625	96,480,625
Basic earnings per share	₩	12,013	14,579

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

<i>(shares)</i>	2024	2023
Total number of common shares issued	96,480,625	96,480,625
Weighted-average number of common shares outstanding	96,480,625	96,480,625

The Group does not have any dilutive potential common shares as of December 31, 2024 and 2023, so diluted earnings per share are the same as basic earnings per share.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions

(a) The Group's related parties as of December 31, 2024 are as follows:

	Company
The parent company	POSCO HOLDINGS INC.
Associates and joint ventures	DAEHO GLOBAL MANAGEMENT CO., LTD., Pohang Special Welding Co., Ltd., POSK(Pinghu) Steel Processing Center Co., Ltd., LLP POSUK TITANIUM, POSCO SUZHOU PROCESSING CENTER CO.,LTD, SUZHOU POSCO-CORE TECHNOLOGY CO., LTD., ZHANGJIAGANG XIAO-SHA COIL SERVICE CENTER CO.,LTD, POSCO Vietnam Processing Center. Co.,Ltd, POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER and others
Other related parties(* 1)	POSCO Eco & Challenge Co., Ltd., POSCO DX, POSCO WIDE Co., Ltd., POSCO FUTURE M CO., LTD., POSCO FLOW CO., LTD., SNNC, POSCO Mobility Solution Corporation, eSteel4U, POSCO INTERNATIONAL Corporation, POSCO Canada Ltd., POSCO(Guangdong) Automotive Steel Co., Ltd., POSCO VST CO., LTD., POSCO INTERNATIONAL SINGAPORE PTE LTD., Roy Hill Holdings Pty Ltd, POSCO Asia CO., LTD., POSCO-China Holding Corp. and others

(*1) Other related parties are subsidiaries, associates and joint ventures of POSCO HOLDINGS INC., the parent company of the Group.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions (cont'd)

(b) Significant transactions with its related parties for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

(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. (*5)	₩ 23,687	396	-	209	-	1,040,539
Associates(*4)						
POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER	38,749	-	781	-	-	-
POSCO Vietnam Processing Center. Co., Ltd	160,170	-	1,235	-	-	397
POS-SeAH Steel Wire (Thailand) Co., Ltd.	22,433	-	90	-	-	-
Others	2,538	56	552	-	-	-
	223,890	56	2,658	-	-	397
Other related parties(*3,4)						
POSCO Eco & Challenge Co., Ltd.	179,314	-	-	979,454	143	37,644
POSCO DX(*6)	39,573	63	1,069	557,789	67,484	196,186
POSCO WIDE Co., Ltd.	15,648	70	774	2,978	24,080	48,900
POSCO FUTURE M CO., LTD.	545,822	769	566,236	39,498	238,076	12,850
POSCO FLOW CO., LTD. (*7)	14,929	4	723,473	32	14,136	1,296,771
SNNC	20,995	8	279,194	1,168	-	19
POSCO Mobility Solution Corporation	777,826	1	5,916	2,594	52,004	898
eSteel4U	540,863	-	178	-	-	256
POSCO INTERNATIONAL Corporation(*9)	11,572,349	93	3,560,564	-	753	30,453
POSCO Canada Ltd.	-	-	26,700	-	-	-
POSCO Maharashtra Steel Private Limited (*8)	863,770	169	-	-	-	-
POSCO(Guangdong) Automotive Steel Co., Ltd	267,797	-	3,118	-	-	-
POSCO VST CO., LTD.	239,223	-	4,114	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	37	1,748,474	-	-	-
POSCO ASSAN TST STEEL INDUSTRY Inc. (*8)	380,822	2,590	-	-	-	68
Roy Hill Holdings Pty Ltd	-	-	1,729,572	-	-	-
POSCO-India Pune Processing Center Private Ltd(*8)	19,507	-	-	-	-	-
POSCO India Processing Center (*8)	150,930	53	-	-	-	1,416
POSCO-India Steel Distribution Center Private Ltd(*8)	6	-	-	-	-	-
Others	1,304,508	1,756	792,172	228,870	19,266	152,215
	16,933,882	5,613	9,441,554	1,812,383	415,942	1,777,676
₩	17,181,459	6,065	9,444,212	1,812,592	415,942	2,818,612

(*1) Sales and others mainly consist of sales of steel products to related parties.

(*2) Purchase 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 POSCO HOLDINGS INC., the parent company of the Group.

(*4) As of December 31, 2024, the Group has provided financial guarantees to related parties (see Note 22).

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions (cont'd)

(*5) Others (purchase) include dividends paid to POSCO HOLDINGS INC. during the year ended December 31, 2024, amounting to ₩888,008 million, as well as service fees for brand usage and rentals.

(*6) Others (purchase) mainly consist of maintenance expenses for the ERP System.

(*7) Others (purchase) mainly consist of freight expenses.

(*8) Including transactions that occurred before the entity was included in associates.

(*9) As of December 31, 2024, the Group is entering into a SWAP contract for LNG procurement.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions (cont'd)

2) For the year ended December 31, 2023

(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.(*)5	₩ 21,479	64	-	-	-	477,751
Associates(*4)						
POSCO-SAMSUNG-SLOVAKIA PROCESSING CENTER	56,005	-	36	-	-	-
POSCO Vietnam Processing Center. Co.,Ltd(*8)	155,040	-	1,107	-	-	523
POS-SeAH Steel Wire (Thailand) Co., Ltd.	21,242	-	85	-	-	-
Others	4,566	782	496	-	-	9
	236,853	782	1,724	-	-	532
Other related parties(*3,4)						
POSCO Eco & Challenge Co., Ltd.	205,544	46	4	866,450	97	17,080
POSCO DX(*6)	28,895	18	2,645	521,351	65,845	199,435
POSCO WIDE Co., Ltd.	12,300	19,417	162	3,635	25,841	35,728
POSCO FUTURE M CO., LTD.	509,679	527	579,188	59,968	249,202	9,473
POSCO FLOW CO., LTD.(*)7	19,789	35	611,647	-	18,050	1,173,891
SNNC	21,408	4	477,692	-	-	50
POSCO Mobility Solution Corporation	950,412	-	3,487	2,337	40,041	2,439
eSteel4U	534,896	-	22	-	-	308
POSCO INTERNATIONAL Corporation	11,542,001	1,015	2,754,573	-	5,508	33,675
POSCO Canada Ltd.	-	-	433,109	-	-	-
POSCO MEXICO S.A. DE C.V.(*)9	408,172	356	-	-	-	1,526
POSCO Maharashtra Steel Private Limited	952,698	9	-	-	-	1,905
PT. POSCO INDONESIA JAKARTA PROCESSING CENTER(*)9	1,937	-	-	-	-	2,207
POSCO(Guangdong) Automotive Steel Co.,Ltd	205,475	-	1,312	-	-	-
POSCO VST CO., LTD.	185,277	3	-	-	-	21
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	6	1,554,918	-	-	-
PT. KRAKATAU POSCO(*)9	4,782	100	17,407	-	-	21
POSCO ASSAN TST STEEL INDUSTRY Inc.	185,916	2,841	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	1,588,082	-	-	-
Others	984,291	1,613	466,398	59,050	4,037	122,153
	16,753,472	25,990	8,490,646	1,512,791	408,621	1,599,912
₩	17,011,804	26,836	8,492,370	1,512,791	408,621	2,078,195

(*1) Sales and others mainly consist of sales of steel products to the parent company, associates and other related parties and joint ventures.

(*2) Purchase 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 POSCO HOLDINGS INC., the parent company of the Group.

(*4) As of December 31, 2023, the Group has provided financial guarantees to related parties (see Note 22).

(*5) Others (purchase) include dividends paid to POSCO HOLDINGS INC. during the year ended December 31, 2023, amounting to ₩325,043 million, as well as service fees for brand usage and rentals.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions (cont'd)

(*6) Others (purchase) mainly consist of maintenance expenses for the ERP System.

(*7) Others (purchase) mainly consist of freight expenses.

(*8) Including transactions that occurred before the entity was included in associates.

(*9) For the year ended December 31, 2023, the entities were newly included in subsidiaries due to acquisition from POSCO HOLDINGS INC., and the following transaction details occurred prior to the inclusion.

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Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions (cont'd)

(c) Details of outstanding balances with material transactions with the related parties as of December 31, 2024 and 2023 are as follows:

1) As of December 31, 2024

(in millions of Won)

	Receivables				Payables			
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
The parent company								
POSCO HOLDINGS INC.	₩ 810	-	41,992	42,802	-	102,621	85,734	188,355
Associates and joint ventures								
POSCO Vietnam Processing Center, Co., Ltd	16,962	-	1	16,963	33	-	-	33
POS-SeAH Steel Wire (Thailand) Co., Ltd.	5,097	-	-	5,097	-	-	-	-
Others	760	-	33	793	47	-	-	47
	22,819	-	34	22,853	80	-	-	80
Other related parties								
POSCO Eco & Challenge Co., Ltd.	38,130	-	9	38,139	-	70,431	1,806	72,237
POSCO DX	7,889	-	49	7,938	286	181,638	26,172	208,096
POSCO WIDE Co., Ltd.	1,342	-	1,450	2,792	-	6,724	4,664	11,388
POSCO FUTURE M CO., LTD.	53,227	-	4,770	57,997	43,889	17,221	20,835	81,945
POSCO FLOW CO., LTD.	806	-	546	1,352	120,986	4,595	43,533	169,114
SNNC	2,318	-	70	2,388	8,426	1,285	13	9,724
POSCO Mobility Solution Corporation	112,987	-	-	112,987	693	1,746	5,055	7,494
eSteel4U	107,464	-	-	107,464	-	-	-	-
POSCO INTERNATIONAL Corporation	959,125	-	2,647	961,772	1,192,472	6,138	4,330	1,202,940
POSCO(Guangdong) Automotive Steel Co., Ltd	48,546	-	-	48,546	378	-	-	378
POSCO VST CO., LTD.	91,390	-	519	91,909	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	-	-	-	209,202	188	-	209,390
Roy Hill Holdings Pty Ltd	-	-	2,440	2,440	356,234	25	-	356,259
Others	67,646	14,700	32,501	114,847	48,483	44,120	332,072	424,675
	1,490,870	14,700	45,001	1,550,571	1,981,049	334,111	438,480	2,753,640
	₩ 1,514,499	14,700	87,027	1,616,226	1,981,129	436,732	524,214	2,942,075

2) As of December 31, 2023

(in millions of Won)

	Receivables				Payables			
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
The parent company								
POSCO HOLDINGS INC.	₩ 1,432	-	36,538	37,970	3,582	111,082	137,876	252,540
Associates and joint ventures								
POSCO Vietnam Processing Center, Co., Ltd	15,240	-	4	15,244	31	-	-	31
POS-SeAH Steel Wire (Thailand) Co., Ltd.	4,240	-	-	4,240	21	-	-	21
Others	861	-	41	902	60	-	-	60
	20,341	-	45	20,386	112	-	-	112
Other related parties								
POSCO Eco & Challenge Co., Ltd.	27,063	-	22	27,085	512	111,973	215	112,700
POSCO DX	9,881	-	42	9,923	3,199	196,446	23,978	223,623
POSCO WIDE Co., Ltd.	1,163	-	1,435	2,598	-	3,220	5,823	9,043
POSCO FUTURE M CO., LTD.	81,230	-	63,930	145,160	57,867	22,006	18,797	98,670
POSCO FLOW CO., LTD.	3,350	-	446	3,796	156,249	5,069	47,278	208,596
SNNC	4,230	-	60	4,290	25,480	-	16	25,496
POSCO Mobility Solution Corporation	167,747	-	-	167,747	1,270	2,090	4,843	8,203
eSteel4U	120,023	-	-	120,023	-	-	-	-
POSCO INTERNATIONAL Corporation	1,043,928	-	4,492	1,048,420	847,907	5,278	6,561	859,746
POSCO Maharashtra Steel Private Limited	487,618	-	2,060	489,678	-	21	-	21
POSCO(Guangdong) Automotive Steel Co., Ltd.	59,646	-	-	59,646	59	-	-	59
POSCO VST CO., LTD.	61,609	-	611	62,220	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	-	-	-	166,754	-	-	166,754
POSCO ASSAN TST STEEL INDUSTRY	177,085	-	3,807	180,892	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	-	-	260,830	-	-	260,830
Others	53,051	31,548	19,897	104,496	109,297	35,096	223,441	367,834
	2,297,624	31,548	96,802	2,425,974	1,629,424	381,199	330,952	2,341,575
	₩ 2,319,397	31,548	133,385	2,484,330	1,633,118	492,281	468,828	2,594,227

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions (cont'd)

(d) Significant borrowing transactions with the related parties for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

<i>(in millions of Won)</i>	Transaction		Beginning	Increase	Decrease	Others(*1)	Ending
Other related parties							
POSCO Asia CO., LTD.	Short-term borrowings	₩	203,886	268,379	(226,152)	72,398	318,511
POSCO-China Holding Corp.	Short-term borrowings		17,798	93,852	(88,780)	327	23,197
POSCO MPPC S.A. de C.V.	Short-term borrowings		6,785	38,132	(45,216)	299	
		₩	228,469	400,363	(360,148)	73,024	341,708

(*1) Others include adjustments of foreign currency translation differences.

2) For the year ended December 31, 2023

<i>(in millions of Won)</i>	Transaction		Beginning	Increase	Decrease	Others(*1)	Ending
Other related parties							
POSCO Asia CO., LTD.	Short-term borrowings	₩	98,449	192,112	(86,319)	(356)	203,886
POSCO-China Holding Corp.	Short-term borrowings		32,387	109,837	(124,426)	-	17,798
POSCO MPPC S.A. de C.V.	Short-term borrowings		-	6,785	-	-	6,785
		₩	130,836	308,734	(210,745)	(356)	228,469

(*1) Others include adjustments of foreign currency translation differences.

(e) Significant loan transactions with the related parties for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

<i>(in millions of Won)</i>	Transaction		Beginning	Increase	Decrease	Others(*1)	Ending
Other related parties							
POSCO-India Pune Processing Center, Pvt. Ltd. (*2)	Short-term loans	₩	31,069	71,934	(102,926)	(77)	-
POSCO INDIA PROCESSING CENTER PRIVATE LIMITED (*2)	Short-term loans		171	41,327	(41,425)	(73)	-
POSCO-China Holding Corp.			308	34,602	(31,088)	(3,822)	-
POSCO Asia CO., LTD.	Short-term loans		-	27,767	(14,073)	1,006	14,700
POSCO E&C India	Short-term loans		-	586	-	22	608
		₩	31,548	176,216	(189,512)	(2,944)	15,308

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

32. Related Party Transactions (cont'd)

(*1) Others include adjustments of foreign currency translation differences.

(*2) For the year ended December 31, 2024, the Group was newly included in the consolidation scope as a subsidiary.

2) For the year ended December 31, 2023

<i>(in millions of Won)</i>	Transaction	Beginning	Increase	Decrease	Ending
Other related parties					
POSCO-India Pune Processing Center. Pvt. Ltd.	Short-term loans	₩ 39,859	43,447	(52,237)	31,069
POSCO INDIA PROCESSING CENTER PRIVATE LIMITED	Short-term loans	5,067	3,404	(8,300)	171
POSCO-China Holding Corp.	Short-term loans	-	308	-	308
		₩ 44,926	47,159	(60,537)	31,548

For each of the two years in the period ended December 31, 2024, details of compensations to the Group's key management officers are as follows:

<i>(in millions of Won)</i>	2024	2023
Short-term benefits	₩ 58,440	72,354
Long-term benefits	302	288
Retirement benefits	13,614	15,023
	₩ 72,356	87,665

Key management includes directors (including non-standing directors), executive officers who have significant influence over and responsibilities for the Group's business and operations.

(f) Guarantees provided to related parties

- 1) The Group has entered into a financial guarantee contract for related parties as of December 31, 2024, and the related guarantee obligations are recognized as financial guarantee liabilities. (See Note 21-(a)-4))

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

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32. Related Party Transactions (cont'd)

(g) Equity transaction with related parties

- 1) For the year ended December 31, 2024, the Group acquired shares in POSCO Humans Co., Ltd. from POSCO M-TECH, POSCO DX, POSCO FUTURE M CO., LTD., POSCO INTERNATIONAL Corporation.
- 2) For the year ended December 31, 2024, the Group acquired shares in POSCO Maharashtra Steel Private Limited, POSCO INDIA PROCESSING CENTER PRIVATE LIMITED, POSCO-India Pune Processing Center Pvt. Ltd., POSCO ASSAN TST STEEL INDUSTRY INC. from POSCO HOLDINGS INC.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

33. Commitments and Contingencies

(a) Contingent liabilities

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

The 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.

The 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 Group has an obligation as a result of a past event, whether it is probable that an outflow of cash or other resources embodying economic benefits will be required to settle the obligation and the ability to make a reliable estimate of the amount of the obligation.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

33. Commitments and Contingencies (cont'd)

(b) Other commitments

Details of other commitments of the Group as of December 31, 2024 are as follows:

Company	Description
POSCO	<p>The Company 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 two years and three years, respectively, 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, 2024, 80 million tons of iron ore and 7 million tons of coal remained to be purchased under such long-term contracts.</p> <p>The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia. The purchase contract period and volume are 550 thousand tons of LNG annually for 20 years commencing in August 2005 and 190 thousand tons from September 2025 to December 2026. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>The Company entered into a consecutive voyage charter (CVC) contract for the transportation of raw materials. As of December 31, 2024, there are 36 vessels under contract and the average remaining contract period is about 6 years.</p> <p>The Company entered into an agreement (LNG SPA) with POSCO INTERNATIONAL SINGAPORE PTE LTD. to purchase 370 thousand tons of LNG annually for 15 years commencing in November 2026. The Purchase price is subject to change based on changes of U.S. Henry Hub Natural Gas Spot Price. The company has extension option of extending the purchase contract by five years.</p> <p>As of December 31, 2024, the Company has entered into supplier financings which have a limit of USD 1,150 million with SMBC and four other financial institutions.</p>

As of December 31, 2024, the Group has entered into agreements for overdraft and trade finance with financial institutions, including Woori Bank, with a credit limit of ₩ 6,720.5 billion.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

33. Commitments and Contingencies (cont'd)

(c) The committed amount for the acquisition of property, plant and equipment and intangible assets

As of December 31, 2024, the committed amount for the acquisition of property, plant and equipment and intangible assets not yet incurred is as follows:

<i>(in millions of Won)</i>		2024
Property, Plant and Equipment	₩	4,391,599
Intangible Assets		20,380
	₩	<u>4,411,979</u>

(d) Supplier finance arrangements

As of December 31, 2024, the carrying amount of financial liabilities related to supplier finance arrangements entered into by the Group is as follows, and there are no significant non-cash changes in the carrying amount of trade payables and other payables that are part of the supplier finance arrangements.

<i>(in millions of Won)</i>		2024
Trade accounts and notes payable	₩	875,915
Accounts Payables		206,335
Others		4,661
	₩	<u>1,086,911</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

33. Commitments and Contingencies (cont'd)

(e) Litigation in progress

As of December 31, 2024, litigations in progress that Group defendants in legal actions arising from the normal course of business are as follows:

(in millions of Won, in thousands of foreign currencies)					
Company	Legal actions	Currency	Claim amount	Won equivalent	Description
POSCO	172	KRW	457,313	457,313	Lawsuit on claim for employee right and others
POSCO-India Private Limited	1	INR	2,466	42	Lawsuit for severance pay claims and others
POSCO Thainox Public Company Limited	2	THB	3,480	150	Lawsuit on invalidation of a check
POSCO(Chongqing) Automotive Processing Center Co., Ltd.	1	CNY	539	108	Lawsuit for payment claims and others
POSCO Maharashtra Steel Private Limited	1	INR	9,500	163	Tax-related lawsuits and others
POSCO INDIA PROCESSING CENTER PRIVATE LIMITED	1	INR	54,420	935	Product defect-related lawsuit and others
POSCO INPC Otomotiv Celik San. Ve Tic. A.S.	1	TRY	-	-	Industrial accident-related lawsuits and others
POSCO ASSAN TST STEEL INDUSTRY INC.	24	USD	91	134	Lawsuit for severance pay claims and others

The Group has reasonably estimated the probability and amount of 26 lawsuits, including Lawsuit for severance pay claims and others, and recognized W 32,346 million as provisions for legal contingencies and claims.

- (f) The Group was spun off from POSCO HOLDINGS INC. and newly incorporated with March 1, 2022 as the date of spin-off, and the Group is jointly liable for the liabilities of POSCO HOLDINGS INC. under Article 530(9)(1) of the Commercial Act of the Republic of Korea.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

34. Statements of Cash Flows

(a) Changes in assets and liabilities arising from operating activities for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Trade accounts and notes receivable	₩	632,768	(398,394)
Other receivables		(158,366)	158,581
Inventories		228,818	766,520
Other current assets		17,042	(49,087)
Other non-current assets		49,483	8,911
Trade accounts and notes payable		83,365	(231,940)
Other payables		71,212	(136,905)
Other current liabilities		51,745	40,701
Provisions		483	(54,323)
Payments of severance benefits		(188,721)	(121,309)
Plan assets		43,314	(16,104)
Other non-current liabilities		(8,171)	(16,079)
	₩	<u>822,972</u>	<u>(49,430)</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

34. Statements of Cash Flows (cont'd)

(b) Changes in liabilities arising from financing activities for each of the two years in the period ended December 31, 2024 are as follows:

1) For the year ended December 31, 2024

(in millions of Won)

	Liabilities				Derivatives that hedge borrowings
	Short-term borrowings	Long-term borrowings	Dividend payable	Finance lease liabilities	
Beginning	₩ 739,029	10,226,685	8	738,562	(146,855)
Changes from financing cash flows	101,759	(1,710,336)	(893,835)	(107,976)	177,380
Changes arising from obtaining or losing control of subsidiaries or other business	219,115	262,473	-	25,401	-
The effect of changes in foreign exchange rates	83,623	899,127	-	23,566	-
Changes in fair values	-	-	-	-	(647,690)
Other changes:					
Use of supplier finance agreements	-	-	-	-	-
Decrease in retained earnings	-	-	888,008	-	-
Decrease in non-controlling interest	-	-	5,828	-	-
Interest expenses	-	13,331	-	24	-
Increase in lease assets	-	-	-	66,038	-
Ending	₩ 1,143,526	9,691,280	9	745,615	(617,165)

2) For the year ended December 31, 2023

(in millions of Won)

	Liabilities				Derivatives that hedge borrowings
	Short-term borrowings	Long-term borrowings	Dividend payable	Finance lease liabilities	
Beginning	₩ 1,200,229	7,287,431	486	352,183	(148,527)
Changes from financing cash flows	(1,029,008)	1,048,527	(336,813)	(47,550)	119,550
Changes arising from obtaining or losing control of subsidiaries or other business	574,704	1,743,385	-	306,875	-
The effect of changes in foreign exchange rates	(6,896)	133,723	-	(11,326)	-
Changes in fair values	-	-	-	-	(117,878)
Other changes:					
Decrease in retained earnings	-	-	329,152	-	-
Decrease in non-controlling interest	-	-	7,183	-	-
Interest expenses	-	13,619	-	23	-
Increase in lease assets	-	-	-	138,357	-
Ending	₩ 739,029	10,226,685	8	738,562	(146,855)

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

34. Statements of Cash Flows (cont'd)

(c) Significant transaction not involving cash inflows and outflows for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Won)</i>		2024	2023
Transfer from construction-in-progress to other property, plant and equipment	₩	3,735,495	2,215,526
Change in account payables due to PP&E and intangible asset		54,788	37,597
Reclassification of current portion of borrowings and bonds		2,222,983	1,975,280
Capitalized borrowing costs		90,333	63,614
Increase in right-of-use assets		35,884	145,943

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

35. Operating Segments and Geographic Information

The Group makes decisions regarding the allocation of resources to segments and distinguishes the segments based on internal reporting materials that are periodically reviewed by the chief operating decision maker to evaluate segment performance. The Group is composed of a single segment, the steel division.

(a) Geographic information

- 1) Revenue by geographic area for each of the two years in the period ended December 31, 2024 is as follows:

<i>(in millions of Won)</i>		2024	2023
Domestic	₩	37,107,316	39,032,272
China		114,112	101,176
Indonesia		3,158,193	786,007
Asia-other		2,892,543	2,736,400
Europe		316,695	263,368
Others		1,055,233	215,942
	₩	<u>44,644,092</u>	<u>43,135,165</u>

- 2) Non-current assets by geographic area as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Won)</i>		2024	2023
Domestic	₩	21,156,971	20,424,251
China		24,282	28,856
Indonesia		2,783,720	2,692,178
Asia-other		1,249,152	676,200
Europe		205,142	9,019
Others		298,103	299,241
	₩	<u>25,717,370</u>	<u>24,129,745</u>

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

35. Operating Segments and Geographic Information (cont'd)

The geographic information has been determined based on the locations where the Company and its subsidiaries are located. Non-current assets by geographic area include investment property, property, plant and equipment and other intangible assets.

- (b) Except for the related parties described in Note 32, there are no customers from whom revenue accounts for 10% or more of the consolidated revenue for each of the two years in the period ended December 31, 2024, respectively.

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

December 31, 2024 and 2023

36. Business combination

(a) Business combination

During the period ended December 31, 2024, the Group acquired 5 steel-related subsidiaries including POSCO Maharashtra Steel Private Limited held by POSCO HOLDINGS INC. The purpose of the business combination is to enhance operational efficiency of the steel business, as follow-up to the vertical spin-off in March 2022.

Acquisition date	Details
	December 18, 2024

(b) Accounting of business combination

In a business combination, the assets acquired and liabilities assumed from the parent company are measured at book value in the consolidated financial statements of the parent company. The Group adjusted the difference between considerations transferred and the book value of net assets, attributable to controlling interest, in capital surplus.

(in millions of Won)		2024
Consideration transferred		
Cash	₩	658,846
		658,846
Identifiable assets acquired and liabilities assumed		
Cash and cash equivalents		55,879
Trade accounts, notes receivable and other receivables, net		499,476
Inventories		931,829
Property, plant and equipment, net		701,409
Other assets		413,284
Trade accounts and notes payable		(1,314,665)
Borrowings		(481,588)
Other liabilities		(98,407)
Identifiable net assets		707,217
Equity related to business combination		
Decrease in capital surplus	₩	31,787
Increase in non-controlling interest		16,584

POSCO and its subsidiaries

Notes to the consolidated financial statements, continued

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36. Business combination (cont'd)

(c) Impact on profit or loss from the business combination

The profits or losses of POSCO Maharashtra Steel Private Limited and the other 5 subsidiaries have been included in the consolidated financial performance of the Group only for the period after the acquisition date. For the reporting period subsequent to the acquisition, revenue and net profit of POSCO Maharashtra Steel Private Limited and the other 5 subsidiaries included in the consolidated financial statements after the acquisition date amounts to ₩48,031 million and ₩5,059 million, respectively. If POSCO Maharashtra Steel Private Limited and the other 5 subsidiaries had been consolidated from January 1, 2024, the comprehensive income statement of the consolidated financial statements would have included revenue of ₩1,427,600 million and net profit of ₩135,619 million.

37. Events after the Reporting Period

(a) On January 14, 2025, the Group issued the following non-guaranteed bond in Korean won.

<i>(in billions of Won)</i>		Par value	Annual interest rate	Maturity date
314-1	₩	110	2.889%	January 14, 2027
314-2		590	3.078%	January 14, 2028
314-3		200	3.124%	January 14, 2030
314-4		100	3.184%	January 14, 2032

(b) In February 2025, the U.S. government issued an executive order imposing a 25% tariff on all steel and aluminum products, effective from March 12, 2025. This tariff imposition introduces uncertainty in financial statement projections, and the Group is currently assessing the impact related thereto.