

POSCO and Subsidiaries

**Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 2019**

(With Independent Auditors' Review Report Thereon)

Table of Contents

	Page
Independent Auditors' Review Report	1
Condensed Consolidated Interim Financial Statements	
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Comprehensive Income	5
Condensed Consolidated Interim Statements of Changes in Equity.....	6
Condensed Consolidated Interim Statements of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	10

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of June 30, 2019, the condensed consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2019 and 2018, the condensed consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2019 and 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

The consolidated statement of financial position of the Company as of December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 7, 2019, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2018, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
August 14, 2019

This report is effective as of August 14, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of June 30, 2019 and December 31, 2018
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets			
Cash and cash equivalents	21	₩ 2,553,246	2,643,865
Trade accounts and notes receivable, net	4,21,26,27,34	9,938,458	9,282,609
Other receivables, net	5,21,34	1,591,074	1,385,629
Other short-term financial assets	6,21	7,502,959	8,081,096
Inventories	7	11,708,185	11,499,928
Current income tax assets		39,185	51,557
Assets held for sale	8	21,819	21,854
Other current assets	14	702,913	684,464
Total current assets		<u>34,057,839</u>	<u>33,651,002</u>
Long-term trade accounts and notes receivable, net	4,21	469,644	427,125
Other receivables, net	5,21	880,321	863,240
Other long-term financial assets	6,21	1,717,207	1,647,898
Investments in associates and joint ventures	9	3,787,410	3,650,003
Investment property, net	11	933,313	928,615
Property, plant and equipment, net	12	30,340,196	30,018,273
Intangible assets, net	13	5,166,218	5,170,825
Defined benefit assets, net	19	-	1,489
Deferred tax assets		1,321,305	1,381,031
Other non-current assets	14	317,576	508,764
Total non-current assets		<u>44,933,190</u>	<u>44,597,263</u>
Total assets		<u>₩ 78,991,029</u>	<u>78,248,265</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position, Continued
As of June 30, 2019 and December 31, 2018
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Liabilities			
Trade accounts and notes payable	21,34	₩ 4,022,626	4,006,135
Short-term borrowings and current installments of long-term borrowings	4,15,21	8,958,133	10,289,619
Other payables	16,21,34	1,822,987	1,720,097
Other short-term financial liabilities	17,21	91,900	77,800
Current income tax liabilities		649,293	948,166
Provisions	18,35	329,327	301,280
Other current liabilities	20,26,27	1,810,111	1,594,888
Total current liabilities		<u>17,684,377</u>	<u>18,937,985</u>
Long-term trade accounts and notes payable	21	35,097	29,825
Long-term borrowings, excluding current installments	15,21	10,241,226	9,919,651
Other payables	16,21	620,344	148,868
Other long-term financial liabilities	17,21	10,979	64,162
Defined benefit liabilities, net	19	247,454	140,933
Deferred tax liabilities		1,713,484	1,688,893
Long-term provisions	18,35	472,351	431,036
Other non-current liabilities	20,26	91,746	127,361
Total non-current liabilities		<u>13,432,681</u>	<u>12,550,729</u>
Total liabilities		<u>31,117,058</u>	<u>31,488,714</u>
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,374,938	1,410,551
Hybrid bonds	23	199,384	199,384
Reserves	24	(1,112,264)	(1,404,368)
Treasury shares	25	(1,508,303)	(1,532,728)
Retained earnings		45,020,871	44,216,018
Equity attributable to owners of the controlling company		<u>44,457,029</u>	<u>43,371,260</u>
Non-controlling interests	23	<u>3,416,942</u>	<u>3,388,291</u>
Total equity		<u>47,873,971</u>	<u>46,759,551</u>
Total liabilities and equity		<u>₩ 78,991,029</u>	<u>78,248,265</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month and six-month periods ended June 30, 2019 and 2018

(Unaudited)

(in millions of Won, except per share information)

Notes	For the three-month periods ended June 30		For the six-month periods ended June 30		
	2019	2018	2019	2018	
Revenue	26,27,34,37	₩ 16,321,335	16,083,296	32,335,573	31,945,579
Cost of sales	7,27,31,34	(14,707,162)	(14,226,274)	(28,908,029)	(27,993,810)
Gross profit		1,614,173	1,857,022	3,427,544	3,951,769
Selling and administrative expenses	31,34				
Reversal of (impairment loss) on trade accounts and notes receivable		21,129	(23,420)	7,998	(36,974)
Other administrative expenses	28	(476,537)	(497,252)	(982,620)	(1,015,343)
Selling expenses	28	(90,203)	(84,062)	(181,463)	(159,460)
Operating profit		1,068,562	1,252,288	2,271,459	2,739,992
Share of profit (loss) of equity-accounted investees, net	9	74,670	(55,737)	141,529	31,651
Finance income and costs	21,29				
Finance income		532,862	633,632	1,026,876	1,090,119
Finance costs		(609,932)	(807,514)	(1,160,525)	(1,326,803)
Other non-operating income and expenses	34				
Impairment loss on other receivables		(12,026)	(7,690)	(15,416)	(3,035)
Other non-operating income	30	83,024	266,129	157,368	327,085
Other non-operating expenses	30,31	(166,679)	(351,677)	(303,869)	(446,565)
Profit before income tax	37	970,481	929,431	2,117,422	2,412,444
Income tax expense	32,37	(289,063)	(349,093)	(657,559)	(748,564)
Profit		681,418	580,338	1,459,863	1,663,880
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	(11,175)	(5,379)	(20,881)	(31,935)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	23,383	(16,385)	17,844	(61,141)
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		24,000	37,877	72,838	26,751
Foreign currency translation differences		98,502	52,011	219,663	73,829
Gains or Losses on valuation of derivatives	21	(132)	(80)	(100)	(238)
Other comprehensive income, net of tax		134,578	68,044	289,364	7,266
Total comprehensive income		₩ 815,996	648,382	1,749,227	1,671,146
Profit attributable to:					
Owners of the controlling company		₩ 612,286	545,018	1,353,539	1,538,534
Non-controlling interests		69,132	35,320	106,324	125,346
Profit		₩ 681,418	580,338	1,459,863	1,663,880
Total comprehensive income attributable to:					
Owners of the controlling company		₩ 742,367	601,645	1,654,770	1,533,839
Non-controlling interests		73,629	46,737	94,457	137,307
Total comprehensive income		₩ 815,996	648,382	1,749,227	1,671,146
Basic and diluted earnings per share (in Won)	33	7,622	6,730	16,854	19,052

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2019 and 2018
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company						Subtotal	Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings			
Balance as of January 1, 2018	₩ 482,403	1,412,565	996,919	(682,556)	(1,533,054)	43,056,600	43,732,877	3,731,131	47,464,008
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(76,359)	(76,359)	(63,792)	(140,151)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(412,102)	-	379,370	(32,732)	(19,544)	(52,276)
Adjusted balance as of January 1, 2018	482,403	1,412,565	996,919	(1,094,658)	(1,533,054)	43,359,611	43,623,786	3,647,795	47,271,581
Comprehensive income:									
Profit	-	-	-	-	-	1,538,534	1,538,534	125,346	1,663,880
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(19,682)	(19,682)	(12,253)	(31,935)
Capital adjustment arising from investments									
in equity-accounted investees, net of tax	-	-	-	13,493	-	-	13,493	13,258	26,751
Net changes in fair value of equity investments									
at fair value through other comprehensive income, net of tax	-	-	-	(63,726)	-	3,463	(60,263)	(878)	(61,141)
Foreign currency translation differences, net of tax	-	-	-	61,998	-	-	61,998	11,831	73,829
Gains or losses on valuation of derivatives, net of tax	-	-	-	(241)	-	-	(241)	3	(238)
Total comprehensive income	-	-	-	11,524	-	1,522,315	1,533,839	137,307	1,671,146
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)	(48,786)	(328,785)
Interim dividends	-	-	-	-	-	(119,999)	(119,999)	-	(119,999)
Changes in subsidiaries	-	-	-	-	-	-	-	(224)	(224)
Changes in ownership interest in subsidiaries	-	(1,822)	-	-	-	-	(1,822)	10,990	9,168
Repayment of hybrid bonds	-	(2,465)	(797,535)	-	-	-	(800,000)	-	(800,000)
Interest of hybrid bonds	-	-	-	-	-	(19,805)	(19,805)	(11,994)	(31,799)
Disposal of treasury shares	-	113	-	-	270	-	383	-	383
Others	-	(456)	-	953	-	(3,649)	(3,152)	642	(2,510)
Total transactions with owners of the controlling company	-	(4,630)	(797,535)	953	270	(423,452)	(1,224,394)	(49,372)	(1,273,766)
Balance as of June 30, 2018	₩ 482,403	1,407,935	199,384	(1,082,181)	(1,532,784)	44,458,474	43,933,231	3,735,730	47,668,961

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity, Continued
For the six-month periods ended June 30, 2019 and 2018
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company						Subtotal	Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings			
Balance as of January 1, 2019	₩ 482,403	1,410,551	199,384	(1,404,368)	(1,532,728)	44,216,018	43,371,260	3,388,291	46,759,551
Comprehensive income:									
Profit	-	-	-	-	-	1,353,539	1,353,539	106,324	1,459,863
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(10,624)	(10,624)	(10,257)	(20,881)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	66,589	-	-	66,589	6,249	72,838
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	36,311	-	(18,467)	17,844	-	17,844
Foreign currency translation differences, net of tax	-	-	-	227,517	-	-	227,517	(7,854)	219,663
Gains or losses on valuation of derivatives, net of tax	-	-	-	(95)	-	-	(95)	(5)	(100)
Total comprehensive income	-	-	-	330,322	-	1,324,448	1,654,770	94,457	1,749,227
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(400,006)	(400,006)	(60,202)	(460,208)
Interim dividends	-	-	-	-	-	(160,231)	(160,231)	-	(160,231)
Changes in subsidiaries	-	-	-	-	-	-	-	(874)	(874)
Changes in ownership interest in subsidiaries	-	(49,889)	-	-	-	-	(49,889)	7,172	(42,717)
Interest of hybrid bonds	-	-	-	-	-	(4,562)	(4,562)	(3,617)	(8,179)
Disposal of treasury shares	-	12,576	-	-	24,425	-	37,001	-	37,001
Others	-	1,700	-	(38,218)	-	45,204	8,686	(8,285)	401
Total transactions with owners of the controlling company	-	(35,613)	-	(38,218)	24,425	(519,595)	(569,001)	(65,806)	(634,807)
Balance as of June 30, 2019	₩ 482,403	1,374,938	199,384	(1,112,264)	(1,508,303)	45,020,871	44,457,029	3,416,942	47,873,971

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows
For the six-month periods ended June 30, 2019 and 2018
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash flows from operating activities			
Profit	₩	1,459,863	1,663,880
Adjustments for:			
Depreciation		1,523,108	1,436,644
Amortization		203,733	204,435
Finance income		(562,510)	(666,211)
Finance costs		712,547	878,785
Income tax expense		657,559	748,564
Impairment loss on property, plant and equipment		149,659	18,870
Gain on disposal of property, plant and equipment		(16,362)	(21,089)
Loss on disposal of property, plant and equipment		37,396	59,072
Impairment loss on intangible assets		1,171	1,763
Gain on disposal of intangible assets		(526)	(101,383)
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(15,821)	(44,399)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		5,586	3,405
Share of profit of equity-accounted investees		(141,529)	(31,651)
Impairment loss on assets held for sale		3,346	46,896
Gain on disposal of assets held for sale		(8,536)	(103)
Expenses related to post-employment benefit		117,226	108,622
Impairment loss on trade and other receivables		7,418	40,009
Loss on valuation of inventories		73,600	42,633
Increase to provisions		82,759	216,205
Others, net		(22,910)	(5,644)
		<u>2,806,914</u>	<u>2,935,423</u>
Changes in operating assets and liabilities	36	(553,728)	(1,694,016)
Interest received		188,096	139,831
Interest paid		(389,714)	(332,002)
Dividends received		156,730	138,151
Income taxes paid		(973,112)	(592,876)
Net cash provided by operating activities	₩	<u>2,695,049</u>	<u>2,258,391</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows, Continued
For the six-month periods ended June 30, 2019 and 2018
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(15,440,039)	(14,513,106)
Proceeds from disposal of short-term financial instruments		16,213,040	14,491,664
Increase in loans		(164,574)	(246,383)
Collection of loans		190,831	283,418
Acquisitions of securities		(370,458)	(161,250)
Proceeds from disposal of securities		165,242	103,886
Acquisitions of investment in associates and joint ventures		(45,980)	(15,030)
Proceeds from disposal of investment in associates and joint ventures		3,598	84,791
Acquisitions of investment property		(12,230)	(14,063)
Proceeds from disposal of investment property		1,127	952
Acquisitions of property, plant and equipment		(990,483)	(872,537)
Proceeds from disposal of property, plant and equipment		30,957	31,817
Acquisitions of intangible assets		(158,570)	(51,413)
Proceeds from disposal of intangible assets		9,226	38,146
Proceeds from disposal of assets held for sale		311	15,924
Payment for acquisition of business, net of cash acquired		(33,014)	-
Cash received from disposal of business, net of cash transferred		34,266	130,987
Others, net		28,567	(3,336)
Net cash used in investing activities		<u>(538,183)</u>	<u>(695,533)</u>
Cash flows from financing activities			
Proceeds from borrowings		892,587	526,342
Repayment of borrowings		(1,372,044)	(649,857)
Proceeds from short-term borrowings, net		(1,131,449)	(141,737)
Capital contribution from non-controlling interests		23,579	5,808
Payment of cash dividends		(625,406)	(447,674)
Payment of interest of hybrid bonds		(8,204)	(33,738)
Repayment of hybrid bonds		-	(800,000)
Others, net		(84,504)	(25,295)
Net cash used in financing activities		<u>(2,305,441)</u>	<u>(1,566,151)</u>
Effect of exchange rate fluctuation on cash held		<u>57,956</u>	<u>19,146</u>
Net increase (decrease) in cash and cash equivalents		(90,619)	15,853
Cash and cash equivalents at beginning of the period		<u>2,643,865</u>	<u>2,612,530</u>
Cash and cash equivalents at end of the period	₩	<u><u>2,553,246</u></u>	<u><u>2,628,383</u></u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As of June 30, 2019
(Unaudited)

1. General Information

General information about POSCO, its 32 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 134 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 128 associates and joint ventures are as follows:

(a) The controlling company

POSCO, the controlling company, was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and foreign markets.

The shares of POSCO have been listed on the Korea Exchange since June 10, 1988. POSCO owns and operates two steel plants (Pohang and Gwangyang) and one office in Korea and it also operates internationally through six of its overseas liaison offices.

As of June 30, 2019, the shares of the POSCO are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchange.

(b) Consolidated subsidiaries included for the first time during the six-month period ended June 30, 2019 were as follows:

Company	Date of inclusion	Ownership (%)	Reason
GRAIN TERMINAL HOLDING PTE. LTD.	June 2019	75.00	Acquisition of control
Mykolaiv Milling Works PJSC.	June 2019	100.00	Acquisition of control
Yuzhna Stividorng Company Limited	June 2019	100.00	Acquisition of control

(c) Subsidiaries excluded from consolidation during the six-month period ended June 30, 2019 were as follows:

Company	Date of exclusion	Reason
POSCO Processing&Service	January 2019	Merged into POSCO
DAEWOO PRECIOUS RESOURCES CO., LTD.	January 2019	Liquidation
BLUE O&M Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd.(formerly, POSMATE)
MegaAsset Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd.(formerly, POSMATE)
POSCO ES MATERIALS CO., LTD.	April 2019	Merged into POSCO CHEMICAL CO.,LTD.(formerly, POSCO CHEMTECH)
Daewoo International Guangzhou Corp.	April 2019	Merged into POSCO INTERNATIONAL(CHINA) CO., LTD.(formerly, POSCO DAEWOO CHINA)
POSCO(Guangdong) Coated Steel Co., Ltd.	June 2019	Disposal
POSCO E&C (THAILAND) CO.,Ltd.	June 2019	Liquidation
POSCO Gulf SFC LLC	June 2019	Liquidation

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

2. Statement of Compliance

Statement of compliance

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

These condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No. 1034 “Interim Financial Reporting” as part of the period covered by the Company’s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as of and for the year ended December 31, 2018. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

The Company adopted K-IFRS No. 1116 “Leases” for the first time from January 1, 2019. Changes to significant accounting policies are described in Note 3.

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

The preparation of the condensed consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1116 “Leases” which are described in Note 3.

(b) Measurement of fair value

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

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

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

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

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

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

Information about the assumptions made in measuring fair value is included in Note 21.

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2018.

K-IFRS No. 1116 "Leases"

The Company has initially adopted K-IFRS No. 1116 "Leases" from January 1, 2019. The Company also expects to apply the accounting policies set out below for their annual reporting period ending December 31, 2019.

K-IFRS No. 1116 "Leases" introduced a single accounting model for lessees. As a result, the Company, as a lessee, recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company applied K-IFRS No. 1116 "Leases" using the modified retrospective approach by recognizing the cumulative effect of initial application as of January 1, 2019, the date of

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

initial application. Accordingly, the comparative information presented for 2018 has not been restated.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under K-IFRS No. 2104 "Determining Whether an Arrangement Contains a Lease". The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under K-IFRS No. 1116 "Leases", a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to K-IFRS No. 1116 "Leases", the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied K-IFRS No. 1116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under K-IFRS No. 1017 "Leases" and K-IFRS No. 2104 "Determining Whether an Arrangement Contains a Lease" were not reassessed. Therefore, the definition of a lease under K-IFRS No. 1116 has been applied only to contracts entered into or changed on or after January 1, 2019.

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

(b) As a lessee

The Company leases many assets, including land, warehouses, handling equipment and IT equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under K-IFRS No. 1116 "Leases", the Company recognizes right-of-use assets and lease liabilities for most leases. That is, most leases are presented in the statement of financial position.

However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. desktops, IT supplies, etc.). The Company recognizes lease payments associated with these leases as an expense on a straight-line basis over the lease term.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

The Company presents right-of-use assets in the same line item as it presents underlying assets of the same nature that it owns, and lease liabilities are included in other payables on the consolidated statement of financial position. The carrying amounts of right-of-use assets as of January 1, 2019, the date of initial application, and June 30, 2019 are as follows:

(in millions of Won)

	Property, Plant and Equipment (*1)					
	Land	Buildings and structures	Machinery and equipment	Vehicles	Furniture, fixtures and others	Total
The date of initial application (January 1, 2019)	₩ 322,797	192,330	214,650	21,021	28,546	779,344
June 30, 2019	348,317	186,596	216,211	19,218	19,266	789,608

(*1) Leases classified as a finance lease under K-IFRS No. 1017 "Leases" at the end of 2018 are included, and the carrying amounts of right-of-use assets and lease liabilities are equal to the carrying amounts of the finance lease assets and financial lease liabilities measured in accordance with K-IFRS 1017 "Leases" as of January 1, 2019, the date of initial application.

1) Significant accounting policies

The Company recognizes a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

2) Transition

At transition, for leases classified as operating leases under K-IFRS No. 1017 "Leases", lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019, the date of initial application. Right-of-use assets are measured at amounts equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Company used the following practical expedients when applying K-IFRS No. 1116 "Leases" to leases previously classified as operating leases under K-IFRS No. 1017 "Leases".

- Applied the exemption not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Company leases out its investment properties. The Company classified these leases as operating leases, and the accounting policies applicable to the Company as a lessor are not different from those under K-IFRS No. 1017 "Leases". However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company provides sub-leases for leases of vessels classified as operating leases under K-IFRS No. 1017 "Leases" as an intermediate lessor, and classified the sub-leases as finance leases as of January 1, 2019, the date of initial application of K-IFRS No. 1116 "Leases". Accordingly, the Company recognized finance lease receivables amounting to ₩225,198 million. In addition, the Company did not make any adjustments to leases for which the Company is a lessor, except for sub-leases described above as of January 1, 2019, the date of initial application.

(d) Impact on financial statements

The Company recognized additional right-of-use assets, lease receivables and lease liabilities as of January 1, 2019, the date of initial application. The effect on the financial statements as of January 1, 2019, the date of initial application is as follows:

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

(in millions of Won)

**The date of initial
application
(January 1, 2019)**

Consolidated statement of financial position

Right-of-use assets presented as property, plant and equipment(*1) ₩	641,780
Lease receivables	225,198
Lease liabilities	598,902

(*1) Prepaid lease payments amounting to ₩268,076 million, classified as operating leases as of December 31, 2018, was reclassified from other assets to property, plant and equipment.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rates as of January 1, 2019, the date of initial application, and the weighted-average rates applied are 1.8 ~12.6%. The carrying amount of lease liabilities as of January 1, 2019, the date of initial application, is as follow:

(in millions of Won)

**The date of initial
application
(January 1, 2019)**

Operating lease commitments as of December 31, 2018	₩	893,284
Operating lease commitments not recognized as lease liabilities		
- Leases of low-value assets		(50,364)
- Leases with less than 12 months of lease term at transition		(17,635)
Operating lease commitments recognized as lease liabilities		825,285
Amount discounted using the incremental borrowing rate as of January 1, 2019, the date of initial application		598,902
Finance lease liabilities recognized as of December 31, 2018		94,754
Lease liabilities as of January 1, 2019, the date of initial application		693,656

As of June 30, 2019, the Company recognized ₩662,830 million of right-of-use assets and ₩601,345 million of lease liabilities for leases that were previously classified as operating leases.

In addition, the Company recognized depreciation and interest expenses instead of operating lease expenses. The Company recognized depreciation expenses amounted to ₩54,237 million and interest expenses amounted to ₩16,163 million during the six-month period ended June 30, 2019.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Current		
Trade accounts and notes receivable	₩ 9,308,023	8,648,250
Finance lease receivables	45,647	57,487
Due from customers for contract work	994,379	963,060
Less: Allowance for doubtful accounts	(409,591)	(386,188)
	<u>₩ 9,938,458</u>	<u>9,282,609</u>
Non-current		
Trade accounts and notes receivable	₩ 382,381	583,797
Finance lease receivables	216,897	45,873
Less: Allowance for doubtful accounts	(129,634)	(202,545)
	<u>₩ 469,644</u>	<u>427,125</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩233,583 million and ₩468,706 million as of June 30, 2019 and December 31, 2018, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and is recognized as short-term borrowings from financial institutions.

5. Other Receivables

Other receivables as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Current		
Loans	₩ 355,619	236,782
Other accounts receivable	1,025,194	954,030
Accrued income	228,738	220,066
Deposits	110,353	108,640
Others	17,716	16,201
Less: Allowance for doubtful accounts	(146,546)	(150,090)
	<u>₩ 1,591,074</u>	<u>1,385,629</u>
Non-current		
Loans	₩ 665,908	731,344
Other accounts receivable	162,796	155,936
Accrued income	68,583	1,855
Deposits	174,663	152,072
Less: Allowance for doubtful accounts	(191,629)	(177,967)
	<u>₩ 880,321</u>	<u>863,240</u>

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

6. Other Financial Assets

Other financial assets as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	June 30, 2019	December 31, 2018
Current		
Derivatives assets	₩ 35,377	47,288
Debt securities	241,999	2,987
Deposit instruments(*1,2)	1,879,308	1,931,518
Short-term financial instruments(*2)	5,346,275	6,099,303
	<u>₩ 7,502,959</u>	<u>8,081,096</u>
Non-current		
Derivatives assets	₩ 67,194	1,795
Equity securities(*3)	1,243,432	1,238,630
Debt securities	31,607	34,327
Other securities(*3)	340,118	338,106
Deposit instruments(*2)	34,856	35,040
	<u>₩ 1,717,207</u>	<u>1,647,898</u>

(*1) As of June 30, 2019 and December 31, 2018, ₩5,382 million and ₩5,715 million, respectively, are restricted for the use in a government projects.

(*2) As of June 30, 2019 and December 31, 2018, financial instruments amounting to ₩65,491 million and ₩73,935 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) As of June 30, 2019 and December 31, 2018, ₩115,501 million and ₩115,431 million of equity and other securities have been provided as collateral for borrowings, construction projects and others.

7. Inventories

Inventories as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	June 30, 2019	December 31, 2018
Finished goods	₩ 1,794,465	1,886,040
Merchandise	962,228	1,131,416
Semi-finished goods	2,093,726	1,945,567
Raw materials	3,033,223	2,821,972
Fuel and materials	976,109	888,941
Construction inventories	782,884	718,884
Materials-in-transit	2,186,549	2,245,740
Others	79,005	68,150
	<u>11,908,189</u>	<u>11,706,710</u>
Less: Allowance for inventories valuation	(200,004)	(206,782)
	<u>₩ 11,708,185</u>	<u>11,499,928</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the six-month period ended June 30, 2019 and the year ended December 31, 2018 were ₩73,600 million and ₩141,799 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

8. Assets Held for Sale

Details of assets held for sale as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>Subsidiaries</u>	<u>Subsidiaries</u>
Property, plant and equipment(*1)	₩ 21,806	21,076
Others	13	778
	<u>₩ 21,819</u>	<u>21,854</u>

(*1) During the year ended December 31, 2018, DAESAN (CAMBODIA) Co., Ltd., a subsidiary of the Company, determined to dispose of the land and classified the related property, plant and equipment amounting to ₩21,076 million as assets held for sale.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

Company	June 30, 2019			December 31, 2018	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,713,975,892	31.27	₩ 178,787 ₩	173,730	174,123
POSPower Co., Ltd>(*1)	4,507,138	34.00	179,410	169,152	161,477
SNNC	18,130,000	49.00	90,650	116,334	116,922
QSONE Co.,Ltd.	200,000	50.00	84,395	85,388	85,550
Chun-cheon Energy Co., Ltd(*1)	17,308,143	49.10	86,541	63,406	62,478
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	2,008,000	29.53	10,040	17,734	17,382
Daesung Steel(*3)	108,038	17.54	14,000	15,671	15,644
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.26	45,163	12,209	13,329
Keystone NO. 1. Private Equity Fund	13,800,000	40.45	13,800	11,627	11,183
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*3)	6,485	12.50	6,485	5,762	5,739
KONES, Corp.	3,250,000	41.67	6,893	2,504	2,849
Others (50 companies)(*1)				119,552	123,734
				<u>793,069</u>	<u>790,410</u>
[Foreign]					
AES-VCM Mong Duong Power Company Limited(*2)	-	30.00	164,303	211,519	209,936
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	135,899	217,290	179,459
7623704 Canada Inc.(*3)	114,452,000	10.40	124,341	132,396	126,885
Eureka Moly LLC	-	20.00	240,123	85,259	82,447
AMCI (WA) PTY LTD	49	49.00	209,664	71,215	71,086
Nickel Mining Company SAS	3,234,698	49.00	157,585	33,899	41,712
KOREA LNG LTD.	2,400	20.00	135,205	46,509	43,554
NCR LLC	-	29.40	44,119	42,592	37,602
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	134,400,000	40.00	22,423	22,590	-
PT. Batutua Tembaga Raya	128,285	22.00	21,824	19,544	20,479
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	14,405	14,120
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,269	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	6,748	6,478
Others (27 companies)(*1)				116,836	99,728
				<u>1,036,071</u>	<u>948,282</u>
			₩	<u>1,829,140</u>	<u>1,738,692</u>

(*1) As of June 30, 2019 and December 31, 2018, investments in associates amounting to ₩296,248 million and ₩285,066 million, respectively, are provided as collateral in relation to the associates' borrowings.

(*2) As of June 30, 2019 and December 31, 2018, shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, are provided as collateral in relation to the associates' borrowings.

(*3) As of June 30, 2019, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

(b) Details of investments in joint ventures as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

Company	June 30, 2019			December 31, 2018	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 181,787	180,192
Others (8 companies)				10,168	9,124
				<u>191,955</u>	<u>189,316</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,120,383	1,041,600
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	376,683	363,506
KOBRASCO	2,010,719,185	50.00	32,950	96,578	133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	91,183	88,391
DMSA/AMSA(*1)	-	4.00	338,966	30,899	26,709
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	7,163	24,832
Others (12 companies)				43,426	43,508
				<u>1,766,315</u>	<u>1,721,995</u>
				<u>₩ 1,958,270</u>	<u>1,911,311</u>

(*1) As of June 30, 2019 and December 31, 2018, the investments in joint ventures were provided as collateral in relation to the joint ventures' borrowings.

(c) The movements of investments in associates and joint ventures for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

1) For the six-month period ended June 30, 2019

(in millions of Won)

Company	December 31, 2018		Dividends	Share of profits (losses)	Other increase (decrease)(*1)	June 30, 2019 Book value
	Book value	Acquisition				
[Domestic]						
EOP POSCO Global NO1 Natural Resources PEF	₩ 174,123	-	-	(393)	-	173,730
POSPower Co., Ltd	161,477	-	-	(2,403)	10,078	169,152
SNNC	116,922	-	(1,450)	862	-	116,334
OSONE Co.,Ltd.	85,550	-	(950)	788	-	85,388
Chun-cheon Energy Co., Ltd	62,478	6,050	-	(5,122)	-	63,406
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	17,382	-	-	352	-	17,734
Daesung Steel	15,644	-	-	27	-	15,671
Incheon-Gimpo Expressway Co., Ltd.	13,329	-	-	(1,120)	-	12,209
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	11,183	-	-	444	-	11,627
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	5,739	-	-	23	-	5,762
KONES, Corp.	2,849	-	-	(345)	-	2,504
POSCO MITSUBISHI CARBON TECHNOLOGY	180,192	-	(16,369)	17,964	-	181,787
Others (58 companies)	132,858	15,214	(816)	(77)	(17,459)	129,720
	<u>979,726</u>	<u>21,264</u>	<u>(19,585)</u>	<u>11,000</u>	<u>(7,381)</u>	<u>985,024</u>
[Foreign]						
AES-VCM Mong Duong Power Company Limited	209,936	-	(18,099)	18,990	692	211,519
South-East Asia Gas Pipeline Company Ltd.	179,459	-	-	31,309	6,522	217,290
7623704 Canada Inc.	126,885	-	(3,530)	4,639	4,402	132,396
Eureka Moly LLC	82,447	-	-	(41)	2,853	85,259
AMCI (WA) PTY LTD	71,086	-	-	(1,894)	2,023	71,215
Nickel Mining Company SAS	41,712	-	-	(8,787)	974	33,899
KOREA LNG LTD.	43,554	-	(7,867)	7,904	2,918	46,509
NCR LLC	37,602	3,980	-	(196)	1,206	42,592
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	-	22,423	-	(20)	187	22,590
PT. Batutua Tembaga Raya	20,479	-	-	(1,361)	426	19,544
PT. Wampu Electric Power	14,120	-	-	(181)	466	14,405
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	14,796	-	-	(103)	576	15,269
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,478	-	-	(84)	354	6,748
Roy Hill Holdings Pty Ltd	1,041,600	-	-	49,181	29,602	1,120,383
POSCO-NPS Niobium LLC	363,506	-	(6,712)	7,418	12,471	376,683
KOBRASCO	133,449	-	(74,716)	32,291	5,554	96,578
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,391	-	-	57	2,735	91,183
DMSA/AMSA	26,709	16,370	-	(14,196)	2,016	30,899
CSP - Companhia Siderurgica do Pecem	24,832	-	-	(15,514)	(2,155)	7,163
Others (39 companies)	143,236	367	(10,951)	21,117	6,493	160,262
	<u>2,670,277</u>	<u>43,140</u>	<u>(121,875)</u>	<u>130,529</u>	<u>80,315</u>	<u>2,802,386</u>
	<u>₩ 3,650,003</u>	<u>64,404</u>	<u>(141,460)</u>	<u>141,529</u>	<u>72,934</u>	<u>3,787,410</u>

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) For the year ended December 31, 2018

(in millions of Won)

Company	December 31, 2017			Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2018
	Book value	Acquisition	Dividends			Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources PEF ₩	175,553	-	-	(1,430)	-	174,123
POSPower Co., Ltd	-	176,731	-	(3,198)	(12,056)	161,477
SNNC	110,424	-	-	6,624	(126)	116,922
QSONE Co.,Ltd.	85,049	-	(550)	1,051	-	85,550
Chun-cheon Energy Co., Ltd	74,378	-	-	(11,900)	-	62,478
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	17,252	-	-	130	-	17,382
BLUE OCEAN Private Equity Fund	19,620	-	-	(17,930)	(1,690)	-
Daesung Steel	15,500	-	-	144	-	15,644
Incheon-Gimpo Expressway Co., Ltd.	31,660	-	-	(18,331)	-	13,329
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	12,379	-	-	(1,295)	99	11,183
UITrans LRT Co., Ltd.	15,841	-	-	(15,841)	-	-
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	6,828	-	-	(1,089)	-	5,739
KONES, Corp.	2,827	-	-	29	(7)	2,849
POSCO MITSUBISHI CARBON TECHNOLOGY	110,760	-	-	69,594	(162)	180,192
Others (52 companies)	73,419	44,629	(784)	18,942	(3,348)	132,858
	<u>751,490</u>	<u>221,360</u>	<u>(1,334)</u>	<u>25,500</u>	<u>(17,290)</u>	<u>979,726</u>
[Foreign]						
AES-VCM Mong Duong Power Company Limited	142,348	-	(26,108)	30,096	63,600	209,936
South-East Asia Gas Pipeline Company Ltd.	197,069	-	(29,301)	17,709	(6,018)	179,459
7623704 Canada Inc.	121,702	-	(4,509)	4,373	5,319	126,885
Eureka Moly LLC	79,398	-	-	(406)	3,455	82,447
AMCI (WA) PTY LTD	63,378	-	-	(3,412)	11,120	71,086
Nickel Mining Company SAS	45,905	-	-	(4,268)	75	41,712
KOREA LNG LTD.	33,422	-	(10,544)	10,542	10,134	43,554
NCR LLC	33,738	2,505	-	(5,909)	7,268	37,602
PT. Batutua Tembaga Raya	21,823	-	-	(1,817)	473	20,479
PT. Wampu Electric Power	13,391	-	-	177	552	14,120
Zhongyue POSCO (Qinhuaingdao) Tinplate Industrial Co., Ltd	15,617	-	-	(735)	(86)	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,517	-	-	23	(62)	6,478
Roy Hill Holdings Pty Ltd	1,125,133	-	-	59,095	(142,628)	1,041,600
POSCO-NPS Niobium LLC	348,836	-	(22,254)	21,536	15,388	363,506
KOBRASCO	108,485	-	(37,710)	75,170	(12,496)	133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,305	-	-	540	(454)	88,391
DMSA/AMSA	56,735	17,973	-	(48,802)	803	26,709
CSP - Compania Siderurgica do Pecem	146,427	-	-	(109,714)	(11,881)	24,832
Others (42 companies)	158,213	2,771	(22,588)	42,937	(38,097)	143,236
	<u>2,806,442</u>	<u>23,249</u>	<u>(153,014)</u>	<u>87,135</u>	<u>(93,535)</u>	<u>2,670,277</u>
₩	<u>3,557,932</u>	<u>244,609</u>	<u>(154,348)</u>	<u>112,635</u>	<u>(110,825)</u>	<u>3,650,003</u>

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the six-month period ended June 30, 2019 and the year ended December 31, 2018 are as follows:

1) June 30, 2019

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 537,212	775	536,437	-	463
POSPower Co., Ltd	677,586	150,930	526,656	-	(2,111)
SNNC	673,095	415,225	257,870	310,509	403
QSONE Co.,Ltd.	249,571	78,795	170,776	8,583	1,577
Chun-cheon Energy Co., Ltd	627,847	496,365	131,482	172,246	(10,664)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	60,412	30,669	29,743	7,930	1,192
Daesung Steel	172,822	114,863	57,959	40,589	155
Incheon-Gimpo Expressway Co., Ltd.	1,032,447	941,946	90,501	24,648	(9,187)
Keystone NO. 1. Private Equity Fund	175,409	141,533	33,876	10,237	1,097
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	47,147	1,055	46,092	451	177
KONES, Corp.	1,698	1,323	375	1,735	(829)
POSCO MITSUBISHI CARBON TECHNOLOGY	558,589	256,344	302,245	130,145	29,952
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,851,888	984,129	867,759	256,088	125,035
7623704 Canada Inc.	1,285,200	3	1,285,197	-	44,602
Nickel Mining Company SAS	465,845	345,093	120,752	88,112	(19,090)
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	65,168	8,744	56,424	87	(51)
KOREA LNG LTD.	232,680	132	232,548	40,605	39,521
PT. Batutua Tembaga Raya	386,150	332,551	53,599	56,492	(6,064)
PT. Wampu Electric Power	226,141	157,112	69,029	8,378	(905)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	71,202	20,642	50,560	48,617	(303)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	60,765	33,187	27,578	33,640	(349)
Roy Hill Holdings Pty Ltd	10,259,062	5,959,124	4,299,938	1,899,721	580,732
POSCO-NPS Niobium LLC	753,163	-	753,163	-	14,369
KOBRASCO	304,478	111,323	193,155	92,397	64,582
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	934,287	597,173	337,114	529,518	229
DMSA/AMSA	5,607,227	4,145,517	1,461,710	263,152	(355,363)
CSP - Companhia Siderurgica do Pecem	4,304,481	4,383,584	(79,103)	878,495	(79,261)

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) December 31, 2018

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 552,760	783	551,977	-	10,249
POSPower Co., Ltd	425,632	35,761	389,871	-	(4,536)
SNNC	645,013	384,586	260,427	656,320	14,229
QSONE Co.,Ltd.	249,384	78,285	171,099	16,597	2,101
Chun-cheon Energy Co., Ltd	667,454	525,308	142,146	320,950	(18,796)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	63,554	35,003	28,551	16,237	439
BLUE OCEAN Private Equity Fund	305,876	174,640	131,236	459,491	(5,294)
Daesung Steel	169,305	111,502	57,803	75,474	824
Incheon-Gimpo Expressway Co., Ltd.	1,049,629	931,937	117,692	45,566	(92,202)
Keystone NO. 1. Private Equity Fund	177,024	144,186	32,838	15,507	(3,962)
UITrans LRT Co., Ltd.	430,227	435,699	(5,472)	12,929	(85,344)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	59,464	1,061	58,403	2,401	(12,313)
KONES, Corp.	2,618	1,414	1,204	5,167	70
POSCO MITSUBISHI CARBON TECHNOLOGY	537,138	237,563	299,575	300,986	116,049
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,726,410	1,009,731	716,679	343,471	70,717
7623704 Canada Inc.	1,232,208	1	1,232,207	-	44,320
Nickel Mining Company SAS	465,463	329,084	136,379	207,956	(4,569)
KOREA LNG LTD.	217,883	110	217,773	54,357	52,720
PT. Batutua Tembaga Raya	332,305	274,580	57,725	128,609	(8,451)
PT. Wampu Electric Power	223,009	155,407	67,602	13,461	887
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	73,515	24,264	49,251	121,104	(2,231)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	61,782	34,740	27,042	85,619	78
Roy Hill Holdings Pty Ltd	9,666,619	6,043,492	3,623,127	3,259,256	497,469
POSCO-NPS Niobium LLC	726,810	-	726,810	-	41,812
KOBRASCO	317,842	50,945	266,897	229,340	150,550
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	710,518	384,572	325,946	1,341,849	2,159
DMSA/AMSA	5,562,877	4,171,896	1,390,981	731,127	(529,844)
CSP - Companhia Siderurgica do Pecem	4,194,242	4,192,867	1,375	1,860,198	(542,865)

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of June 30, 2019 are as follows:

Joint operations	Operation	Ownership (%)	Location
Myanmar A-1/A-3 mine	Mine development and gas production	51.00	Myanmar
Offshore midstream	Gas transportation facility	51.00	Myanmar
Greenhills mine	Mine development	20.00	Canada
Arctos Anthracite coal project	Mine development	50.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
RUM J/V	Mine development	10.00	Australia
Hanam-Gamil package public housing project	Construction	7.70	Korea
Hanam-Gamil district B6, C2, C3 Block public housing lot development project	Construction	27.00	Korea
Yangsan-Sasong district public housing project(private-participation)	Construction	13.08	Korea
Yangsan-Sasong district public housing project	Construction	49.00	Korea
Sejong 2-1 P3 Block public housing project	Construction	37.00	Korea
Yongin-Giheung Station area city development project	Construction	61.00	Korea
Korean wave world complex land multi-purpose building development project	Construction	33.30	Korea
Sejong 4-1 P3 Block public housing project	Construction	60.00	Korea

11. Investment Property, Net

Changes in the carrying amount of investment property for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

(a) For the six-month period ended June 30, 2019

(in millions of Won)	Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩ 278,585	-	(224)	-	3,887	282,248
Buildings	571,335	-	(779)	(9,750)	754	561,560
Structures	1,408	-	-	(313)	(97)	998
Construction-in-progress	77,287	17,760	-	-	(6,540)	88,507
	₩ 928,615	17,760	(1,003)	(10,063)	(1,996)	933,313

(*1) Includes reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences, and others.

(b) For the year ended December 31, 2018

(in millions of Won)	Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩ 360,402	1,327	(26,826)	(16,743)	(39,575)	278,585
Buildings	634,040	727	(32,807)	(28,358)	(2,267)	571,335
Structures	6,281	-	-	(603)	(4,270)	1,408
Construction-in-progress	64,191	42,052	-	(24,948)	(4,008)	77,287
	₩ 1,064,914	44,106	(59,633)	(70,652)	(50,120)	928,615

(*1) Includes impairment loss on investment property recognized by each of the consolidated subsidiaries, including the office for rent of POSCO(Dalian) IT Center Development Co., Ltd. amounting to ₩51,461 million.

(*2) Includes reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences, and others.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

12. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

(a) For the six-month period ended June 30, 2019

(in millions of Won)

		Beginning	Acquisitions	Business Combination	Disposals	Depreciation	Impairment loss(*1)	Others(*2)	Ending
Land	₩	2,548,002	6,058	-	(8,186)	-	-	27,605	2,573,479
Buildings		4,402,452	9,719	50,113	(4,999)	(157,925)	(21,499)	112,494	4,390,355
Structures		2,917,924	6,920	-	(4,000)	(113,372)	(9,615)	50,515	2,848,372
Machinery and equipment		18,518,129	88,139	3,051	(17,786)	(1,123,093)	(117,434)	530,738	17,881,744
Vehicles		31,341	4,534	100	(369)	(7,645)	29	3,471	31,461
Tools		66,164	7,876	187	(598)	(14,065)	(4)	4,633	64,193
Furniture and fixtures		136,287	13,649	7	(1,039)	(19,018)	(137)	6,860	136,609
Lease assets(*3)		137,564	40,110	-	(283)	(75,338)	-	687,555	789,608
Bearer plants		80,771	-	-	-	(2,589)	-	23,026	101,208
Construction-in-progress		1,179,639	849,557	367	(7,123)	-	-	(499,273)	1,523,167
	₩	<u>30,018,273</u>	<u>1,026,562</u>	<u>53,825</u>	<u>(44,383)</u>	<u>(1,513,045)</u>	<u>(148,660)</u>	<u>947,624</u>	<u>30,340,196</u>

(*1) The Company estimated recoverable amount for individual assets such as CEM and Fe-Si factories that ceased operations due to the disposal plan and others and recognized an impairment loss for assets since recoverable amounts are less than their carrying amounts for the six-month period ended June 30, 2019.

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

(*3) On the date of initial application of K-IFRS No. 1116 (January 1, 2019), recognition of ₩641,780 million of right-of-use assets is included in others.

(b) For the year ended December 31, 2018

(in millions of Won)

		Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1,2)	Others(*3)	Ending
Land	₩	2,527,650	28,998	(26,157)	-	6,399	11,112	2,548,002
Buildings		4,877,018	46,129	(21,501)	(331,688)	(73,523)	(93,983)	4,402,452
Structures		2,765,852	18,749	(2,834)	(220,218)	(6,652)	363,027	2,917,924
Machinery and equipment		19,367,957	145,220	(62,135)	(2,224,000)	(143,293)	1,434,380	18,518,129
Vehicles		32,861	8,538	(1,149)	(14,835)	(56)	5,982	31,341
Tools		63,640	21,337	(1,867)	(26,421)	(206)	9,681	66,164
Furniture and fixtures		145,439	32,258	(577)	(51,835)	(1,494)	12,496	136,287
Lease assets		145,257	28,466	(420)	(19,224)	-	(16,515)	137,564
Bearer plants		65,515	-	-	(3,636)	-	18,892	80,771
Construction-in-progress		1,892,346	1,884,125	(23,814)	-	(778,373)	(1,794,645)	1,179,639
	₩	<u>31,883,535</u>	<u>2,213,820</u>	<u>(140,454)</u>	<u>(2,891,857)</u>	<u>(997,198)</u>	<u>(49,573)</u>	<u>30,018,273</u>

(*1) During 2018, the Controlling Company evaluated future economic performance of its Synthetic Natural Gas (SNG) facility that was still in trial run stage. Considering the continuous decline in LNG price, increase in coal prices and the need for additional capital investment in the SNG facility, the Controlling Company concluded that the profitability for the SNG facility is unlikely to be sustainable and decided to terminate the operation of SNG facility as of December 31, 2018. The property, plant and equipment in the SNG facility are primarily comprised of machinery and equipment, among which assets with a carrying value of ₩167,054 million are expected to be reused in other facilities of the Controlling Company therefore no impairment test was conducted. For the remaining assets impairment test was performed by estimating the recoverable amount of each individual assets. For the assets which are determined to be technically obsolete and therefore sale is unlikely, recoverable amount represents expected scrap value less cost of disposal.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

For the assets for which sale is probable, the recoverable amount is determined based on fair value less cost of disposal. Fair value was measured using cost approach, which is based on estimated the current cost to purchase or replace the asset less applicable depreciation and obsolescence.

Specifically, the Controlling Company used indirect cost approach to estimate the replacement cost for a new asset by applying asset specific inflation factors to the asset's historical cost. Then the Controlling Company estimates and deducts depreciation for physical deterioration. Depreciation factors are applied primarily based on estimated useful life of the asset and declining balance depreciation method. The fair value measurement of assets in SNG facility is considered to be level 3 because significant inputs used in the estimate, such as asset specific inflation factors and estimated useful lives, are unobservable.

As a result of the impairment test, the Company recognized an impairment loss of ~~₩~~809,737 million in connection with the property, plant and equipment in the SNG facility.

The Controlling Company has recognized an impairment loss amounting to ~~₩~~61,787 million since recoverable amount on Strip Casting facilities and others is less than its carrying amount for the period ended December 31, 2018.

- (*2) As of December 31, 2018, POSCO ENERGY CO., LTD., as a subsidiary, performed the impairment test due to the consecutive operating loss of the fuel cell business, and recognized impairment losses amounting to ~~₩~~54,250 million.
- (*3) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

13. Goodwill and Other Intangible Assets, Net

Changes in the carrying amount of goodwill and other intangible assets for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

(a) For the six-month period ended June 30, 2019

(in millions of Won)

	Beginning	Acquisitions	Business Combination	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,125,149	-	31,557	-	-	-	1,788	1,158,494
Intellectual property rights	2,399,525	73,446	-	(485)	(121,382)	-	23,273	2,374,377
Premium in rental(*1)	134,793	10,598	-	(8,259)	(85)	343	7,631	145,021
Development expense	99,163	1,620	-	-	(22,098)	-	13,394	92,079
Port facilities usage rights	305,081	-	-	-	(11,547)	-	1	293,535
Exploration and evaluation assets	192,130	2,149	-	-	-	(4)	(560)	193,715
Customer relationships	421,773	-	-	-	(27,497)	-	3,339	397,615
Other intangible assets	493,211	51,786	117	(513)	(21,124)	(677)	(11,418)	511,382
	₩ <u>5,170,825</u>	<u>139,599</u>	<u>31,674</u>	<u>(9,257)</u>	<u>(203,733)</u>	<u>(338)</u>	<u>37,448</u>	<u>5,166,218</u>

(*1) Premium in rental includes memberships with indefinite useful lives.

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

(b) For the year ended December 31, 2018

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*3)	Ending
Goodwill	₩ 1,349,838	-	-	-	(223,709)	(980)	1,125,149
Intellectual property rights	2,449,193	334,667	(18,619)	(198,282)	(96,475)	(70,959)	2,399,525
Premium in rental(*1)	118,310	36,196	(15,675)	(330)	(4,218)	510	134,793
Development expense	80,218	4,248	(32)	(37,305)	(411)	52,445	99,163
Port facilities usage rights	309,373	-	-	(22,975)	-	18,683	305,081
Exploration and evaluation assets	205,944	2,654	-	-	(3,339)	(13,129)	192,130
Customer relationships	466,945	-	-	(48,499)	-	3,327	421,773
Power generation permit(*2)	539,405	-	-	-	-	(539,405)	-
Other intangible assets	433,043	164,594	(1,644)	(49,190)	(8,844)	(44,748)	493,211
	₩ <u>5,952,269</u>	<u>542,359</u>	<u>(35,970)</u>	<u>(356,581)</u>	<u>(336,996)</u>	<u>(594,256)</u>	<u>5,170,825</u>

(*1) Premium in rental includes memberships with indefinite useful lives.

(*2) During the year ended December 31, 2018, the Company disposed of a portion of shares of its subsidiary, POSPower Co., Ltd, which resulted in the Company's loss of control, and derecognition of corresponding intangible assets.

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

14. Other Assets

Other assets as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Current		
Advance payments	₩ 474,859	539,894
Prepaid expenses	178,899	123,770
Firm commitment asset	12,897	11,246
Emission rights(*1)	25,440	-
Others	10,818	9,554
	<u>₩ 702,913</u>	<u>684,464</u>
Non-current		
Long-term advance payments	₩ 24,308	24,280
Long-term prepaid expenses	44,576	334,918
Others(*2)	248,692	149,566
	<u>₩ 317,576</u>	<u>508,764</u>

(*1) The Company decided to sell emission rights, which determined to be restricted for use in the future period during the six-month period ended June 30, 2019, and recognized such emission rights as other assets at fair value measured as of June 30, 2019.

(*2) As of June 30, 2019 and December 31, 2018, the Company recognized tax assets amounting to ₩194,580 million and ₩116,693 million based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years tax audits and claim for rectification are finalized.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	Lenders	Interest rate (%)	June 30, 2019	December 31, 2018
Short-term borrowings				
Bank overdrafts	JP Morgan and others	0.6~9.1	₩ 172,496	294,364
Short-term borrowings	HSBC and others	0.3~10.4	<u>6,361,517</u>	<u>7,193,416</u>
			<u>6,534,013</u>	<u>7,487,780</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.8~8.5	1,320,504	1,234,915
Current portion of debentures	Korea Development Bank and others	2.0~6.3	1,104,062	1,568,108
Less: Current portion of discount on debentures issued			<u>(446)</u>	<u>(1,184)</u>
			<u>2,424,120</u>	<u>2,801,839</u>
			₩ <u>8,958,133</u>	<u>10,289,619</u>

(b) Long-term borrowings, excluding current portion as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	Lenders	Interest rate (%)	June 30, 2019	December 31, 2018
Long-term borrowings	Export-Import Bank of Korea and others	0.2~8.8	₩ 4,280,580	4,499,199
Less: Present value discount			(27,762)	(30,526)
Debentures	Mirae Asset Daewoo Co.,Ltd. and others	1.9~5.3	6,006,332	5,469,580
Less: Discount on debentures issued			<u>(17,924)</u>	<u>(18,602)</u>
			₩ <u>10,241,226</u>	<u>9,919,651</u>

(c) Assets pledged as collateral in regards to the borrowings as of June 30, 2019 are as follows:

<i>(in millions of Won)</i>	Lenders	Book value	Pledged amount
Cash and cash equivalents	Sinhan Bank and others	₩ 5,508	5,508
Property, plant and equipment and Investment property	Korea Development Bank and others	5,423,567	5,401,647
Trade accounts and notes receivable	Korea Development Bank and others	126,924	126,924
Inventories	Export-Import Bank of Korea and others	229,027	148,626
Financial instruments	Woori Bank and others	<u>38,984</u>	<u>38,984</u>
		₩ <u>5,824,010</u>	<u>5,721,689</u>

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

16. Other Payables

Other payables as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Current		
Accounts payable	₩ 777,283	783,562
Accrued expenses	720,104	720,773
Dividend payable	3,680	8,673
Lease liabilities(*1)	136,896	10,152
Withholdings	185,024	196,937
	<u>₩ 1,822,987</u>	<u>1,720,097</u>
Non-current		
Accounts payable	₩ 2,894	1,624
Accrued expenses	3,524	19,021
Lease liabilities(*1)	559,886	84,602
Long-term withholdings	54,040	43,621
	<u>₩ 620,344</u>	<u>148,868</u>

(*1) As of the end of the June 30, 2019, the Company recognized lease liabilities of ₩601,345 million on initial application of K-IFRS No.1116 "Leases".

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

17. Other Financial Liabilities

Other financial liabilities as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

		<u>June 30, 2019</u>	<u>December 31, 2018</u>
Current			
Derivative liabilities	₩	43,608	27,328
Financial guarantee liabilities		<u>48,292</u>	<u>50,472</u>
	₩	<u>91,900</u>	<u>77,800</u>
Non-current			
Derivative liabilities	₩	6,023	46,429
Financial guarantee liabilities		<u>4,956</u>	<u>17,733</u>
	₩	<u>10,979</u>	<u>64,162</u>

18. Provisions

(a) Provisions as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

		<u>June 30, 2019</u>		<u>December 31, 2018</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Provision for bonus payments	₩	49,771	46,682	46,514	26,964
Provision for construction warranties		8,873	146,174	11,842	130,391
Provision for legal contingencies and claims(*1)		10,022	97,002	16,981	94,169
Provision for the restoration(*2)		7,609	90,699	9,379	79,789
Others(*3,4)		<u>253,052</u>	<u>91,794</u>	<u>216,564</u>	<u>99,723</u>
	₩	<u>329,327</u>	<u>472,351</u>	<u>301,280</u>	<u>431,036</u>

(*1) The Company recognized probable outflow of resources amounting to ₩45,519 million and ₩50,888 million as provisions in relation to lawsuits against the Company as of June 30, 2019 and December 31, 2018, respectively.

(*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩26,210 million as provisions for restoration as of June 30, 2019. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 1.75~1.84% to measure present value of these costs.

(*3) As of June 30, 2019 and December 31, 2018, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩206,481 million and ₩200,407 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*4) As of June 30, 2019 and December 31, 2018, the amount includes a provision of ₩17,595 million, for expected outflow of resources in connection with the performance guarantee for the Hwaseong-Dongtan complexes development project of POSCO ENGINEERING & CONSTRUCTION CO., LTD.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

(b) Changes in provisions for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

1) For the six-month period ended June 30, 2019

<i>(in millions of Won)</i>	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 73,478	35,389	(29,003)	(2,022)	18,611	96,453
Provision for construction warranties	142,233	26,137	(12,098)	(822)	(403)	155,047
Provision for legal contingencies and claims	111,150	4,051	(5,734)	(4,721)	2,278	107,024
Provision for the restoration	89,168	16,830	(9,610)	(261)	2,181	98,308
Others	316,287	74,963	(5,790)	(33,418)	(7,196)	344,846
	₩ <u>732,316</u>	<u>157,370</u>	<u>(62,235)</u>	<u>(41,244)</u>	<u>15,471</u>	<u>801,678</u>

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

2) For the year ended December 31, 2018

<i>(in millions of Won)</i>	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 49,171	88,879	(60,723)	(3,856)	7	73,478
Provision for construction warranties	118,036	56,560	(24,608)	(7,660)	(95)	142,233
Provision for legal contingencies and claims	36,764	84,242	(6,066)	(3,399)	(391)	111,150
Provision for the restoration	134,190	14,912	(9,212)	(47,682)	(3,040)	89,168
Others	249,957	328,879	(118,388)	(216,668)	72,507	316,287
	₩ <u>588,118</u>	<u>573,472</u>	<u>(218,997)</u>	<u>(279,265)</u>	<u>68,988</u>	<u>732,316</u>

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

19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2019	2018	2019	2018
Expense related to post-employment benefit plans under defined contribution plans	₩	11,530	10,076	24,058	20,585

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

(b) Defined benefit plan

- 1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Present value of funded obligations	₩ 2,201,320	2,117,829
Fair value of plan assets(*1)	(1,977,193)	(1,997,717)
Present value of non-funded obligations	23,327	19,332
Net defined benefit liabilities	₩ <u>247,454</u>	<u>139,444</u>

(*1) As of December 31, 2018, the Company recognized net defined benefit assets amounting to ₩1,489 million, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

- 2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

<i>(in millions of Won)</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Defined benefit obligation at the beginning of period	₩ 2,137,161	1,843,135
Current service costs	114,990	212,323
Interest costs	25,991	54,950
Remeasurements	28,655	212,678
Benefits paid	(87,522)	(189,165)
Others	5,372	3,240
Defined benefit obligation at the end of period	₩ <u>2,224,647</u>	<u>2,137,161</u>

- 3) Changes in fair value of plan assets for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

<i>(in millions of Won)</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Fair value of plan assets at the beginning of period	₩ 1,997,717	1,714,166
Interest on plan assets	23,756	50,784
Remeasurement of plan assets	(2,541)	(19,761)
Contributions to plan assets	18,280	408,326
Benefits paid	(63,657)	(163,112)
Others	3,638	7,314
Fair value of plan assets at the end of period	₩ <u>1,977,193</u>	<u>1,997,717</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2019	2018	2019	2018
Current service costs	₩ 56,060	52,420	114,990	106,837
Net interest costs	1,138	1,368	2,235	1,785
	₩ <u>57,198</u>	<u>53,788</u>	<u>117,225</u>	<u>108,622</u>

20. Other Liabilities

Other liabilities as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>		June 30, 2019	December 31, 2018
Current			
Due to customers for contract work	₩	720,536	709,180
Advances received		768,609	567,375
Unearned revenue		50,409	49,805
Withholdings		237,991	233,981
Firm commitment liability		18,835	24,373
Others		13,731	10,174
	₩	<u>1,810,111</u>	<u>1,594,888</u>
Non-current			
Unearned revenue	₩	42,351	42,992
Others		49,395	84,369
	₩	<u>91,746</u>	<u>127,361</u>

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

21. Financial Instruments

(a) Classification and fair value of financial instruments

1) The fair values of financial assets and financial liabilities by fair value hierarchy as of June 30, 2019 and December 31, 2018 are as follows

① June 30, 2019

(in millions of Won)	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Fair value through profit or loss					
Derivative assets	₩ 89,941	-	89,941	-	89,941
Short-term financial instruments	5,346,275	-	5,346,275	-	5,346,275
Debt securities	28,441	-	-	28,441	28,441
Other securities	340,118	1,337	4,527	334,254	340,118
Other receivables	2,000	-	-	2,000	2,000
Derivative hedging instruments(*2)	12,630	-	12,630	-	12,630
Fair value through other comprehensive income					
Equity securities	1,243,432	866,822	-	376,610	1,243,432
Debt securities	1,647	-	-	1,647	1,647
Financial assets measured at amortized cost(*1)					
Cash and Cash Equivalents	2,553,246	-	-	-	-
Trade accounts and notes receivable	9,487,705	-	-	-	-
Other receivables	2,101,325	-	-	-	-
Debt securities	243,518	-	-	-	-
Deposit instruments	1,914,164	-	-	-	-
₩	<u>23,364,442</u>	<u>868,159</u>	<u>5,453,373</u>	<u>742,952</u>	<u>7,064,484</u>
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 40,666	-	40,666	-	40,666
Derivative hedging instruments(*2)	8,965	-	8,965	-	8,965
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	4,057,723	-	-	-	-
Borrowings	19,199,359	-	19,440,293	-	19,440,293
Financial guarantee liabilities	53,248	-	-	-	-
Others	2,383,233	-	-	-	-
₩	<u>25,743,194</u>	<u>-</u>	<u>19,489,924</u>	<u>-</u>	<u>19,489,924</u>

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

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

② December 31, 2018

(in millions of Won)	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Fair value through profit or loss					
Derivative assets	₩ 16,662	-	16,662	-	16,662
Short-term financial instruments	6,099,303	-	6,099,303	-	6,099,303
Debt securities	27,229	-	-	27,229	27,229
Other securities	338,106	1,224	5,205	331,677	338,106
Other receivables	2,000	-	-	2,000	2,000
Derivative hedging instruments	32,421	-	32,421	-	32,421
Fair value through other comprehensive income					
Equity securities	1,238,630	891,514	-	347,116	1,238,630
Debt securities	1,638	-	-	1,638	1,638
Financial assets measured at amortized cost(*1)					
Cash and Cash Equivalents	2,643,865	-	-	-	-
Trade accounts and notes receivable	8,819,617	-	-	-	-
Other receivables	1,843,381	-	-	-	-
Debt securities	8,447	-	-	-	-
Deposit instruments	1,966,558	-	-	-	-
₩	23,037,857	892,738	6,153,591	709,660	7,755,989
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 60,047	-	60,047	-	60,047
Derivative hedging instruments	13,710	-	13,710	-	13,710
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	4,035,960	-	-	-	-
Borrowings	20,209,270	-	20,377,105	-	20,377,105
Financial guarantee liabilities	68,205	-	-	-	-
Others	1,803,353	-	-	-	-
₩	26,190,545	-	20,450,862	-	20,450,862

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

2) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2019 and 2018 were as follows:

① For the six-month period ended June 30, 2019

(in millions of Won)	Finance income and costs						Other comprehensive income(loss)
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value							
through profit or loss	₩ 68,097	(1,372)	-	6,424	630	73,779	-
Derivatives assets	-	107,978	-	82,589	-	190,567	-
Financial assets at fair value through other comprehensive income							
Financial assets measured at amortized cost	85,880	-	285,705	(19,240)	(215)	352,130	-
Derivatives liabilities	-	(2,845)	-	(111,034)	-	(113,879)	(100)
Financial liabilities measured at amortized cost							
	(391,204)	-	(284,351)	(2,431)	(9,008)	(686,994)	-
₩	(237,227)	103,761	1,354	(43,692)	42,155	(133,649)	17,744

② For the six-month period ended June 30, 2018

(in millions of Won)	Finance income and costs						Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value							
through profit or loss	₩ 69,234	(106)	-	5,416	2,865	77,409	-
Derivatives assets	-	65,506	-	97,237	-	162,743	-
Financial assets at fair value through other comprehensive income							
Financial assets measured at amortized cost	87,721	-	349,027	(21,796)	(185)	414,767	-
Derivatives liabilities	-	(13,419)	-	(96,293)	-	(109,712)	(238)
Financial liabilities measured at amortized cost							
	(337,656)	-	(487,892)	-	2,286	(823,262)	-
₩	(180,701)	51,981	(138,865)	(15,436)	46,337	(236,684)	(61,379)

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

3) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2019 and 2018 were as follows:

① For the three-month period ended June 30, 2019

(in millions of Won)

	Finance income and costs						Other comprehensive income(loss)
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 33,024	(2,156)	-	5,704	32	36,604	-
Derivatives assets	-	59,954	-	49,999	-	109,953	-
Financial assets at fair value through other comprehensive income	-	-	-	-	19,838	19,838	23,383
Financial assets measured at amortized cost	45,426	-	134,303	(9,832)	(107)	169,790	-
Derivatives liabilities	-	1,396	-	(70,694)	-	(69,298)	(132)
Financial liabilities measured at amortized cost	(190,726)	-	(151,301)	(194)	(1,737)	(343,958)	-
	₩ (112,276)	59,194	(16,998)	(25,017)	18,026	(77,071)	23,251

② For the three-month period ended June 30, 2018

(in millions of Won)

	Finance income and costs						Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 35,054	2,077	-	17	1,061	38,209	-
Derivatives assets	-	15,711	-	68,787	-	84,498	-
Financial assets at fair value through other comprehensive income	-	-	-	-	10,677	10,677	(16,385)
Financial assets measured at amortized cost	50,052	-	320,132	(10,941)	(92)	359,151	-
Derivatives liabilities	-	25,911	-	(48,567)	-	(22,656)	(80)
Financial liabilities measured at amortized cost	(175,796)	-	(470,360)	-	2,395	(643,761)	-
	₩ (90,690)	43,699	(150,228)	9,296	14,041	(173,882)	(16,465)

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2018.

22. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2019 and December 31, 2018 are as follows:

(Share, in Won)

	June 30, 2019	December 31, 2018
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares(*1)	87,186,835	87,186,835
Shared capital(*2)	₩ 482,403,125,000	482,403,125,000

(*1) As of June 30, 2019, total number of ADRs of 34,955,408 outstanding in overseas stock market are equivalent to 8,738,852 shares of common stock.

(*2) As of June 30, 2019, the difference between the ending balance and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

(b) Capital surplus as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2019</u>	<u>December 31, 2018</u>
Share premium	₩	463,825	463,825
Gain on disposal of treasury shares		796,623	784,047
Other capital surplus		114,490	162,679
	₩	<u>1,374,938</u>	<u>1,410,551</u>

(c) POSCO ENERGY CO., LTD., a subsidiary of the Company, issued redeemable convertible preferred shares which are classified as non-controlling interests in the consolidated financial statements. The details of redeemable convertible preferred shares as of June 30, 2019 are as follows:

<i>(Share, in Won)</i>	<u>Redeemable Convertible Preferred Shares</u>
Issue date	February 25, 2017
Number of shares issued	8,643,193 shares
Price per share	28,346
Voting rights	No voting rights for 3 years from issue date
Dividend rights	Comparative, Non-participating · Minimum dividend rate for 1~3 years : 3.98% · Minimum dividend rate after 4 years : Comparative rate + Issuance spread + 2%
Details about Redemption	Issuer can demand redemption of all or part of redeemable convertible preferred shares every year after the issue date, for a period of 10 years from the issue date.
Details about Conversion	Stockholders of redeemable convertible preferred shares can convert them from 3 years after the issue date to the end of the redemption period (10 years).

Redeemable convertible preferred stocks are classified as equity because the issuer has a redemption right and can control the circumstances in which the entity can settle a variable quantity of equity instruments.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>(%)</u>		<u>June 30, 2019</u>	<u>December 31, 2018</u>
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60	₩	200,000	200,000
Issuance cost					(616)	(616)
				₩	<u>199,384</u>	<u>199,384</u>

(*1) Details of issuance of hybrid bonds as of June 30, 2019 are as follows:

<u>Hybrid bond 1-2</u>	
Maturity date	30 years (POSCO has a right to extend the maturity date)
Interest rate	Issue date ~ 2023-06-12 : 4.6% Reset every 10 years as follows; · After 10 years: return on government bond (10 years) + 1.4% · After 10 years: additionally +0.25% according to Step-up clauses · After 30 years: additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to POSCO)
Others	POSCO can call the hybrid bond at year 10 and interest payment date afterwards

The hybrid bond holders' preference in the event of liquidation is higher than the common stockholders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of June 30, 2019 amounts to ₩454 million.

(b) POSCO ENERGY CO., LTD., a subsidiary of the Company, issued hybrid bonds which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate (%)</u>		<u>June 30, 2019</u>	<u>December 31, 2018</u>
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21	₩	140,000	140,000
Issuance cost					(429)	(429)
				₩	<u>139,571</u>	<u>139,571</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

(*1) Details of hybrid bonds of POSCO ENERGY CO., LTD. as of June 30, 2019 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of June 30, 2019 amounts to ₩639 million.

24. Reserves

Reserves as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	June 30, 2019	December 31, 2018
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (645,292)	(670,435)
Changes in fair value of equity investments at fair value through other comprehensive income	(258,989)	(295,300)
Foreign currency translation differences	(190,299)	(417,817)
Gains or losses on valuation of derivatives	(448)	(352)
Others	(17,236)	(20,464)
	₩ <u>(1,112,264)</u>	<u>(1,404,368)</u>

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

25. Treasury Shares

As of June 30, 2019, the Company holds 7,071,194 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

26. Revenue

(a) Disaggregation of revenue

- 1) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the six-month periods ended June 30, 2019 and 2018 were as follows:

① For the six-month period ended June 30, 2019

(in millions of Won)

	<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
Types of revenue					
Revenue from sales of goods	₩ 15,919,961	10,936,991	-	341,736	27,198,688
Revenue from services	311,731	196,471	24,568	1,154,776	1,687,546
Revenue from construction contract	-	-	3,222,542	17,097	3,239,639
Others	22,938	68,902	3,452	114,408	209,700
	<u>₩ 16,254,630</u>	<u>11,202,364</u>	<u>3,250,562</u>	<u>1,628,017</u>	<u>32,335,573</u>
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 15,942,899	11,005,893	5,728	461,406	27,415,926
Revenue recognized over time	311,731	196,471	3,244,834	1,166,611	4,919,647
	<u>₩ 16,254,630</u>	<u>11,202,364</u>	<u>3,250,562</u>	<u>1,628,017</u>	<u>32,335,573</u>

② For the six-month period ended June 30, 2018

(in millions of Won)

	<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
Types of revenue					
Revenue from sales of goods	₩ 15,977,276	10,570,455	2,178	281,864	26,831,773
Revenue from services	282,155	312,228	37,843	1,093,961	1,726,187
Revenue from construction contract	-	-	3,121,562	24,969	3,146,531
Others	18,412	73,176	13,597	135,903	241,088
	<u>₩ 16,277,843</u>	<u>10,955,859</u>	<u>3,175,180</u>	<u>1,536,697</u>	<u>31,945,579</u>
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 15,995,688	10,643,631	15,775	422,708	27,077,802
Revenue recognized over time	282,155	312,228	3,159,405	1,113,989	4,867,777
	<u>₩ 16,277,843</u>	<u>10,955,859</u>	<u>3,175,180</u>	<u>1,536,697</u>	<u>31,945,579</u>

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month periods ended June 30, 2019 and 2018 were as follows:

① For the three-month period ended June 30, 2019

<i>(in millions of Won)</i>	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 8,019,477	5,529,989	-	181,518	13,730,984
Revenue from services	150,001	98,407	12,500	509,075	769,983
Revenue from construction contract	-	-	1,717,341	10,637	1,727,978
Others	13,336	36,087	2,079	40,888	92,390
	₩ 8,182,814	5,664,483	1,731,920	742,118	16,321,335
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 8,032,813	5,566,076	2,508	225,262	13,826,659
Revenue recognized over time	150,001	98,407	1,729,412	516,856	2,494,676
	₩ 8,182,814	5,664,483	1,731,920	742,118	16,321,335

② For the three-month period ended June 30, 2018

<i>(in millions of Won)</i>	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 8,095,289	5,181,756	2,178	141,347	13,420,570
Revenue from services	137,200	180,069	12,024	525,601	854,894
Revenue from construction contract	-	-	1,670,414	9,042	1,679,456
Others	14,831	33,916	7,834	71,795	128,376
	₩ 8,247,320	5,395,741	1,692,450	747,785	16,083,296
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 8,110,120	5,215,672	10,012	215,704	13,551,508
Revenue recognized over time	137,200	180,069	1,682,438	532,081	2,531,788
	₩ 8,247,320	5,395,741	1,692,450	747,785	16,083,296

(b) Details of contract assets and liabilities from contracts with customers as of June 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	June 30, 2019	December 31, 2018
Receivables		
Account receivables	₩ 9,487,705	8,819,617
Contract assets		
Due from customers for contract work	920,397	890,117
Contract liabilities		
Advance received	767,748	592,125
Due to customers for contract work	720,536	709,180
Unearned revenue	92,353	91,872

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

27. Revenue – Contract Balances

(a) Details of in-progress contracts as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	June 30, 2019		December 31, 2018	
	Construction segment	Others	Construction segment	Others
Accumulated cost	₩ 26,856,392	315,065	27,860,778	234,092
Accumulated contract profit	2,558,313	51,140	2,266,897	34,815
Accumulated contract loss	(1,076,338)	(16,250)	(792,496)	(12,042)
Accumulated contract revenue	28,338,367	349,955	29,335,179	256,865

(b) Details of due from customers for contract work and due to customers for contract work as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	June 30, 2019		December 31, 2018	
	Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩ 933,846	60,533	914,489	48,571
Due to customers for contract work	(692,137)	(28,399)	(676,990)	(32,190)
	₩ 241,709	32,134	237,499	16,381

(c) Details of the provisions of construction loss as of June 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	June 30, 2019	December 31, 2018
Construction segment	₩ 35,244	31,067
Others	625	1,203
	₩ 35,869	32,270

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

- (d) Due to the factors causing the variation of costs for the six-month period ended June 30, 2019, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profits or loss for the six-month period ended June 30, 2019 and future periods are as follows:

		Changes in estimated total contract costs	Changes in profit (loss) of contract		
			Net income(loss)	Future income (loss)	Total
(in millions of Won)					
Construction segment	₩	284,730	(84,532)	(16,424)	(100,956)
Others		6,787	5,519	693	6,212
	₩	291,517	(79,013)	(15,731)	(94,744)

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contracts as of June 30, 2019. The estimation is evaluated for the total contract cost and expected total contract revenue as of the end of the period. Also, it may change during future periods.

- (e) Uncertainty of estimates

1) Total contract revenues

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

2) Total contract costs

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

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

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

28. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Wages and salaries	₩ 197,241	190,601	405,863	407,539
Expenses related to post-employment benefits	18,202	16,356	40,070	37,158
Other employee benefits	43,344	48,276	89,121	96,087
Travel	11,514	10,827	21,181	20,094
Depreciation	31,294	27,423	65,620	51,603
Amortization	28,442	27,786	56,802	55,436
Communication	2,556	2,318	5,029	4,943
Electricity expenses	2,001	1,940	4,031	4,181
Taxes and public dues	18,971	23,933	31,856	38,997
Rental	9,219	15,935	20,677	34,380
Repairs	4,107	3,744	6,624	7,867
Entertainment	2,609	2,684	5,641	5,632
Advertising	24,059	29,439	41,965	59,800
Research & development	26,299	27,294	56,682	51,771
Service fees	36,066	40,046	87,588	79,258
Vehicles maintenance	1,919	2,239	4,247	4,182
Industry association fee	1,980	2,506	5,417	5,910
Conference	3,957	3,458	7,810	7,006
Increase to provisions	1,084	9,283	2,482	21,946
Others	11,673	11,164	23,914	21,553
	₩ <u>476,537</u>	<u>497,252</u>	<u>982,620</u>	<u>1,015,343</u>

(b) Selling expenses

Selling expenses for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Freight and custody expenses(*1)	₩ 40,176	42,506	87,537	84,350
Operating expenses for distribution center	2,657	2,634	5,251	5,178
Sales commissions	22,563	17,265	38,599	30,138
Sales advertising	370	482	604	1,043
Sales promotion	2,478	3,238	5,015	6,375
Sample	617	840	1,128	1,470
Sales insurance premium	7,916	9,178	15,925	19,180
Contract cost	7,439	4,919	16,079	4,995
Others	5,987	3,000	11,325	6,731
	₩ <u>90,203</u>	<u>84,062</u>	<u>181,463</u>	<u>159,460</u>

(*1) The Company identified the shipping services included in the contract with customers as a separate performance obligations, and as of December 31, 2018, expenses incurred for the delivery of shipping services had been reclassified from selling expenses to cost of sales. Meanwhile, in order to compare financial statements ended June 30, 2019 to ended June 30, 2018, the company reclassified ₩598,816 million of expense of shipping service to cost of sales for the six-month period ended June 30, 2018. This reclassification does not affect the amount of net assets for the year ended December 31, 2018, and net income for the six-month period ended June 30, 2018.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

29. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Finance income				
Interest income(*1)	₩ 78,450	85,106	153,977	156,955
Dividend income	19,870	11,738	51,378	44,236
Gain on foreign currency transactions	261,833	155,132	379,766	325,458
Gain on foreign currency translations	54,450	248,562	199,617	333,458
Gain on derivatives transactions	51,200	70,001	84,600	98,451
Gain on valuations of derivatives	59,795	55,556	146,869	114,981
Gain on disposals of financial assets at fair value through profit or loss	5,786	988	6,980	6,390
Gain on valuations of financial assets at fair value through profit or loss	231	3,739	1,447	4,267
Others	1,247	2,810	2,242	5,923
	₩ <u>532,862</u>	<u>633,632</u>	<u>1,026,876</u>	<u>1,090,119</u>
Finance costs				
Interest expenses	₩ 190,726	175,796	391,204	337,656
Loss on foreign currency transactions	210,009	198,872	315,298	324,892
Loss on foreign currency translations	123,272	355,050	262,731	472,889
Loss on derivatives transactions	71,895	49,781	113,045	97,507
Loss on valuation of derivatives	(1,555)	13,934	41,736	62,894
Loss on disposal of trade accounts and notes receivable	9,832	10,941	19,240	21,796
Loss on disposals of financial assets at fair value through profit or loss	83	971	557	974
Loss on valuations of financial assets at fair value through profit or loss	2,386	1,662	2,818	4,373
Others	3,284	507	13,896	3,822
	₩ <u>609,932</u>	<u>807,514</u>	<u>1,160,525</u>	<u>1,326,803</u>

(*1) Interest income calculated using the effective interest method for the six-month periods ended June 30, 2019 and 2018 were ₩85,880 million and ₩87,721 million, respectively.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

30. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Other non-operating income				
Gain on disposals of assets held for sale	₩ 8,536	103	8,536	103
Gain on disposals of investments				
in subsidiaries, associates and joint ventures	1,385	44,399	15,821	44,399
Gain on disposals of property, plant and equipment	4,080	17,284	16,362	21,089
Gain on disposals of intangible assets	526	70,811	526	101,383
Gain on valuation of firm commitment	9,258	22,768	28,968	26,962
Gain on insurance proceeds	986	2,278	1,406	2,463
Gain on valuation of emission rights	25,440	-	25,440	-
Others(*1)	32,813	108,486	60,309	130,686
	₩ <u>83,024</u>	<u>266,129</u>	<u>157,368</u>	<u>327,085</u>
Other non-operating expenses				
Impairment loss on assets held for sale	₩ (849)	46,896	3,346	46,896
Loss on disposals of investments				
in subsidiaries, associates and joint ventures	3,716	2,970	5,586	3,405
Loss on disposals of property, plant and equipment	25,099	46,862	37,396	59,072
Impairment losses on property, plant and equipment	81,314	648	149,659	18,870
Impairment losses on intangible assets	168	37	1,171	1,763
Loss on valuation of firm commitment	14,763	3,270	18,572	18,695
Idle tangible assets expenses	10,808	2,190	18,427	4,402
Increase to provisions	2,098	74,359	7,371	74,642
Donations	1,788	8,149	11,194	24,983
Others(*2)	27,774	166,296	51,147	193,837
	₩ <u>166,679</u>	<u>351,677</u>	<u>303,869</u>	<u>446,565</u>

(*1) During the six-month period ended June 30, 2018, the Company recognized ₩41,137 million of tax refund without corporate tax due to the consequences of appeal to tax tribunal against tax investigation as non-operating income.

(*2) During the six-month period ended June 30, 2018, the Company recognized ₩161,772 million of additional taxes imposed about value added tax related to imported LNG as non-operating expense.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

31. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other non-operating expenses in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows (excluding finance costs and income tax expense):

(in millions of Won)

		For the three-month periods		For the six-month periods	
		ended June 30		ended June 30	
		2019	2018	2019	2018
Raw material used, changes in inventories and	₩	9,577,372	9,418,496	19,256,695	18,679,280
Employee benefits expenses		870,497	830,316	1,746,165	1,765,280
Outsourced processing cost		1,992,121	1,855,777	3,762,751	3,483,406
Electricity expenses		329,161	232,293	548,963	463,422
Depreciation(*1)		758,349	723,262	1,523,108	1,436,644
Amortization		104,471	95,580	203,733	204,435
Freight and custody expenses		362,400	349,912	731,634	683,166
Sales commissions		22,563	17,265	38,599	30,138
Loss on disposal of property, plant and equipment		25,099	46,862	37,396	59,072
Impairment loss on property, plant and equipment		81,314	648	149,659	18,870
Impairment loss on intangible assets		167	37	1,171	1,763
Donations		1,789	8,149	11,194	24,983
Other expenses		1,306,568	1,615,281	2,374,283	2,815,542
	₩	<u>15,431,871</u>	<u>15,193,878</u>	<u>30,385,351</u>	<u>29,666,001</u>

(*1) Includes depreciation expense of investment property.

32. Income Taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2019 and 2018 were 31.05% and 31.03%, respectively.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

33. Earnings per Share

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

(in Won except per share information)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Profit attribute to controlling interest	₩ 612,285,873,955	545,018,257,951	1,353,539,066,362	1,538,534,272,921
Interests of hybrid bonds	(1,662,931,506)	(6,650,931,505)	(3,307,589,040)	(14,358,575,340)
Weighted-average number of common shares outstanding (*1)	80,115,641	80,000,630	80,111,845	80,000,147
Basic and diluted earnings per share	₩ 7,622	6,730	16,854	19,052

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

(Share)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,071,194)	(7,186,205)	(7,074,990)	(7,186,688)
Weighted-average number of common shares outstanding	80,115,641	80,000,630	80,111,845	80,000,147

Since there were no potential shares of common stock which had dilutive effects as of June 30, 2019 and 2018, diluted earnings per share is equal to basic earnings per share.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

34. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the six-month periods ended June 30, 2019 and 2018 were as follows:

1) For the six-month period ended June 30, 2019

(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
Subsidiaries(*3)						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 3,608	11,089	-	139,349	21	5,233
POSCO COATED & COLOR STEEL Co., Ltd.	233,408	1,707	-	-	7,684	491
POSCO ICT(*4)	1,509	4,989	-	148,817	17,055	88,838
eNtoB Corporation	7	60	159,576	16,936	59	13,431
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	197,793	25,129	255,299	7,578	156,383	2,010
POSCO ENERGY CO., LTD.	106,602	624	-	-	-	62
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	2,841,376	46,572	330,044	-	26,037	2,569
POSCO Thainox Public Company Limited	120,032	13,675	3,733	-	-	3
POSCO America Corporation	184,517	-	-	-	-	39
POSCO Canada Ltd.	340	604	151,892	-	-	-
POSCO Asia Co., Ltd.	861,771	585	248,431	-	987	2,796
Qingdao Pohang Stainless Steel Co., Ltd.	59,410	-	-	-	-	-
POSCO JAPAN Co., Ltd.	756,357	-	21,553	3,021	-	1,487
POSCO-VIETNAM Co., Ltd.	141,535	181	-	-	-	37
POSCO MEXICO S.A. DE C.V.	153,766	31	-	-	-	5
POSCO Maharashtra Steel Private Limited	333,608	187	-	-	-	256
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	43,313	-	1,481	-	-	-
POSCO VST CO., LTD.	137,025	-	-	-	-	62
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	180	322,210	-	-	-
Others	425,315	14,560	81,055	10,572	133,582	60,791
	<u>6,601,292</u>	<u>120,173</u>	<u>1,575,274</u>	<u>326,273</u>	<u>341,808</u>	<u>178,110</u>
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.	183	65	1,399	110,614	9,326	9,362
SNNC	2,747	3,380	244,626	-	-	10
POSCO-SAMSUNG-Slovakia Processing Center	31,764	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	482,848	-	-	-
Others	6,985	86,037	27,127	-	-	-
	<u>41,679</u>	<u>89,482</u>	<u>756,000</u>	<u>110,614</u>	<u>9,326</u>	<u>9,372</u>
₩	<u>6,642,971</u>	<u>209,655</u>	<u>2,331,274</u>	<u>436,887</u>	<u>351,134</u>	<u>187,482</u>

(*1) Sales and others mainly consist of sales of steel products to subsidiaries, associates and joint ventures.

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

(*3) As of June 30, 2019, the Company provided guarantees to related parties (Note 35).

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) For the six-month period ended June 30, 2018

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 4,967	63	-	139,725	9	23,205
POSCO COATED & COLOR STEEL Co., Ltd.	227,199	2,724	-	-	4,218	664
POSCO ICT	1,319	7,475	-	137,368	16,173	95,168
eNtoB Corporation	5	60	175,914	8,347	58	12,292
POSCO CHEMICAL CO., LTD. (Formerly, POSCO CHEMTECH)	200,582	23,081	259,624	15,978	155,550	601
POSCO ENERGY CO., LTD.	95,908	702	-	-	-	-
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	2,892,020	38,859	343,617	-	29,378	675
POSCO Thainox Public Company Limited	140,624	5,249	5,452	-	-	-
POSCO America Corporation	135,136	-	-	-	-	947
POSCO Canada Ltd.	190	882	128,164	-	-	-
POSCO Asia Co., Ltd.	951,799	162	236,375	535	1,325	1,884
Qingdao Pohang Stainless Steel Co., Ltd.	87,177	7	-	-	-	5
POSCO JAPAN Co., Ltd.	693,432	6	11,717	1,709	-	1,493
POSCO-VIETNAM CO., Ltd.	163,916	21	-	-	-	8
POSCO MEXICO S.A. DE C.V.	146,389	37	-	-	-	-
POSCO Maharashtra Steel Private Limited	268,909	349	-	-	-	86
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	112,256	-	-	-	-	5
POSCO VST CO., LTD.	150,076	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	43	100,242	-	-	-
Others	428,778	20,497	45,384	11,014	128,471	62,924
	6,700,682	100,217	1,306,489	314,676	335,182	199,957
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	5,268	108	1,632	75,575	10,509	4,783
SNNC	2,467	602	243,010	-	-	5
POSCO-SAMSUNG-Slovakia Processing Center	28,513	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	408,815	-	-	-
Others	5,107	45,128	35,823	-	-	5
	41,355	45,838	689,280	75,575	10,509	4,793
₩	6,742,037	146,055	1,995,769	390,251	345,691	204,750

(b) Significant transactions between the controlling company and related companies for the three-month periods ended June 30, 2019 and 2018 were as follows:

1) For the three-month period ended June 30, 2019

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 2,198	16	-	72,852	-	2,519
POSCO COATED & COLOR STEEL Co., Ltd.	116,211	1	-	-	5,315	119
POSCO ICT	729	-	-	87,989	8,498	42,677
eNtoB Corporation	3	-	81,080	10,952	33	7,907
POSCO CHEMICAL CO., LTD. (Formerly, POSCO CHEMTECH)	93,869	5,799	124,303	5,513	78,253	1,881
POSCO ENERGY CO., LTD.	49,714	310	-	-	-	42
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	1,423,768	1	154,881	-	13,381	1,629
POSCO Thainox Public Company Limited	54,928	13,616	2,063	-	-	-
POSCO America Corporation	89,516	-	-	-	-	21
POSCO Canada Ltd.	340	529	75,279	-	-	-
POSCO Asia Co., Ltd.	445,133	498	100,397	-	429	2,235
Qingdao Pohang Stainless Steel Co., Ltd.	5,363	-	-	-	-	-
POSCO JAPAN Co., Ltd.	350,682	-	12,033	707	-	853
POSCO-VIETNAM Co., Ltd.	66,995	96	-	-	-	-
POSCO MEXICO S.A. DE C.V.	75,553	17	-	-	-	-
POSCO Maharashtra Steel Private Limited	142,945	92	-	-	-	256
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	25,309	-	957	-	-	-
POSCO VST CO., LTD.	58,204	-	-	-	-	19
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	41	198,168	-	-	-
Others	204,728	3,439	25,317	4,790	66,424	34,354
	3,206,188	24,455	774,478	182,803	172,333	94,512
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	67	5	648	59,868	4,411	6,651
SNNC	1,399	1,100	128,978	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	7,901	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	280,820	-	-	-
Others	2,993	74,784	13,962	-	-	-
	12,360	75,889	424,408	59,868	4,411	6,651
₩	3,218,548	100,344	1,198,886	242,671	176,744	101,163

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) For the three-month period ended June 30, 2018

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 4,205	10	-	81,019	-	13,917
POSCO COATED & COLOR STEEL Co., Ltd.	116,447	164	-	-	2,626	475
POSCO ICT	671	1	-	66,547	8,086	46,321
eNtoB Corporation	4	-	90,057	5,001	13	6,479
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	102,349	5,406	127,033	10,291	78,268	453
POSCO ENERGY CO., LTD.	43,813	333	-	-	-	-
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	1,429,416	7	155,339	-	15,483	353
POSCO Thainox Public Company Limited	74,649	5,249	2,255	-	-	-
POSCO America Corporation	71,770	-	-	-	-	61
POSCO Canada Ltd.	190	564	58,158	-	-	-
POSCO Asia Co., Ltd.	455,936	21	148,374	232	423	1,012
Qingdao Pohang Stainless Steel Co., Ltd.	43,146	-	-	-	-	-
POSCO JAPAN Co., Ltd.	343,676	6	5,743	984	-	499
POSCO-VIETNAM Co., Ltd.	75,630	8	-	-	-	-
POSCO MEXICO S.A. DE C.V.	81,299	20	-	-	-	-
POSCO Maharashtra Steel Private Limited	134,136	140	-	-	-	56
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	45,102	-	-	-	-	-
POSCO VST CO., LTD.	77,396	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	34	63,389	-	-	-
Others	201,613	12,578	22,869	5,843	63,203	35,253
	<u>3,301,448</u>	<u>24,541</u>	<u>673,217</u>	<u>169,917</u>	<u>168,102</u>	<u>104,879</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	4,932	28	718	47,532	4,751	2,635
SNNC	1,259	180	109,397	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	10,275	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	217,358	-	-	-
Others	2,388	35,397	18,845	-	-	-
	<u>18,854</u>	<u>35,605</u>	<u>346,318</u>	<u>47,532</u>	<u>4,751</u>	<u>2,635</u>
₩	<u>3,320,302</u>	<u>60,146</u>	<u>1,019,535</u>	<u>217,449</u>	<u>172,853</u>	<u>107,514</u>

(c) The related account balances of significant transactions between the controlling company and related companies as of June 30, 2019 and December 31, 2018 are as follows:

1) June 30, 2019

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1	3,387	3,388	-	30,793	431	31,224
POSCO COATED & COLOR STEEL Co., Ltd.	55,363	190	55,553	-	5	2,878	2,883
POSCO ICT	-	111	111	1,117	65,547	41,116	107,780
eNtoB Corporation	-	-	-	7,022	36,011	-	43,033
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	61,753	3,858	65,611	17,126	52,799	18,134	88,059
POSCO ENERGY CO., LTD.	32,190	1,272	33,462	-	-	1,425	1,425
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	561,369	27	561,396	2,089	2,089	4,942	9,120
POSCO Thainox Public Company Limited	66,865	290	67,155	-	-	-	-
POSCO America Corporation	18,228	-	18,228	-	-	-	-
POSCO Asia Co., Ltd.	475,451	1,314	476,765	7,957	10	-	7,967
Qingdao Pohang Stainless Steel Co., Ltd.	21,694	-	21,694	-	-	-	-
POSCO MEXICO S.A. DE C.V.	101,314	535	101,849	-	-	-	-
POSCO Maharashtra Steel Private Limited	327,848	1,419	329,267	-	-	-	-
Others(*1)	387,693	43,132	430,825	57,212	24,441	88,395	170,048
	<u>2,109,769</u>	<u>55,535</u>	<u>2,165,304</u>	<u>92,523</u>	<u>211,695</u>	<u>157,321</u>	<u>461,539</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	-	2	2	1,427	13,257	-	14,684
SNNC	534	214	748	14,994	-	-	14,994
Roy Hill Holdings Pty Ltd	-	-	-	27,159	-	-	27,159
Others	368	38,314	38,682	80	76	-	156
	<u>902</u>	<u>38,530</u>	<u>39,432</u>	<u>43,660</u>	<u>13,333</u>	<u>-</u>	<u>56,993</u>
₩	<u>2,110,671</u>	<u>94,065</u>	<u>2,204,736</u>	<u>136,183</u>	<u>225,028</u>	<u>157,321</u>	<u>518,532</u>

(*1) During the year ended December 31, 2018, the Company made loans of ₩2,950 million to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company. As of June 30, 2019, corresponding amounts of those loans were recorded as allowance for doubtful accounts.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) December 31, 2018

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	57	5,181	5,238	-	52,775	438	53,213
POSCO COATED & COLOR STEEL Co., Ltd.	55,598	317	55,915	-	25	1,194	1,219
POSCO ICT	-	229	229	1,572	112,960	8,717	123,249
eNtoB Corporation	-	-	-	10,860	22,072	11	32,943
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	40,258	3,883	44,141	19,911	58,725	19,012	97,648
POSCO ENERGY CO., LTD.	22,163	1,700	23,863	-	-	1,425	1,425
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	437,554	1,056	438,610	161	1,881	5,304	7,346
POSCO Thainox Public Company Limited	71,189	-	71,189	467	71	-	538
POSCO America Corporation	14,338	-	14,338	-	221	-	221
POSCO Asia Co., Ltd.	480,205	1,047	481,252	7,839	-	-	7,839
Qingdao Pohang Stainless Steel Co., Ltd.	52,037	-	52,037	-	-	-	-
POSCO MEXICO S.A. DE C.V.	101,179	218	101,397	-	-	-	-
POSCO Maharashtra Steel Private Limited	390,413	1,428	391,841	-	-	-	-
Others	379,950	54,407	434,357	33,183	36,591	85,745	155,519
	2,044,941	69,466	2,114,407	73,993	285,321	121,846	481,160
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	249	10	259	3,275	34,803	-	38,078
SNNC	541	61	602	22,188	-	-	22,188
Roy Hill Holdings Pty Ltd	-	-	-	22,997	-	-	22,997
Others	918	910	1,828	217	76	-	293
	1,708	981	2,689	48,677	34,879	-	83,556
₩	2,046,649	70,447	2,117,096	122,670	320,200	121,846	584,716

(d) Significant transactions between the Company, excluding the controlling company, and related companies for the six-month periods ended June 30, 2019 and 2018 were as follows:

1) For the six-month period ended June 30, 2019

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd. ₩	5,659	-	21	7,757
New Songdo International City Development, LLC	751	4,471	-	13
SNNC	44,025	-	18,961	31,156
Chuncheon Energy Co., Ltd.	1,145	-	-	-
Noeul Green Energy Co., Ltd.	3,361	-	-	1,217
USS-POSCO Industries	2	-	1,316	-
CSP - Companhia Siderurgica do Pecem	84,598	7,419	220,542	10,586
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	16,545	-	22,155	-
LLP POSUK Titanium	-	-	272	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	3	-	1,808	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	5,298	-	-	-
PT. Batutua Tembaga Raya	-	495	21,634	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	13,751	-	173	-
Sebang Steel	-	-	4,862	-
DMSA/AMSA	-	-	30,613	-
South-East Asia Gas Pipeline Company Ltd.	27	9,387	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	44,649	16,369	2,620	1,120
POSPower Co., Ltd.	79,272	-	-	-
TK CHEMICAL CORPORATION	86,987	-	39,454	-
Others	103,425	38,024	11,650	9,046
₩	489,498	76,165	376,081	60,895

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) For the six-month period ended June 30, 2018

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 7,748	-	47	7,532
New Songdo International City Development, LLC	26,106	21,291	-	12
SNNC	37,972	-	4,770	16,826
Chuncheon Energy Co., Ltd.	20,349	-	-	-
Noeul Green Energy Co., Ltd.	3,121	-	-	-
VSC POSCO Steel Corporation	12,235	-	1,399	15
USS-POSCO Industries	-	-	1,172	-
CSP - Compania Siderurgica do Pecem	117,476	6,526	59,572	21,540
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	25,226	-	38,135	-
LLP POSUK Titanium	-	-	747	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	5,433	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	7,212	-	-	-
PT. Batutua Tembaga Raya	-	-	5,119	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	16,138	-	119	-
Sebang Steel	-	-	8,683	14
DMSA/AMSA	-	-	19,940	587
South-East Asia Gas Pipeline Company Ltd.	-	28,583	-	-
Others	143,016	28,622	8,029	27,165
	₩ 416,599	85,022	153,165	73,691

(e) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended June 30, 2019 and 2018 were as follows:

1) For the three-month period ended June 30, 2019

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 2,263	-	14	4,386
New Songdo International City Development, LLC	390	-	-	10
SNNC	26,013	-	13,918	10,532
Chuncheon Energy Co., Ltd.	135	-	-	-
Noeul Green Energy Co., Ltd.	1,699	-	-	630
USS-POSCO Industries	2	-	712	-
CSP - Compania Siderurgica do Pecem	62,328	5,352	100,154	10,201
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	7,800	-	11,361	-
LLP POSUK Titanium	-	-	-	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	3	-	956	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	1,421	-	-	-
PT. Batutua Tembaga Raya	-	130	11,037	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,658	-	93	-
Sebang Steel	-	-	4,159	-
DMSA/AMSA	-	-	13,858	-
South-East Asia Gas Pipeline Company Ltd.	22	4,582	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	20,034	-	1,280	407
POSPower Co., Ltd.	41,863	-	-	-
TK CHEMICAL CORPORATION	43,612	-	17,525	-
Others	55,486	23,357	6,087	2,207
	₩ 268,729	33,421	181,154	28,373

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) For the three-month period ended June 30, 2018

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 3,661	-	15	6,302
New Songdo International City Development, LLC	2,675	11,697	-	7
SNNC	14,882	-	268	11,957
Chuncheon Energy Co., Ltd.	74	-	-	-
Noeul Green Energy Co., Ltd.	1,622	-	-	-
VSC POSCO Steel Corporation	5,568	-	220	15
USS-POSCO Industries	-	-	656	-
CSP - Companhia Siderurgica do Pecem	74,644	6,526	35,563	6,067
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	12,382	-	23,506	-
LLP POSUK Titanium	-	-	329	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	2,743	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	4,038	-	-	-
PT. Batutua Tembaga Raya	-	-	2,928	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,805	-	61	-
Sebang Steel	-	-	2,410	14
DMSA/AMSA	-	-	10,518	587
South-East Asia Gas Pipeline Company Ltd.	-	5,475	-	-
Others	81,280	20,970	4,797	25,432
	₩ 206,631	44,668	84,014	50,381

(f) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of June 30, 2019 and December 31, 2018 are as follows:

1) June 30, 2019

(in millions of Won)

	Receivables				Payables		
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	₩ 1,657	-	6	1,663	3,670	1,020	4,690
New Songdo International City Development, LLC	65,401	-	20,592	85,993	-	-	-
Chuncheon Energy Co., Ltd.	-	2,963	-	2,963	668	-	668
POSPower Co., Ltd.	23,676	-	-	23,676	-	115,836	115,836
Nickel Mining Company SAS	-	61,341	118	61,459	-	-	-
CSP - Companhia Siderurgica do Pecem	319,823	-	2,224	322,047	13,909	-	13,909
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	9,092	-	-	9,092	3,242	-	3,242
PT. Batutua Tembaga Raya	-	35,735	12,385	48,120	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,638	2,314	19	7,971	143	-	143
DMSA/AMSA	-	57,246	-	57,246	1,173	-	1,173
South-East Asia Gas Pipeline Company Ltd.	7	172,480	-	172,487	-	-	-
POSCO MITSUBISHI CARBON	6,874	-	-	6,874	883	-	883
TK CHEMICAL CORPORATION	33,001	-	-	33,001	1,329	-	1,329
Others	88,201	152,776	12,103	253,080	5,312	4,095	9,407
	₩ 553,370	484,855	47,447	1,085,672	30,329	120,951	151,280

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) December 31, 2018

(in millions of Won)

	Receivables				Payables		
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	₩ 3,593	-	6	3,599	6,160	217	6,377
New Songdo International City Development, LLC	233,157	-	-	233,157	-	-	-
Chuncheon Energy Co., Ltd.	-	-	-	-	-	1,758	1,758
POSPower Co., Ltd.	13,703	-	-	13,703	-	66,856	66,856
Nickel Mining Company SAS	-	59,664	118	59,782	-	-	-
CSP - Companhia Siderurgica do Pecem	364,190	-	9,669	373,859	62,578	-	62,578
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,836	-	-	10,836	2,101	-	2,101
PT. Batutua Tembaga Raya	-	35,100	171	35,271	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,274	3,354	27	9,655	66	-	66
DMSA/AMSA	-	64,297	-	64,297	-	-	-
South-East Asia Gas Pipeline Company Ltd.	-	191,107	-	191,107	-	-	-
Others	75,382	136,117	13,071	224,570	7,768	5,363	13,131
	₩ 707,135	489,639	23,062	1,219,836	78,673	74,194	152,867

(g) Significant financial transactions between the Company, excluding the controlling company, and related companies for the six-month period ended June 30, 2019 and the year ended December 31, 2018 were as follows:

1) June 30, 2019

(in millions of Won)

	Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures					
UITrans LRT Co., Ltd.	₩ 5,695	2,706	-	-	8,401
DMSA/AMSA(*1)	64,297	7,367	-	(14,419)	57,245
South-East Asia Gas Pipeline Company Ltd.	191,107	-	(23,616)	4,990	172,481
PT. Batutua Tembaga Raya	35,100	-	-	635	35,735
PT. Tanggamus Electric Power	4,423	-	-	153	4,576
PT. Wampu Electric Power	5,330	-	-	184	5,514
PT. POSMI Steel Indonesia	2,236	-	-	78	2,314
Nickel Mining Company SAS	59,664	-	-	1,677	61,341
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	6,709	-	-	232	6,941
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	3,354	-	(1,118)	78	2,314
POS-SeaAH Steel Wire (Thailand) Co., Ltd.	6,709	-	-	232	6,941
AMCI (WA) PTY LTD	90,480	1,821	-	2,584	94,885
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD	5,590	-	-	194	5,784
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD	8,945	-	-	308	9,253
Hyo-chun Co., Ltd.(*3)	-	-	-	2,382	2,382
Chun-cheon Energy Co., Ltd.	-	2,964	-	-	2,964
POS-AUSTEM Suzhou Automotive Co., Ltd	-	5,727	-	57	5,784
	₩ 489,639	20,585	(24,734)	(635)	484,855

(*1) During the six-month period ended June 30, 2019, loans amounting to ₩16,370 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

(*3) During the six-month period ended June 30, 2019, it was newly classified to associates.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

2) December 31, 2018

(in millions of Won)

	<u>Beginning</u>	<u>Lend</u>	<u>Collect</u>	<u>Others(*2)</u>	<u>Ending</u>
Associates and jointventures					
New Songdo International City Development, LLC	₩ 282,775	150	(252,759)	(30,166)	-
Gale International Korea, LLC	2,000	8,500	(10,500)	-	-
UITrans LRT Co., Ltd.	-	5,695	-	-	5,695
DMSA/AMSA(*1)	69,713	9,965	(342)	(15,039)	64,297
South-East Asia Gas Pipeline Company Ltd.	229,880	-	(47,569)	8,796	191,107
PT. Batutua Tembaga Raya	29,048	4,678	-	1,374	35,100
PT. Tanggamus Electric Power	3,197	-	-	1,226	4,423
PT. Wampu Electric Power	5,107	-	-	223	5,330
PT. POSMI Steel Indonesia	4,286	-	(2,200)	150	2,236
Nickel Mining Company SAS	59,668	-	-	(4)	59,664
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	5,357	-	(5,357)	-	-
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	6,428	-	-	281	6,709
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,357	4,451	(6,454)	-	3,354
POS-SeAH Steel Wire (Thailand) Co., Ltd.	6,428	-	-	281	6,709
AMCI (WA) PTY LTD	92,061	3,795	-	(5,376)	90,480
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD	5,357	5,564	(5,357)	26	5,590
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD	8,571	8,902	(8,571)	43	8,945
SAMHWAN VINA CO., LTD	1,071	-	(1,071)	-	-
	₩ 816,304	51,700	(340,180)	(38,185)	489,639

(*1) During the year ended December 31, 2018, loans amounting to ₩17,559 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

(h) For the six-month periods ended June 30, 2019 and 2018, details of compensation to key management officers were as follows:

(in millions of Won)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Short-term benefits	₩ 56,769	56,861
Long-term benefits	7,249	6,530
Retirement benefits	10,389	12,155
	₩ 74,407	75,546

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2019

(Unaudited)

35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of June 30, 2019 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 Asia Co., Ltd.	BOC and others	USD	100,000,000	115,690	100,000,000	115,690	
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	169,503	131,874,750	152,553	
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	206,618	5,501,000,000	206,618	
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	506,853,000	586,328	126,090,900	145,860	
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	160,000,000	185,088	160,000,000	185,088	
	POSCO SS VINA CO., LTD.	Export-Import Bank of Korea and others	USD	299,941,250	346,972	299,663,928	346,651	
	POSCO-VIETNAM Co., Ltd.	SMBC and others	USD	156,000,000	180,461	156,000,000	180,461	
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,562,027	1,018,862,376	1,178,620	
	POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	199,884,500	231,226	199,884,500	231,226
		POSCO INTERNATIONAL POWER (PNG) LAE LIMITED (Formerly, Daewoo Power PNG Ltd.)	Export-Import Bank of Korea	USD	44,200,000	51,131	44,200,000	51,131
		GOLDEN LACE POSCO INTERNATIONAL CO., LTD. (Formerly, GOLDEN LACE DAEWOO COMPANY LIMITED.)	Shinhan Bank and others	USD	11,000,000	12,725	10,000,000	11,568
		POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	14,652,750	16,950	14,652,750	16,950
		PT. Bio Inti Agrindo	Export-Import Bank of Korea and others	USD	135,000,000	156,168	134,087,946	155,113
		POSCO INTERNATIONAL INDIA PVT., LTD. (Formerly, POSCO Daewoo INDIA PVT., LTD.)	Standard Chartered	USD	32,000,000	37,018	-	-
		SPH Co., Ltd.	Shinyoung securities	KRW	10,000	10,000	-	-
	POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	47,000,000	54,370	47,000,000	54,370
		POSCO Engineering and Construction India Private Limited	Woori bank and others	INR	104,000,000	1,742	61,000,000	1,022
		PT.POSCO E&C INDONESIA	POSCO Asia Co., Ltd.	USD	10,900,000	12,609	10,900,000	12,609
		Daewoo Global Development. Pte., Ltd	BNP Indonesia	USD	163,633,000	189,291	163,633,000	189,291
		HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	SAMSUNG SECURITIES CO.,LTD and others	USD	148,000,000	171,206	146,500,000	169,471
		Songdo Posco family Housing	SMBC and others	KRW	10,000	10,000	-	-
POSCO ICT	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	1,500,000	1,735	1,500,000	1,735	
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	PT.Krakatau Posco Chemtech Calcination	KEB Hana Bank	USD	15,200,000	17,583	15,200,000	17,583	
POSCO COATED & COLOR STEEL Co., Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd. and others	USD	13,986,947	16,180	13,986,947	16,180	
POSCO ENERGY CO., LTD	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	224,304	113,149,791	130,892	
POSCO Asia Co., Ltd.	POSCO ASSAN TST STEEL INDUSTRY	SMBC	USD	40,000,000	46,272	-	-	
POSCO America Corporation	POSCO America Corporation	SMBC	USD	70,000,000	80,976	70,000,000	80,976	
POSCO O&M Co., LTD (Formerly, POSMATE)	POSCO ICT	Seoul Guarantee Insurance Co., Ltd.	KRW	67	67	67	67	
	POSCO	Seoul Guarantee Insurance Co., Ltd.	KRW	30	30	30	30	
[Associates and joint ventures]								
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	485,856	374,990,595	433,789	
	LLP POSUK Titanium	BNDES	BRL	464,060,000	140,550	464,060,000	140,550	
	Nickel Mining Company SAS	SMBC	USD	15,000,000	17,352	15,000,000	17,352	
	GLOBAL KOMSCO Daewoo LLC	SMBC	EUR	46,000,000	60,495	46,000,000	60,495	
	POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	KEB Hana Bank	USD	8,225,000	9,515	8,225,000	9,515	
	POSCO ENGINEERING & CONSTRUCTION CO., LTD.	New Songdo International City Development, LLC	Others	KRW	440,000	440,000	436,000	436,000
		UITrans LRT Co., Ltd.	Kookmin Bank and others	KRW	20,740	20,740	6,004	6,004
		Chuncheon Energy Co., Ltd.	Kookmin Bank and others	KRW	12,430	12,430	2,963	2,963
		Pohang E&E Co., Ltd.	Heungjuk Life Insurance Co., Ltd.	KRW	6,500	6,500	-	-
		Incheon-Gimpo Expressway Co, Ltd.	Kookmin Bank and others	KRW	28,940	28,940	-	-
	JB CLARK HILLS Co., Ltd.	KOREA INVESTMENT&SECURITIES	KRW	40,000	40,000	30,000	30,000	
POSCO ICT	Incheon-Gimpo Expressway Co, Ltd.	KDB Bank	KRW	100,000	100,000	100,000	100,000	
	UITrans LRT Co., Ltd.	Kookmin Bank	KRW	78,000	76,000	78,000	76,000	
	Hyocheon Co., Ltd.	Kyobo Securities	KRW	39,575	39,575	39,575	39,575	
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	KRAKATAU POS-CHEM	KEB Hana Bank	USD	1,140,000	1,319	601,667	696	
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	POS-InfraAuto (Suzhou) Co., Ltd	KDB Bank and others	USD	780,000	902	780,000	902	
[Others]								
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	21,818,182	25,239	3,883,021	4,492	
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Ecocity CO.,LTD and others	Others	KRW	1,675,266	1,675,266	755,926	755,926	
POSCO ICT	BLT Enterprise and others	KEB Hana Bank and others	KRW	1,214,912	1,214,912	1,193,635	1,193,635	
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank and others	AUD	26,522,723	21,491	26,522,723	21,491	
POSCO O&M Co., LTD (Formerly, POSMATE)	Korea Electric Power Corporation and others	Seoul Guarantee Insurance Co., Ltd.	KRW	1,527	1,527	1,527	1,527	
			USD	4,327,442,129	5,005,986	3,380,667,171	3,910,754	
			INR	104,000,000	1,742	61,000,000	1,022	
			IDR	150,000,000,000	12,270	150,000,000,000	12,270	
			THB	5,501,000,000	206,618	5,501,000,000	206,618	
			KRW	3,675,987	3,675,987	2,641,727	2,641,727	
			BRL	464,060,000	140,550	464,060,000	140,550	
			EUR	46,000,000	60,495	46,000,000	60,495	
			AUD	26,522,723	21,491	26,522,723	21,491	
			USD	4,327,442,129	5,005,986	3,380,667,171	3,910,754	
			INR	104,000,000	1,742	61,000,000	1,022	
			IDR	150,000,000,000	12,270	150,000,000,000	12,270	
			THB	5,501,000,000	206,618	5,501,000,000	206,618	
			KRW	3,675,987	3,675,987	2,641,727	2,641,727	
			BRL	464,060,000	140,550	464,060,000	140,550	
			EUR	46,000,000	60,495	46,000,000	60,495	
			AUD	26,522,723	21,491	26,522,723	21,491	

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of June 30, 2019
(Unaudited)

(b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩215,145 million as of June 30, 2019.

(c) Other commitments

Details of other commitments of the Company as of June 30, 2019 are as follows:

Company	Description
POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of June 30, 2019, 79 million tons of iron ore and 13 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. 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 has a long-term service contract for the transportation of raw material. As of June 30, 2019, there are 39 vessels under contract, and the average remaining contract period is about 10 years.</p> <p>As of June 30, 2019, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of June 30, 2019, the ending balance of the borrowing amounts to USD 1.02 million.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd., a subsidiary of the Company, under construction of new power plant.</p> <p>POSCO provides a supplementary fund of up to ₩9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., a subsidiary of the Company, at the request of creditors such as the Korea Development Bank.</p> <p>POSCO has provided a supplemental funding agreement, as requested from the creditors, to push forward Suncheon Bay PRT Business of Suncheon Eco Trans Co., Ltd., subsidiary of the Company. On November 2018, creditors sued the company for subrogation based on a supplemental funding agreement. POSCO recognized the provision based on the estimate of the amount and the possibility of any outflows of resources due to the litigation</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of June 30, 2019, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantee of up to USD 2,417 million and uses USD 716 million with Woori Bank and others.</p> <p>The Company is responsible for 3 projects, including the development of ParkOne in Yeouido-dong. As of June 30, 2019, the outstanding amount of loans related to the responsible payment arrangement is ₩2,258.6 billion. If the responsibility is not fulfilled, there are duties such as debt acquisition and liability leases.</p>
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	<p>The company operates a ship-to-ship business in which the ship's owner is elected to the ship's owner. The shipper has entered into a ship purchase agreement with the shipper, which obliges the shipper to pay the agreed amount at the end of the term of the vessel's contract with the shipper and to take over the ownership of the vessel from the shipper. In the event that the shipper fails to fulfill its obligation to purchase the vessel, such as payment of the proceeds from the acquisition of the vessel, it is obliged to take over the ship by transferring the ship's contractual obligations and rights. As of June 30, 2019, the amount of the ship purchase agreement signed is USD 208 million.</p>
POSCO ICT	<p>As of June 30, 2019, in relation to contract enforcement, POSCO ICT was provided with ₩110,670 million, ₩5,434 million and ₩305 million guarantees from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively.</p> <p>The Company is responsible for 18 projects, including the construction of Bundang Center. As of June 30, 2019, the outstanding amount of loans related to the responsible payment arrangement is ₩8,999 billion. If the responsibility is not fulfilled, there are duties such as compensation for principal and interest.</p>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

(d) Litigation in progress

In March 2019, regarding the Songdo International City Development Project in Incheon, NSC Investment and TGC (the "applicant") of POSCO ENGINEERING & CONSTRUCTION CO., LTD. (the "applicant" or "POSCO E&C") have applied to the International Chamber of Commerce of Singapore, and to the "ICC" for the fact that POSCO E&C's joint contract violation (approximately USD 2 billion) has applied for mediated. In addition, the applicant filed a confirmation suit with the New York Southern District Court in March 2019 against the fact that all claims listed in the above arbitration application must be settled by ICC arbitration. The claimants are seeking damages allegedly resulting from POSCO E&C's purported wrongful seizure. As of June 30, 2019, the Company believes that the applicant's claims are not legally valid and that the present obligation for the above arbitration event does not exist and therefore did not recognize a provision.

The Company is involved in 351 lawsuits, including claim for employee right aggregating to ₩894.6 billion as defendant as of June 30, 2019, which arise from ordinary course of business. The Company has recognized provisions amounting to ₩45.5 billion for 101 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for other lawsuits and claims since the Company believes that it does not have a present obligation as of June 30, 2019.

(e) Other contingencies

Company	Description
POSCO	POSCO has provided 3 blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings.
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	As of June 30, 2019, POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation) has provided 33 blank promissory notes and 21 blank checks to Korea Energy Agency and others as collateral for the guarantee on performance for contracts and others.
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	As of June 30, 2019, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 26 blank checks and 4 blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩9,364,333 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
POSCO ICT	As of June 30, 2019, POSCO ICT has provided 2 blank promissory notes and 6 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

36. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the six-month periods ended June 30, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		<u>June 30, 2019</u>	<u>June 30, 2018</u>
Trade accounts and notes receivable	₩	(310,248)	(847,222)
Other receivables		(197,582)	(155,196)
Inventories		(64,238)	(586,794)
Other current assets		82,503	4,050
Other non-current assets		(64,191)	(22,130)
Trade accounts and notes payable		(116,517)	1,190
Other payables		(50,573)	25,845
Other current liabilities		292,868	11,093
Provisions		(81,657)	(40,828)
Payments of severance benefits		(87,522)	(131,628)
Plan assets		45,377	24,879
Other non-current liabilities		(1,948)	22,725
	₩	<u>(553,728)</u>	<u>(1,694,016)</u>

37. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2018.

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2019 (Unaudited)

(a) Information about reportable segments for the six-month periods ended June 30, 2019 and 2018 were as follows:

1) For the six-month period ended June 30, 2019

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	16,254,629	11,202,364	3,250,562	1,628,018	32,335,573
Internal revenues		8,810,998	8,118,637	271,167	1,313,099	18,513,901
Inter segment revenue		6,083,008	4,353,673	238,116	1,248,146	11,922,943
Total revenues		25,065,627	19,321,001	3,521,729	2,941,117	50,849,474
Segment profits		1,154,554	162,877	33,084	167,428	1,517,943

2) For the six-month period ended June 30, 2018

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	16,277,843	10,955,859	3,175,180	1,536,697	31,945,579
Internal revenues		8,954,160	7,872,995	241,143	1,312,133	18,380,431
Inter segment revenue		6,221,529	4,372,067	209,243	1,256,868	12,059,707
Total revenues		25,232,003	18,828,854	3,416,323	2,848,830	50,326,010
Segment profits		1,501,199	97,043	102,082	84,405	1,784,729

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the six-month periods ended June 30, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total profit for reportable segments	₩	1,517,943	1,784,729
Corporate fair value adjustments		(40,729)	(41,759)
Elimination of inter-segment profits		(17,351)	(79,090)
Income tax expense		657,559	748,564
Profit before income tax expense	₩	<u>2,117,422</u>	<u>2,412,444</u>

38. Events after the Reporting Period

- (a) Pursuant to the resolution of the Board of Directors on July 29, 2019, the Company decided to pay interim cash dividends of ₩2,000 per common share (total dividend: ₩160.2 billion).
- (b) On July 17, 2019, the Company issued unguaranteed bond 309-1, 309-2 and 309-3 with issue price of ₩200,000 million, ₩130,000 million and ₩170,000 million, respectively. Maturity of the bonds is July 17, 2022 and July 17, 2024 and July 17, 2026, respectively. Also, the Company issued a non-guaranteed senior dollar bond with issue price of USD 500 million on July 15, 2019. Maturity of the bond is July 15, 2024.