

POSCO and Subsidiaries

**Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 2018**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

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, 2018, the condensed consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, the condensed consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, 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, 2017, 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 February 28, 2018, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2017, 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, 2018

<p>This report is effective as of August 14, 2018, 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.</p>
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POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of June 30, 2018 and December 31, 2017
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Assets			
Cash and cash equivalents	21	₩ 2,625,811	2,612,530
Trade accounts and notes receivable, net	4,21,26,27,34	9,660,516	8,950,548
Other receivables, net	5,21,34	1,739,530	1,636,006
Other short-term financial assets	6,21	7,014,747	7,045,880
Inventories	7	10,639,401	9,950,955
Current income tax assets		60,502	38,489
Assets held for sale	8	713,727	71,768
Other current assets	14	893,540	821,242
Total current assets		<u>33,347,774</u>	<u>31,127,418</u>
Long-term trade accounts and notes receivable, net	4,21	726,725	731,570
Other receivables, net	5,21	922,794	879,176
Other long-term financial assets	6,21	1,817,801	1,911,684
Investments in associates and joint ventures	9	3,510,604	3,557,932
Investment property, net	11	1,044,681	1,064,914
Property, plant and equipment, net	12	31,426,249	31,883,535
Intangible assets, net	13	5,168,641	5,952,269
Defined benefit assets, net	19	4,687	8,224
Deferred tax assets		1,513,943	1,419,226
Other non-current assets	14	451,413	489,011
Total non-current assets		<u>46,587,538</u>	<u>47,897,541</u>
Total assets		<u>₩ 79,935,312</u>	<u>79,024,959</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, 2018 and December 31, 2017
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Liabilities			
Trade accounts and notes payable	21,34 ₩	3,587,406	3,465,146
Short-term borrowings and current installments of long-term borrowings	4,15,21	11,671,096	11,274,516
Other payables	16,21,34	1,687,430	1,753,461
Other short-term financial liabilities	17,21	97,126	129,812
Current income tax liabilities		735,703	515,538
Liabilities directly related to assets held for sale	8	132,064	-
Provisions	18,35	321,024	110,946
Other current liabilities	20,26,27	1,707,103	1,696,597
Total current liabilities		<u>19,938,952</u>	<u>18,946,016</u>
Long-term trade accounts and notes payable	21	3,526	12,532
Long-term borrowings, excluding current installments	15,21	9,599,290	9,789,141
Other payables	16,21	164,180	147,750
Other long-term financial liabilities	17,21	73,199	114,105
Defined benefit liabilities, net	19	170,968	137,193
Deferred tax liabilities		1,742,754	1,904,242
Long-term provisions	18,35	475,375	477,172
Other non-current liabilities	20,26	98,107	32,800
Total non-current liabilities		<u>12,327,399</u>	<u>12,614,935</u>
Total liabilities		<u>32,266,351</u>	<u>31,560,951</u>
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,407,935	1,412,565
Hybrid bonds	23	199,384	996,919
Reserves	24	(1,082,181)	(682,556)
Treasury shares	25	(1,532,784)	(1,533,054)
Retained earnings		44,458,474	43,056,600
Equity attributable to owners of the controlling company		<u>43,933,231</u>	<u>43,732,877</u>
Non-controlling interests	23	<u>3,735,730</u>	<u>3,731,131</u>
Total equity		<u>47,668,961</u>	<u>47,464,008</u>
Total liabilities and equity	₩	<u>79,935,312</u>	<u>79,024,959</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, 2018 and 2017

(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	
		2018	2017	2018	2017
Revenue	26,27,34,37	₩ 16,083,296	14,944,404	31,945,579	30,021,588
Cost of sales	7,27,31,34	(13,918,868)	(13,075,482)	(27,394,994)	(25,894,605)
Gross profit		2,164,428	1,868,922	4,550,585	4,126,983
Selling and administrative expenses	31,34				
Impairment loss on trade accounts and notes receivable		(23,420)	(31,934)	(36,974)	(57,905)
Other administrative expenses	28	(497,252)	(474,129)	(1,015,343)	(980,294)
Selling expenses	28	(391,468)	(383,750)	(758,276)	(744,707)
Operating profit		1,252,288	979,109	2,739,992	2,344,077
Share of profit of equity-accounted investees, net	9	(55,737)	(64,645)	31,651	7,365
Finance income and costs	21,29				
Finance income		633,632	232,432	1,090,119	1,112,636
Finance costs		(807,514)	(314,806)	(1,326,803)	(1,261,886)
Other non-operating income and expenses	34				
Impairment loss on other receivables		(7,690)	(9,832)	(3,035)	(32,959)
Other non-operating income	30	266,129	45,583	327,085	124,020
Other non-operating expenses	30,31	(351,677)	(94,618)	(446,565)	(194,639)
Profit before income tax	37	929,431	773,223	2,412,444	2,098,614
Income tax expense	32,37	(349,093)	(243,173)	(748,564)	(591,676)
Profit		580,338	530,050	1,663,880	1,506,938
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	(5,379)	(2,720)	(31,935)	(8,433)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	(16,385)	-	(61,141)	-
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		37,877	66,905	26,751	(147,068)
Net changes in unrealized fair value of available-for-sale investments	21	-	187,349	-	224,359
Foreign currency translation differences		52,011	165,955	73,829	(84,967)
Gains or losses on valuation of derivatives	21	(80)	-	(238)	-
Other comprehensive income (loss), net of tax		68,044	417,489	7,266	(16,109)
Total comprehensive income		₩ 648,382	947,539	1,671,146	1,490,829
Profit attributable to:					
Owners of the controlling company		₩ 545,018	512,809	1,538,534	1,363,737
Non-controlling interests		35,320	17,241	125,346	143,201
Profit		₩ 580,338	530,050	1,663,880	1,506,938
Total comprehensive income attributable to:					
Owners of the controlling company		₩ 601,645	877,702	1,533,839	1,348,069
Non-controlling interests		46,737	69,837	137,307	142,760
Total comprehensive income		₩ 648,382	947,539	1,671,146	1,490,829
Basic and diluted earnings per share (in Won)	33	6,730	6,312	19,052	16,843

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, 2018 and 2017
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal	controlling interests	
Balance as of January 1, 2017	₩ 482,403	1,397,791	996,919	(143,985)	(1,533,468)	41,173,778	42,373,438	3,464,956	45,838,394
Comprehensive income:									
Profit	-	-	-	-	-	1,363,737	1,363,737	143,201	1,506,938
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(7,808)	(7,808)	(625)	(8,433)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(130,843)	-	-	(130,843)	(16,225)	(147,068)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	224,548	-	-	224,548	(189)	224,359
Foreign currency translation differences, net of tax	-	-	-	(101,565)	-	-	(101,565)	16,598	(84,967)
Total comprehensive income	-	-	-	(7,860)	-	1,355,929	1,348,069	142,760	1,490,829
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)	(40,649)	(500,636)
Interim dividends	-	-	-	-	-	(119,997)	(119,997)	-	(119,997)
Changes in subsidiaries	-	-	-	-	-	-	-	(18,560)	(18,560)
Changes in ownership interest in subsidiaries	-	4,320	-	-	-	-	4,320	230,427	234,747
Interest of hybrid bonds	-	-	-	-	-	(21,501)	(21,501)	(11,994)	(33,495)
Disposal of treasury shares	-	41	-	-	214	-	255	-	255
Others	-	(580)	-	(1,155)	-	(2,695)	(4,430)	5,026	596
Total transactions with owners of the controlling company	-	3,781	-	(1,155)	214	(604,180)	(601,340)	164,250	(437,090)
Balance as of June 30, 2017	₩ 482,403	1,401,572	996,919	(153,000)	(1,533,254)	41,925,527	43,120,167	3,771,966	46,892,133

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, 2018 and 2017
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
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 Cash Flows
For the six-month periods ended June 30, 2018 and 2017
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash flows from operating activities			
Profit	₩	1,663,880	1,506,938
Adjustments for:			
Depreciation		1,436,644	1,440,457
Amortization		204,435	202,146
Finance income		(666,211)	(605,905)
Finance costs		878,785	730,119
Income tax expense		748,564	591,676
Impairment loss on property, plant and equipment		18,870	7,573
Gain on disposal of property, plant and equipment		(21,089)	(18,619)
Loss on disposal of property, plant and equipment		59,072	78,069
Impairment loss on goodwill and intangible assets		1,763	20,365
Gain on disposal of goodwill and intangible assets		(101,383)	(21,990)
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(44,399)	(54,981)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		3,405	20,319
Share of profit of equity-accounted investees		(31,651)	(7,365)
Impairment losses on assets held for sale		46,896	-
Gain on disposals of assets held for sale		(103)	(1,179)
Expenses related to post-employment benefit		108,622	96,142
Impairment loss on trade and other receivables		40,009	90,864
Loss on valuation of inventories		42,633	114,853
Increase to provisions		216,205	75,834
Others, net		(5,644)	19,199
		<u>2,935,423</u>	<u>2,777,577</u>
Changes in operating assets and liabilities	36	(1,694,016)	(2,023,934)
Interest received		139,831	79,251
Interest paid		(332,002)	(353,868)
Dividends received		138,151	140,888
Income taxes paid		(592,876)	(464,969)
Net cash provided by operating activities	₩	<u>2,258,391</u>	<u>1,661,883</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, 2018 and 2017
(Unaudited)

<i>(in millions of Won)</i>	Notes	June 30, 2018	June 30, 2017
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(14,513,106)	(9,074,147)
Proceeds from disposal of short-term financial instruments		14,491,664	9,609,486
Increase in loans		(246,383)	(866,657)
Collection of loans		283,418	402,561
Acquisitions of securities		(161,250)	-
Acquisitions of available-for-sale investments		-	(30,081)
Proceeds from disposal of securities		103,886	-
Proceeds from disposal of available-for-sale investments		-	226,744
Acquisitions of investment in associates and joint ventures		(15,030)	(14,127)
Proceeds from disposal of investment in associates and joint ventures		84,791	33,329
Acquisitions of investment property		(14,063)	(5,346)
Proceeds from disposal of investment property		952	-
Acquisitions of property, plant and equipment		(872,537)	(1,078,307)
Proceeds from disposal of property, plant and equipment		31,817	18,408
Acquisitions of intangible assets		(51,413)	(217,053)
Proceeds from disposal of intangible assets		38,146	29,962
Proceeds from disposal of assets held for sale		15,924	203,941
Increase (decrease) in cash from disposal of business, net of cash transferred		130,987	(9,440)
Others, net		(3,336)	(25,893)
Net cash used in investing activities		(695,533)	(796,620)
Cash flows from financing activities			
Proceeds from borrowings		526,342	323,535
Repayment of borrowings		(649,857)	(1,452,525)
Proceeds from (repayment of) short-term borrowings, net		(141,737)	1,154,735
Capital contribution from non-controlling interests		5,808	249,935
Payment of cash dividends		(447,674)	(621,033)
Payment of interest of hybrid bonds		(33,738)	(33,738)
Repayment of hybrid bonds		(800,000)	-
Others, net		(25,295)	(19,337)
Net cash used in financing activities		(1,566,151)	(398,428)
Effect of exchange rate fluctuation on cash held		19,146	(17,430)
Net increase in cash and cash equivalents		15,853	449,405
Cash and cash equivalents at beginning of the period		2,612,530	2,447,619
Cash and cash equivalents at end of the period	₩	2,628,383	2,897,024

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, 2018

(Unaudited)

1. General Information

General information about POSCO, its 36 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 137 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 114 associates and joint ventures are as follows:

(a) The controlling company

POSCO, the controlling company, was incorporated on April 1, 1968, to manufacture and sell steel rolled products and plates in the domestic and overseas markets.

The shares of POSCO have been listed on the Korea Exchange since 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, 2018, the shares of the POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

(b) Consolidated subsidiary included for the first time during the six-month period ended June 30, 2018 was as follows:

Company	Date of inclusion	Ownership (%)	Reason
POS-LT PTY LTD	March 2018	100.00	New establishment
POSCO SINGAPORE LNG TRADING PTE. LTD.	June 2018	100.00	New establishment
ZHEJIANG POSCO-HUAYOU ESM CO., LTD	June 2018	100.00	New establishment

(c) Subsidiaries excluded from consolidation during the six-month period ended June 30, 2018 were as follows:

Company	Date of exclusion	Reason
KIS Devonian Canada Corporation	February 2018	Merged into POSCO DAEWOO E&P CANADA CORPORATION
POSCO-CDSFC	February 2018	Merged into POSCO China Dalian Plate Processing Center Co., Ltd.
POCA STEM Co., Ltd.	March 2018	Liquidation
POSCO E&C VENEZUELA C.A	March 2018	Liquidation
PT PEN INDONESIA	March 2018	Merged into PT. POSCO E&C INDONESIA
Kyobo Securities Bond Plus 6M Professional Private Equity Trust W-2	April 2018	Disposal
Mirae Asset Smart Q Sigma 2.0 Professional Private Equity Trust	May 2018	Disposal
Kyobo Securities Bond Plus 6M Professional Private Equity Trust W-5	May 2018	Disposal
POSCO RUS LLC	May 2018	Liquidation

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (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 Corporations*.

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, 2017. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

In 2018, the Company adopted K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments" for the first time. 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. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments," 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, 2018 (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, 2017.

Changes in Accounting Policies

The Company has initially adopted K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments" from January 1, 2018. The Company also expects to apply the accounting policies set out below for their annual reporting period ending December 31, 2018.

The effect of initially applying these standards is mainly attributed to the following:

- identify the shipping services included in certain sales contracts as a separate performance obligation
- determine separate construction contracts such as design, purchase and construction services which are highly dependent or correlated as a single performance obligation

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- estimate variable consideration such as sales discount and price adjustments based on performance
- change in the method of revenue recognition from certain construction contracts and service contracts without enforceable right to payment for performance completed
- change in percentage of completion due to excessive use of materials
- recognize as an expense immediately of prepaid contract cost unless those costs are explicitly chargeable to the customers regardless of whether the contract is obtained
- change in classification and subsequent measurement of financial assets
- increase in impairment loss on financial assets

(a) K-IFRS No. 1115 "Revenue from Contracts with Customers"

K-IFRS No. 1115 "Revenue from Contracts with Customers" provides a unified five-step model for determining the timing, measurement and recognition of revenue. It replaced previous revenue recognition guidance, including K-IFRS No. 1018 "Revenue", K-IFRS No. 1011 "Construction Contracts", K-IFRS No. 2031 "Revenue- Barter Transactions Involving Advertising Services", K-IFRS No. 2113 "Customer Loyalty Programs", K-IFRS No. 2115 "Agreements for the Construction of Real Estate", and K-IFRS No. 2118 "Transfers of Assets from Customers".

The Company applied the modified retrospective approach by recognizing the cumulative impact of initially applying the revenue standard as of January 1, 2018, the date of initial application, and the Company also decided to apply the practical expedients as allowed by K-IFRS No. 1115 by applying the new standard only to those contracts that are not considered as completed contracts at the date of initial application. Accordingly, the Company did not restate the financial statements for comparative periods.

The following table summarizes the impact, net of tax, of transition to K-IFRS No. 1115 on retained earnings and non-controlling interests as of January 1, 2018.

(in millions of Won)

	<u>Retained earnings</u>	<u>Non-controlling interests</u>
Shipping services included in the sales contract	₩ (949)	(156)
Separate construction contract determined to be a single performance obligation	452	628
Variable consideration for sales discounts and price adjustments based on performance	(2,773)	88
Change in revenue recognition method for contracts without enforceable right to payment	(6,481)	(5,847)
Change in percentage of completion due to excessive use of materials	(2,855)	(1,512)
Recognize as an expense the prepaid contract cost	(63,753)	(56,993)
	<u>₩ (76,359)</u>	<u>(63,792)</u>

The details of new significant accounting policies and impacts of the adoption of K-IFRS No. 1115 are as follows:

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1) Identification of performance obligations

The Company holds certain contracts for sales of manufactured product and merchandise which include transport service. When applying K-IFRS No. 1115, sales of manufactured products or merchandise and delivery of products (i.e. shipping service) are identified as separate performance obligations in the contracts with customers. For transactions for which the shipping terms are on shipment basis and the customer pays shipping costs, the two performance obligations are separately accounted for because delivery of products is performed after the control over the products is transferred to the customer. The transaction price allocated to the performance obligation of delivery service will be recognized when the obligation of delivery of the product is completed.

The Company identified shipping service included in the sales contract as a separate performance obligation that will be satisfied over the promised service period. This change in relevant accounting policy resulted in decreases in revenue, cost of sales and selling and administrative expenses, increases in other current assets and contract liabilities and decrease in other payables as of and for the six-month period ended June 30, 2018.

Certain construction contracts of the Company includes design, purchase and construction services through separate service contracts. According to K-IFRS No. 1115, if service or goods provided by the Company are highly dependent or correlated, the Company should identify them as a single performance obligation regardless of the number of contracts made.

The Company considered each service contract as a combined single obligation and identified as a single performance obligation. This change in relevant accounting policy resulted in increases in revenue and contract assets as of and for the six-month period ended June 30, 2018.

2) Variable consideration

Under K-IFRS No. 1115, the Company estimates the amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed.

In certain sales arrangements, unit price is subject to adjustment due to quality of products. A certain percentage of sales discount is also provided in case customers make payment before the settlement due date. In addition, certain service contracts are subject to compensation payment if the Company fails to achieve a promised level of obligation.

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The Company changed its accounting treatment in accordance with K-IFRS No. 1115. This change in relevant accounting policy resulted in decrease in revenue and increase in contract liabilities as of and for the six-month period ended June 30, 2018.

3) Performance obligation satisfied over time

In accordance with K-IFRS No. 1115, revenue is recognized over time by measuring progress only if the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company has determined that it has no enforceable right to payment for completed to date for certain service contracts including construction service of which the Company provides. This change in relevant accounting policy resulted in decreases in revenue and cost of sales, decrease in contract assets and increases inventories and contract liabilities as of and for the six-month period ended June 30, 2018.

According to K-IFRS No. 1115, the effects of any inputs that do not depict the transfer of control of goods or services to the customer such as the costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract should be excluded from calculating percentage of completion. This change in relevant accounting policy resulted in increase in revenue and decreases in contract assets and liabilities as of and for the six-month period ended June 30, 2018.

4) Incremental costs of obtaining a contract

In accordance with K-IFRS No. 1115, the Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs, and costs that are recognized as assets are amortized over the period that the related goods or services are transferred to the customer.

Certain costs incurred in construction segment such as costs to obtain a contract that would have been incurred regardless of whether the contract was obtained should be recognized as an expense immediately, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. Such costs have been previously capitalized if it is probable the related contracts will be entered into. This change in relevant accounting policy resulted in decreases in revenue and cost of sales, increase in selling and administrative expenses, decreases in contract assets, other current assets and provisions and increase in contract liabilities as of and for the six-month period ended June 30, 2018.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

5) Impact of changes in accounting policies

The effects of adoption of K-IFRS No. 1115 to the Company's condensed consolidated interim statements of financial position and condensed consolidated interim statements of comprehensive income as of and for the six-month period ended June 30, 2018 are as follows. There is no material impact on the Company's condensed consolidated interim statements of cash flows for the six-month period ended June 30, 2018.

(in millions of Won)

		As reported	Adjustments of K-IFRS No. 1115	Amounts without adoption of K-IFRS No. 1115
Condensed interim financial statements of financial position				
Current assets	₩	33,347,774	174,577	33,522,351
Trade accounts and notes receivable		9,660,516	153,838	9,814,354
Inventories		10,639,401	(79,047)	10,560,354
Other current assets		893,540	99,786	993,326
Non-current assets		46,587,538	(44,591)	46,542,947
Deferred tax assets		1,513,943	(44,591)	1,469,352
Current liabilities		19,938,952	(10,010)	19,928,942
Others payables		1,687,430	21,702	1,709,132
Current income tax liabilities		735,703	(563)	735,140
Provisions		321,024	(36,231)	284,793
Other current liabilities		1,707,103	5,082	1,712,185
Non-current liabilities		12,327,399	98	12,327,497
Provisions		475,375	98	475,473
Retained earnings		44,458,474	73,573	44,532,047
Non-controlling interests		3,735,730	66,325	3,802,055
Condensed interim statements of comprehensive income				
Revenue	₩	31,945,579	20,471	31,966,050
Cost of sales		(27,394,994)	(16,106)	(27,411,100)
Selling and administrative expenses		(1,810,593)	(1,610)	(1,812,203)
Finance costs		(1,326,803)	(5)	(1,326,808)
Profit before income tax		2,412,444	2,750	2,415,194
Income tax expense		(748,564)	(3,003)	(751,567)
Profit		1,663,880	(253)	1,663,627

(b) K-IFRS No. 1109 "Financial Instruments"

K-IFRS No. 1109 "Financial Instruments" regulates requirements for measurement and recognition of certain contracts in relation to trading financial assets and liabilities or nonfinancial items. It replaced existing guidance in K-IFRS No. 1039 "Financial Instruments: Recognition and Measurement".

The Company applied retrospectively application with exemptions where an entity is not required to restate the comparative information for prior periods in relation to classification and measurement (including impairment) changes. The Company recognized the accumulated effect resulting from initial application of K-IFRS No. 1109 as reserves, retained earnings and non-controlling interests of the Company at the date of initial application.

The following table summarizes the impact, net of tax, of transition to K-IFRS No. 1109 on reserves, retained earnings and non-controlling interests as of January 1, 2018.

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(in millions of Won)

	<u>Reserves</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>
Classification to fair value through profit or loss in securities and select to fair value through other comprehensive income in equity securities	₩ (412,102)	412,102	-
Recognition of expected credit losses	-	(32,732)	(19,544)
	<u>₩ (412,102)</u>	<u>379,370</u>	<u>(19,544)</u>

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

1) Classification and measurement of financial assets and financial liabilities

When applying K-IFRS No. 1109, the classification of financial assets will be driven by the Company's business model for managing the financial assets and contractual terms of cash flow.

The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

<u>Business model</u>	<u>Contractual cash flows are solely payments of principal and interests</u>	<u>All other cases</u>
To collect contractual cash flows	Amortized cost(*1)	
Both to collect contractual cash flows and sell financial assets	Fair value through other comprehensive income(*1)	Fair value through profit or loss(*2)
For trading, and others	Fair value through profit or loss	

(*1) The Company may irrevocably designate as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

(*2) The Company may irrevocably designate equity investments that is not held for trading as at fair value through other comprehensive income.

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

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Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, gains and losses on foreign currency translation and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other accumulated comprehensive income are reclassified to profit or loss.

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

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

As of January 1, 2018, the date of initial application, the measurement categories and carrying amounts of financial assets in accordance with K-IFRS No. 1039 "Financial Instruments: Recognition and Measurement" and K-IFRS No. 1109 "Financial Instruments" are as follows:

<i>(in millions of Won)</i>	Original classification under K-IFRS No. 1039	Original carrying amounts under K-IFRS No. 1039	New classification under K-IFRS No. 1109	New carrying amounts under K-IFRS No. 1109
Derivative assets	Financial assets at fair value through profit or loss	₩ 65,051	Fair value through profit or loss	₩ 65,051
	Hedging instrument	3,239	Hedging instrument	3,239
Cash and cash equivalents	Loans and receivables	2,612,530	Amortized cost	2,612,530
Trade accounts and notes receivable(*1)	Loans and receivables	8,901,867	Amortized cost	8,839,978
Other receivables(*1)	Loans and receivables	2,195,466	Fair value through profit or loss	1,898
			Amortized cost	2,188,820
Equity securities(*2)	Available-for-sale financial assets	1,421,295	Fair value through profit or loss	17,812
			Fair value through other comprehensive income	1,403,483
Debt securities(*2)	Available-for-sale financial assets	190,579	Fair value through profit or loss	188,276
			Fair value through other comprehensive income	2,303
Other Securities(*2)	Held-to-maturity financial assets	5,211	Amortized cost	5,211
	Available-for-sale financial assets	366,241	Fair value through profit or loss	366,241
Deposit instruments	Loans and receivables	1,358,311	Amortized cost	1,358,311
Short-term financial instruments	Financial assets at fair value through profit or loss	1,970	Fair value through profit or loss	
	Loans and receivables	5,545,667		5,547,637

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- (*1) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, loss allowance was increased by ~~₩~~66,637 million, retained earnings and non-controlling interests were decreased by ~~₩~~32,732 million and ~~₩~~19,544 million, respectively.
- (*2) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, with respect to securities classified as fair value through profit or loss and equity securities determined fair value through other comprehensive income, reserves were decreased by ~~₩~~412,102 million and retained earnings were increased by ~~₩~~412,102 million.

K-IFRS No. 1109 "Financial Instruments" retains most of the existing requirements of K-IFRS 1039 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. Accordingly, the application of K-IFRS No. 1109 "Financial Instruments" has no significant effect on the Company's accounting policies related to financial liabilities.

2) Impairment of financial assets

K-IFRS No. 1109 replaces the incurred loss model in the existing standard with a forward-looking expected credit loss model for debt instruments, lease receivables, contractual assets, loan commitments, and financial guarantee contracts.

Under K-IFRS No. 1109, impairment losses are likely to be recognized earlier than using the incurred loss model under the existing guidance in K-IFRS No. 1039 as loss allowances will be measured either 12-month or lifetime expected credit loss based on the extent of increase in credit risk.

If credit risk has increased significantly since the initial recognition, a loss allowance for lifetime expected credit loss is required to be measured at the end of every reporting period. If credit risk has not increased significantly since the initial recognition, a loss allowance is measured based on 12-month expected credit loss.

If the financial instrument has low credit risk at the end of the reporting period, the Company may assume that the credit risk has not increased significantly since initial recognition. However, a loss allowance for lifetime expected credit losses is required for contract assets or trade receivables that do not contain a significant financing component.

As of January 1, 2018, the date of initial application, the Company recognized an increase in loss allowances of ~~₩~~66,637 million and decreases in retained earnings and non-controlling interests of ~~₩~~32,732 million and ~~₩~~19,544 million, respectively.

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3) Hedge Accounting

Regarding the initial application of K-IFRS No. 1109, the Company determined to consistently apply hedge accounting requirements of K-IFRS No. 1039.

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published but are not mandatory for the Company for annual period beginning after January 1, 2018, and the Company has not early adopted them.

(a) K-IFRS No. 1116 “Leases”

K-IFRS No. 1116 “Leases” will replace K-IFRS No. 1017 “Leases” and K-IFRS No. 2104 “Determining whether an Arrangement contains a Lease”. It is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for a Company which has adopted to K-IFRS No. 1115.

As a lessee, the Company shall apply this standard using one of the following two methods; (a) retrospectively to each prior reporting period presented in accordance with K-IFRS No. 1008 “Accounting Policies, Changes in Accounting Estimates and Errors” but using the practical expedients for completed contracts- i.e. completed contracts as of the beginning of the earliest prior period presented are not restated; or (b) retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

K-IFRS No. 1116 suggests a single accounting model that requires a lessee to recognize lease related asset and liability in the financial statements. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease of which has a term of 12 months or less at the commencement date and low value assets. Accounting treatment for lessor is similar to the existing standard which classifies lease into finance and operating lease.

Application of K-IFRS No. 1116 will change current operating lease expense which has been recognized in straight-line method into depreciation expense of right-of-use asset and interest expense of lease liability, and therefore, nature of expense recognized in relation to lease will change. However, it is expected that there will be no significant impact on finance lease.

The Company has not yet initiated to prepare for the application of K-IFRS No. 1116 and the Company has not performed an assessment of the impact resulting from the application of K-IFRS No. 1116. The Company will complete the analysis of financial impacts arising from applying this standard in 2018.

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4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current		
Trade accounts and notes receivable	₩ 9,397,092	8,583,311
Finance lease receivables	5,234	10,469
Due from customers for contract work	794,891	850,301
Less: Allowance for doubtful accounts	(536,701)	(493,533)
	<u>₩ 9,660,516</u>	<u>8,950,548</u>
Non-current		
Trade accounts and notes receivable	₩ 833,328	871,432
Finance lease receivables	-	734
Less: Allowance for doubtful accounts	(106,603)	(140,596)
	<u>₩ 726,725</u>	<u>731,570</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩510,466 million and ₩309,964 million as of June 30, 2018 and December 31, 2017, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and trade accounts and notes receivable are included in short-term borrowings from financial institutions. (Note 15)

5. Other Receivables

Other receivables as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current		
Loans	₩ 560,470	617,696
Other accounts receivable	1,032,677	960,543
Accrued income	227,377	179,971
Deposits	115,993	107,137
Others	18,408	18,925
Less: Allowance for doubtful accounts	(215,395)	(248,266)
	<u>₩ 1,739,530</u>	<u>1,636,006</u>
Non-current		
Loans	₩ 871,829	874,158
Other accounts receivable	124,740	92,939
Accrued income	1,838	1,663
Deposits	147,695	122,485
Less: Allowance for doubtful accounts	(223,308)	(212,069)
	<u>₩ 922,794</u>	<u>879,176</u>

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6. Other Financial Assets

Other financial assets as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current			
Derivatives assets	₩	71,312	63,912
Debt securities		55,625	-
Financial assets held for trading		-	1,970
Available-for-sale securities (bonds)		-	136,141
Current portion of held-to-maturity securities		-	421
Deposit instruments(*1,2)		1,422,822	1,297,769
Short-term financial instruments(*2)		5,464,988	5,545,667
	₩	<u>7,014,747</u>	<u>7,045,880</u>
Non-current			
Derivatives assets	₩	2,144	4,378
Equity securities(*3)		1,399,502	-
Debt securities		23,093	-
Other securities(*3)		331,577	-
Available-for-sale securities (equity instruments)(*3)		-	1,730,753
Available-for-sale securities (bonds)		-	54,439
Available-for-sale securities (others)		-	56,782
Held-to-maturity securities		-	4,790
Deposit instruments(*2)		61,485	60,542
	₩	<u>1,817,801</u>	<u>1,911,684</u>

(*1) As of June 30, 2018 and December 31, 2017, ₩6,769 million and ₩10,080 million, respectively, are restricted for the use in a government project.

(*2) As of June 30, 2018 and December 31, 2017, financial instruments amounting to ₩45,907 million and ₩78,477 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) As of June 30, 2018 and December 31, 2017, ₩136,482 million and ₩136,099 million of equity and other securities, respectively, have been provided as collateral for borrowings, construction projects and others.

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7. Inventories

Inventories as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Finished goods	₩	1,435,240	1,526,628
Merchandise		1,026,324	930,558
Semi-finished goods		1,783,280	1,721,130
Raw materials		2,680,689	2,329,268
Fuel and materials		826,635	808,016
Construction inventories		905,368	849,266
Materials-in-transit		2,013,868	1,818,576
Others		77,741	103,144
		<u>10,749,145</u>	<u>10,086,586</u>
Less: Allowance for inventories valuation		<u>(109,744)</u>	<u>(135,631)</u>
	₩	<u>10,639,401</u>	<u>9,950,955</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the six-month period ended June 30, 2018 and the year ended December 31, 2017 were ₩42,633 million and ₩78,560 million, respectively.

8. Assets Held for Sale

Details of assets held for sale and related liabilities as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017		
		Subsidiaries(*1, 2)	The controlling company	Subsidiaries(*3)	Total
Assets					
Cash and cash equivalents(*4)	₩	2,572	-	-	-
Other financial assets		5,412	-	-	-
Property, plant and equipment		148,878	392	71,340	71,732
Intangible assets		551,749	-	-	-
Others		5,116	-	36	36
	₩	<u>713,727</u>	<u>392</u>	<u>71,376</u>	<u>71,768</u>
Liabilities					
Deferred tax liabilities	₩	130,438	-	-	-
Others		1,626	-	-	-
	₩	<u>132,064</u>	<u>-</u>	<u>-</u>	<u>-</u>

(*1) In accordance with the resolution of the board of directors on June 5, 2018, POSCO ENERGY CO., LTD., a subsidiary of the Company, entered into a contract to dispose of 63.5% of shares of POSPOWER Co., Ltd., a subsidiary of POSCO ENERGY CO., LTD. Accordingly, the Company classified assets and liabilities of POSPOWER Co., Ltd. as assets and liabilities held for sale.

(*2) During the six-month period ended June 30, 2018 POSCO DAEWOO E & P CANADA CORPORATION, a subsidiary of the Company, decided to sell mining rights related to the Canadian tight oil gas project and classified corresponding intangible asset of ₩59,190 million as assets held for sale. During the six-month period ended June 30, 2018, ₩46,896 million, the difference between the net fair value and the book value of the related mining rights, was recognized as an impairment loss on assets held for sale.

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- (*3) During the year ended December 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD., a subsidiary of the Company, determined to dispose of the office building, Seomyeon Fiesta, in Busan and classified the related property, plant and equipment amounting to ₩71,340 million as assets held for sale.
- (*4) Cash and cash equivalents as of June 30, 2018 in the statements of cash flows include cash and cash equivalents which were classified as asset groups held for sale as of June 30, 2018.

9. Investments in Associates and Joint Ventures

- (a) Details of investments in associates as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

Company	June 30, 2018			December 31, 2017	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,713,975,892	31.14	₩ 178,787	₩ 174,845	175,553
SNNC	18,130,000	49.00	90,650	116,498	110,424
QSONE Co., Ltd.	200,000	50.00	84,395	84,971	85,049
Chun-cheon Energy Co., Ltd.(*1)	16,098,143	45.67	80,491	73,854	74,378
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.26	45,163	19,134	31,660
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	2,008,000	29.53	10,040	17,768	17,252
BLUE OCEAN Private Equity Fund	333	27.52	33,300	17,398	19,620
Daesung Steel(*3)	108,038	17.54	14,000	15,715	15,500
UITrans LRT Co., Ltd.(*1)	7,714,380	38.19	38,572	13,406	15,841
Keystone NO. 1. Private Equity Fund	13,800,000	40.45	13,800	11,162	12,379
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*3)	6,485	12.50	6,485	5,583	6,828
KONES, Corp.	3,250,000	41.67	6,893	2,543	2,827
Others (37 companies)(*1)				74,335	67,325
				627,212	634,636
[Foreign]					
AES-VCM Mong Duong Power Company Limited(*2)	-	30.00	164,303	213,521	142,348
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	135,899	197,215	197,069
7623704 Canada Inc.(*3)	114,452,000	10.40	124,341	127,065	121,702
Eureka Moly LLC	-	20.00	240,123	83,114	79,398
AMCI (WA) PTY LTD	49	49.00	209,664	61,226	63,378
Nickel Mining Company SAS	3,234,698	49.00	157,585	39,676	45,905
KOREA LNG LTD.	2,400	20.00	135,205	38,970	33,422
NCR LLC	-	29.41	37,939	35,971	33,738
PT. Batutua Tembaga Raya	128,285	22.00	21,824	22,536	21,823
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,833	15,617
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	14,522	13,391
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	7,009	6,517
Others (27 companies)(*1)				92,676	111,497
				949,334	885,805
				₩ 1,576,546	1,520,441

- (*1) As of June 30, 2018 and December 31, 2017, investments in associates amounting to ₩145,167 million and ₩158,370 million, respectively, are provided as collateral in relation to the associates' borrowings.
- (*2) As of June 30, 2018 and December 31, 2017, 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, 2018, 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, 2018

(Unaudited)

(b) Details of investments in joint ventures as of June 30, 2018 and December 31, 2017 are as follows:

Company	June 30, 2018				December 31, 2017
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 146,705	110,760
Others (5 companies)				7,416	6,094
				<u>154,121</u>	<u>116,854</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,102,547	1,125,133
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	364,665	348,836
KOBRASCO	2,010,719,185	50.00	32,950	97,343	108,485
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	91,465	88,305
DMSA/AMSA(*1)	-	4.00	314,303	59,233	56,735
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	20,063	146,427
Others (14 companies)				44,621	46,716
				<u>1,779,937</u>	<u>1,920,637</u>
				₩ <u>1,934,058</u>	<u>2,037,491</u>

(*1) As of June 30, 2018 and December 31, 2017, the investments in joint ventures are 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, 2018 and the year ended December 31, 2017 were as follows:

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

(in millions of Won)

	December 31, 2017				Share of	Other increase	June 30, 2018
Company	Book value	Acquisition	Dividends		profits (losses)	(decrease)(*)1	Book value
[Domestic]							
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,553	-	-		(708)	-	174,845
SNNC	110,424	-	-		6,074	-	116,498
QSONE Co.,Ltd.	85,049	-	(550)		472	-	84,971
Chun-cheon Energy Co., Ltd	74,378	-	-		(524)	-	73,854
Incheon-Gimpo Expressway Co., Ltd.	31,660	-	-		(12,526)	-	19,134
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	17,252	-	-		516	-	17,768
BLUE OCEAN Private Equity Fund	19,620	-	-		(1,220)	(1,002)	17,398
Daesung Steel	15,500	-	-		215	-	15,715
UITrans LRT Co., Ltd.	15,841	-	-		(2,435)	-	13,406
Keystone NO. 1. Private Equity Fund	12,379	-	-		(1,316)	99	11,162
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	6,828	-	-		(1,245)	-	5,583
KONES, Corp.	2,827	-	-		(284)	-	2,543
POSCO MITSUBISHI CARBON TECHNOLOGY	110,760	-	-		35,945	-	146,705
Others (42 companies)	73,419	13,653	(302)		(2,587)	(2,432)	81,751
	751,490	13,653	(852)		20,377	(3,335)	781,333
[Foreign]							
AES-VCN Mong Duong Power Company Limited	142,348	-	(15,225)		16,792	69,606	213,521
South-East Asia Gas Pipeline Company Ltd.	197,069	-	(17,354)		23,149	(5,649)	197,215
7623704 Canada Inc.	121,702	-	(2,478)		2,113	5,728	127,065
Eureka Moly LLC	79,398	-	-		(11)	3,727	83,114
AMCI (WA) PTY LTD.	63,378	-	-		(1,347)	(805)	61,226
Nickel Mining Company SAS	45,905	-	-		(6,906)	677	39,676
KOREA LNG LTD.	33,422	-	(5,247)		5,215	5,580	38,970
NCR LLC	33,738	277	-		(146)	2,102	35,971
PT. Batutua Tembaga Raya	21,823	-	-		55	658	22,536
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	15,617	-	-		(430)	646	15,833
PT. Wampu Electric Power	13,391	-	-		515	616	14,522
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,517	-	-		112	380	7,009
Roy Hill Holdings Pty Ltd.	1,125,133	-	-		47,210	(69,796)	1,102,547
POSCO-NPS Niobium LLC	348,836	-	(7,196)		6,632	16,393	364,665
KOBRASCO	108,485	-	(35,353)		35,391	(11,180)	97,343
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,305	-	-		295	2,865	91,465
DMSA/AMSA	56,735	9,608	-		(9,858)	2,748	59,233
CSP - Companhia Siderurgica do Pecem	146,427	-	-		(121,055)	(5,309)	20,063
Others (41 companies)	158,213	1,422	(6,728)		13,548	(29,158)	137,297
	2,806,442	11,307	(89,581)		11,274	(10,171)	2,729,271
	₩ 3,557,932	24,960	(90,433)		31,651	(13,506)	3,510,604

(*1) Other increase or decrease represents the changes in investments in associates and joint ventures due to disposals, change in capital adjustments arising 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, 2018 (Unaudited)

2) For the year ended December 31, 2017

(in millions of Won)

Company	December 31, 2016 Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2017 Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,690	-	-	418	(555)	175,553
SNNC	107,859	-	-	2,370	195	110,424
QSONE Co., Ltd.	84,799	-	(368)	618	-	85,049
Chun-cheon Energy Co., Ltd.	45,077	27,791	-	1,510	-	74,378
Incheon-Gimpo Expressway Co., Ltd.	37,372	-	-	(6,463)	751	31,660
BLUE OCEAN Private Equity Fund	35,752	-	-	(8,154)	(7,978)	19,620
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	12,551	-	-	4,701	-	17,252
UITrans LRT Co., Ltd.	17,851	-	-	(2,010)	-	15,841
Daesung Steel	12,302	-	-	3,198	-	15,500
Keystone NO. 1. Private Equity Fund	13,314	-	-	(886)	(49)	12,379
KoFC POSCO HANVHA KB Shared Growth NO. 2. Private Equity Fund	11,890	-	-	(197)	(4,865)	6,828
KONES, Corp.	5,641	-	-	(2,774)	(40)	2,827
POSCO MITSUBISHI CARBON TECHNOLOGY	83,113	-	-	27,582	65	110,760
Others (40 companies)	55,061	28,348	(137)	(7,995)	(1,858)	73,419
	<u>698,272</u>	<u>56,139</u>	<u>(505)</u>	<u>11,918</u>	<u>(14,334)</u>	<u>751,490</u>
[Foreign]						
South-East Asia Gas Pipeline Company Ltd.	215,996	-	(37,016)	42,896	(24,807)	197,069
AES-VCIM Mong Duong Power Company Limited	167,141	-	(30,798)	19,644	(13,639)	142,348
7623704 Canada Inc.	137,512	-	(7,563)	7,468	(15,715)	121,702
Eureka Moly LLC	89,601	-	-	(35)	(10,168)	79,398
AMCI (WA) PTY LTD	70,501	-	-	(4,299)	(2,824)	63,378
Nickel Mining Company SAS	45,138	-	-	424	343	45,905
NCR LLC	36,738	276	-	(60)	(3,216)	33,738
KOREA LNG LTD.	63,058	-	(6,466)	(70,180)	47,010	33,422
PT. Batubara Tembaga Raya	22,723	-	-	260	(1,160)	21,823
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	18,008	-	-	(1,268)	(1,123)	15,617
PT. Wampu Electric Power	8,706	-	-	5,927	(1,242)	13,391
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,540	-	-	303	(626)	6,517
Roy Hill Holdings Pty Ltd	1,186,859	-	-	46,020	(107,746)	1,125,133
POSCO-NPS Niobium LLC	393,570	-	(17,277)	17,173	(44,630)	348,836
CSP - Companhia Siderurgica do Pecem	330,463	-	-	(147,847)	(36,189)	146,427
KOBRASCO	88,308	-	(22,135)	56,445	(14,133)	108,485
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	97,369	-	(5,542)	1,555	(5,077)	88,305
DMSA/AMSA	74,935	13,712	-	(22,339)	(9,573)	56,735
Others (40 companies)	130,651	22,209	(4,408)	46,535	(36,774)	158,213
	<u>3,184,117</u>	<u>36,197</u>	<u>(131,205)</u>	<u>(1,378)</u>	<u>(281,289)</u>	<u>2,806,442</u>
₩	<u>3,882,389</u>	<u>92,336</u>	<u>(131,710)</u>	<u>10,540</u>	<u>(295,623)</u>	<u>3,557,932</u>

(*1) Other increase or decrease represents the changes in investments in associates and joint ventures due to disposals, change in capital adjustments arising 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, 2018 (Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the six-month period June 30, 2018 and the year ended December 31, 2017 are as follows:

1) June 30, 2018

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 560,333	774	559,559	-	(2,272)
SNNC	651,959	387,140	264,819	327,022	18,363
QSONE Co., Ltd.	248,561	78,618	169,943	7,911	944
Chun-cheon Energy Co., Ltd.	676,948	517,267	159,681	174,479	(1,262)
Incheon-Gimpo Expressway Co., Ltd.	1,070,528	928,728	141,800	-	(68,095)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	66,262	36,403	29,859	13,658	1,747
BLUE OCEAN Private Equity Fund	313,523	179,187	134,336	208,640	(3,287)
Daesung Steel	173,019	114,809	58,210	35,919	1,230
UITrans LRT Co., Ltd.	467,385	393,887	73,498	6,477	(6,375)
Keystone NO. 1. Private Equity Fund	178,515	145,731	32,784	4,677	(4,016)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	45,814	1,149	44,665	934	(9,956)
KONES, Corp.	1,943	1,473	470	1,944	(681)
POSCO MITSUBISHI CARBON TECHNOLOGY	473,774	229,865	243,909	156,002	60,113
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,970,984	1,183,397	787,587	223,210	89,287
7623704 Canada Inc.	1,235,509	1,573	1,233,936	-	20,313
Nickel Mining Company SAS	470,007	341,171	128,836	76,584	(14,048)
KOREA LNG LTD.	194,936	82	194,854	26,893	26,073
PT. Batutua Tembaga Raya	350,210	283,105	67,105	66,158	555
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	77,391	25,191	52,200	62,742	(1,332)
PT. Wampu Electric Power	225,877	156,270	69,607	12,450	2,576
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	69,024	40,497	28,527	43,915	459
Roy Hill Holdings Pty Ltd	9,897,599	6,290,069	3,607,530	1,217,893	168,818
POSCO-NPS Niobium LLC	729,128	-	729,128	-	13,265
KOBRASCO	264,150	69,464	194,686	107,382	70,782
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	812,741	474,498	338,243	671,095	1,178
DMSA/AMSA	5,762,310	4,281,960	1,480,350	336,142	(246,288)
CSP - Companhia Siderurgica do Pecem	4,283,088	4,311,712	(28,624)	844,735	(598,005)

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) December 31, 2017

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 562,698	866	561,832	-	1,261
SNNC	705,975	459,519	246,456	576,023	2,417
QSONE Co., Ltd.	248,779	78,680	170,099	15,297	1,236
Chun-cheon Energy Co., Ltd	700,079	539,137	160,942	164,294	(8,250)
Incheon-Gimpo Expressway Co., Ltd.	1,132,233	922,338	209,895	-	(23,221)
BLUE OCEAN Private Equity Fund	311,129	188,512	122,617	445,238	(3,345)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	76,184	48,072	28,112	77,093	15,921
UITrans LRT Co., Ltd.	464,074	384,202	79,872	3,689	(13,263)
Daesung Steel	169,774	112,795	56,979	70,434	18,230
Keystone NO. 1. Private Equity Fund	170,155	133,033	37,122	5,391	(2,070)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	55,936	1,315	54,621	10,212	(1,578)
KONES, Corp.	2,766	1,616	1,150	5,379	139
POSCO MITSUBISHI CARBON TECHNOLOGY	478,847	295,052	183,795	154,312	46,138
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,911,942	1,121,783	790,159	445,682	171,303
7623704 Canada Inc.	1,182,376	9	1,182,367	-	82,344
Nickel Mining Company SAS	465,700	324,687	141,013	179,683	(4,450)
KOREA LNG LTD.	179,269	86	179,183	34,640	32,446
PT. Batutua Tembaga Raya	336,085	272,542	63,543	195,520	49,091
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	70,437	18,722	51,715	85,850	(3,736)
PT. Wampu Electric Power	212,095	148,177	63,918	779	29,634
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	70,701	43,588	27,113	84,973	1,210
Roy Hill Holdings Pty Ltd	10,148,416	6,600,900	3,547,516	2,988,372	797,008
POSCO-NPS Niobium LLC	697,470	-	697,470	-	32,481
CSP - Companhia Siderurgica do Pecem	4,805,353	4,223,392	581,961	1,290,767	(740,591)
KOBRASCO	252,813	35,843	216,970	179,453	112,890
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	717,472	391,871	325,601	1,245,178	5,978
DMSA/AMSA	5,586,171	4,167,906	1,418,265	630,229	(475,958)

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, 2018 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
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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

11. Investment Property, Net

Changes in the carrying amount of investment property for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	360,402	1,327	(233)	(1,464)	(19,129)	340,903
Buildings		634,040	-	(579)	(10,893)	1,526	624,094
Structures		6,281	-	-	(319)	(4,287)	1,675
Construction-in-progress		64,191	12,736	-	-	1,082	78,009
	₩	<u>1,064,914</u>	<u>14,063</u>	<u>(812)</u>	<u>(12,676)</u>	<u>(20,808)</u>	<u>1,044,681</u>

(*1) Includes ₩1,464 million of impairment loss on investment property.

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩	392,723	20,941	(37,725)	-	(15,537)	360,402
Buildings		671,539	38,831	(9,506)	(23,450)	(43,374)	634,040
Structures		2,147	-	-	(591)	4,725	6,281
Construction-in-progress		51,311	17,648	-	-	(4,768)	64,191
	₩	<u>1,117,720</u>	<u>77,420</u>	<u>(47,231)</u>	<u>(24,041)</u>	<u>(58,954)</u>	<u>1,064,914</u>

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

12. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,527,650	586	(10,045)	(53)	(1,377)	2,516,761
Buildings		4,877,018	7,099	(6,245)	(170,510)	118,430	4,825,792
Structures		2,765,852	2,926	(868)	(105,728)	61,413	2,723,595
Machinery and equipment		19,367,957	43,305	(33,789)	(1,109,899)	759,675	19,027,249
Vehicles		32,861	4,602	(582)	(7,736)	1,477	30,622
Tools		63,640	6,504	(113)	(13,675)	3,430	59,786
Furniture and fixtures		145,439	15,706	(173)	(26,144)	1,397	136,225
Finance lease assets		145,257	339	(294)	(8,908)	453	136,847
Bearer plants		65,515	-	-	(1,639)	(33)	63,843
Construction-in-progress		1,892,346	837,996	(9,240)	-	(815,573)	1,905,529
	₩	<u>31,883,535</u>	<u>919,063</u>	<u>(61,349)</u>	<u>(1,444,292)</u>	<u>129,292</u>	<u>31,426,249</u>

(*1) Impairment losses on property, plant and equipment amounting to ₩18,870 million are included.

(*2) Represents assets transferred from construction-in-progress, 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, 2018 (Unaudited)

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,601,208	3,477	(18,226)	-	(58,809)	2,527,650
Buildings		4,995,631	53,961	(5,782)	(361,531)	194,739	4,877,018
Structures		2,908,480	18,943	(2,558)	(246,229)	87,216	2,765,852
Machinery and equipment		20,318,390	194,653	(93,210)	(2,217,435)	1,165,559	19,367,957
Vehicles		46,699	9,982	(1,623)	(22,340)	143	32,861
Tools		71,380	16,424	(976)	(28,539)	5,351	63,640
Furniture and fixtures		132,406	61,597	(1,296)	(48,416)	1,148	145,439
Finance lease assets		159,013	4,760	(453)	(14,810)	(3,253)	145,257
Bearer plants		-	-	-	(4,830)	70,345	65,515
Construction-in-progress		2,537,132	1,894,067	(817)	(36,706)	(2,501,330)	1,892,346
	₩	<u>33,770,339</u>	<u>2,257,864</u>	<u>(124,941)</u>	<u>(2,980,836)</u>	<u>(1,038,891)</u>	<u>31,883,535</u>

(*1) Includes impairment losses on property, plant and equipment amounting to ₩117,231 million. During the year ended December 31, 2017, due to the existence of indicators for impairment, such as continuing operating loss on Suncheon Bay Personal Rapid Transit business of the Suncheon Eco Trans Co., Ltd, a subsidiary of the Company, the Company performed impairment test and recognized impairment loss of ₩48,070 million. The impairment recorded in 2017 also included ₩17,651 million related to POSCO for individual assets due to a decline in economic result and others.

(*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.

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, 2018 and the year ended December 31, 2017 were as follows:

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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*4)	Ending
Goodwill	₩	1,349,838	-	-	-	-	(761)	1,349,077
Intellectual property rights		2,449,193	7,170	(222)	(123,649)	(790)	(81,977)	2,249,725
Premium in rental(*1)		118,310	8,872	(10,838)	(97)	241	(2,207)	114,281
Development expense		80,218	528	-	(18,683)	(411)	17,365	79,017
Port facilities usage rights		309,373	-	-	(10,827)	-	13	298,559
Exploration and evaluation assets		205,944	2,056	-	-	-	(159)	207,841
Customer relationships		466,945	-	-	(24,563)	-	2,241	444,623
Power generation permit(*2)		539,405	-	-	-	-	(539,405)	-
Other intangible assets(*3)		433,043	103,293	(211)	(26,616)	(527)	(83,464)	425,518
	₩	<u>5,952,269</u>	<u>121,919</u>	<u>(11,271)</u>	<u>(204,435)</u>	<u>(1,487)</u>	<u>(688,354)</u>	<u>5,168,641</u>

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

(*2) During the six-month period ended June 30, 2018, the Company decided to sell a portion of shares of its subsidiary, POSPOWER Co., Ltd. and transferred corresponding intangible assets to assets held for sale.

(*3) The Company transferred the carrying amount of GHG emission rights amounting to ₩71,646 million which is expected to be submitted within the current period to current assets.

(*4) Represents assets transferred from construction-in-progress, adjustments of foreign currency translation difference and others.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(b) For the year ended December 31, 2017

(in millions of Won)

	Beginning	Acquisitions	Business combination	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,375,131	-	-	-	-	(21,750)	(3,543)	1,349,838
Intellectual property rights	2,521,171	167,580	47,625	(450)	(217,932)	(74,524)	5,723	2,449,193
Premium in rental(*1)	119,039	6,006	-	(3,666)	(611)	(1,661)	(797)	118,310
Development expense	117,012	3,479	-	(1,179)	(66,847)	(694)	28,447	80,218
Port facilities usage rights	256,617	-	-	-	(19,912)	-	72,668	309,373
Exploration and evaluation assets	162,268	91,548	-	-	-	(56,519)	8,647	205,944
Customer relationships	514,245	-	-	-	(46,508)	-	(792)	466,945
Power generation permit	539,405	-	-	-	-	-	-	539,405
Other intangible assets	483,841	84,502	-	(1,641)	(57,964)	(11,829)	(63,866)	433,043
	₩ 6,088,729	353,115	47,625	(6,936)	(409,774)	(166,977)	46,487	5,952,269

(*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.

14. Other Assets

Other assets as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018	December 31, 2017
Current			
Advance payments	₩	579,037	661,779
Prepaid expenses		226,551	143,032
Firm commitment asset		14,697	15,115
GHG emission rights		71,646	167
Others		1,609	1,149
	₩	893,540	821,242
Non-current			
Long-term advance payments	₩	24,043	24,201
Long-term prepaid expenses		354,822	333,153
Others(*1)		72,548	131,657
	₩	451,413	489,011

(*1) As of June 30, 2018 and December 31, 2017, the Company recognized tax assets amounting to ₩39,173 million and ₩88,633 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 that were finalized and claim for rectification are finalized.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	Lenders	Interest rate (%)	June 30, 2018	December 31, 2017
Short-term borrowings				
Bank overdrafts	JP Morgan and others	0.8~9.0	₩ 302,019	217,879
Short-term borrowings	HSBC and others	0.3~10.5	8,035,826	7,956,939
			<u>8,337,845</u>	<u>8,174,818</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.5~8.5	1,448,998	1,407,123
Current portion of debentures	Korea Development Bank and others	1.4~6.1	1,885,306	1,693,974
Less: Current portion of discount on debentures issued			(1,053)	(1,399)
			<u>3,333,251</u>	<u>3,099,698</u>
			₩ <u>11,671,096</u>	<u>11,274,516</u>

(b) Long-term borrowings, excluding current portion as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	Lenders	Interest rate (%)	June 30, 2018	December 31, 2017
Long-term borrowings	Export-Import Bank of Korea and others	0.4~8.4	₩ 4,766,417	4,839,199
Less: Present value discount			(34,948)	(36,459)
Debentures	Korea Development Bank and others	1.8~6.3	4,879,602	4,999,575
Less: Discount on debentures issued			(11,781)	(13,174)
			₩ <u>9,599,290</u>	<u>9,789,141</u>

(c) Assets pledged as collateral in regards to the borrowings as of June 30, 2018 are as follows:

<i>(in millions of Won)</i>	Lenders	Book value	Pledged amount
Property, plant and equipment and Investment property(*1)	Korea Development Bank and others	₩ 5,798,811	5,167,423
Trade accounts and notes receivable	Korea Development Bank and others	129,135	129,135
Inventories	Export-Import Bank of Korea and others	176,870	127,501
Financial instruments	Korea Development Bank and others	47,480	47,480
		₩ <u>6,152,296</u>	<u>5,471,539</u>

(*1) Includes other assets (land-use right).

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

16. Other Payables

Other payables as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current			
Accounts payable	₩	756,147	800,374
Accrued expenses		605,349	653,923
Dividend payable		6,383	7,213
Finance lease liabilities		13,811	17,763
Withholdings		305,740	274,188
	₩	<u>1,687,430</u>	<u>1,753,461</u>
Non-current			
Accounts payable	₩	1,644	4,632
Accrued expenses		35,920	14,234
Finance lease liabilities		72,461	75,255
Long-term withholdings		54,155	53,629
	₩	<u>164,180</u>	<u>147,750</u>

17. Other Financial Liabilities

Other financial liabilities as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current			
Derivative liabilities	₩	46,776	69,872
Financial guarantee liabilities		50,350	59,940
	₩	<u>97,126</u>	<u>129,812</u>
Non-current			
Derivative liabilities	₩	52,700	85,638
Financial guarantee liabilities		20,499	28,467
	₩	<u>73,199</u>	<u>114,105</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

18. Provisions

(a) Provisions as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018		December 31, 2017	
		Current	Non-current	Current	Non-current
Provision for bonus payments	₩	36,683	-	49,171	-
Provision for construction warranties		18,101	120,748	11,804	106,232
Provision for legal contingencies and claims(*1)		495	48,649	495	36,269
Provision for the restoration(*2)		12,506	86,587	12,273	121,917
Others(*3,4,5)		253,239	219,391	37,203	212,754
	₩	<u>321,024</u>	<u>475,375</u>	<u>110,946</u>	<u>477,172</u>

(*1) The Company recognized probable outflow of resources amounting to ₩39,922 million and ₩27,963 million as provisions in relation to lawsuits against the Company as of June 30, 2018 and December 31, 2017, 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, ₩27,397 million as provisions for restoration as of June 30, 2018. 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 2.75% to measure present value of these costs.

(*3) As of June 30, 2018 and December 31, 2017, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩178,561 million and ₩157,461 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*4) The Company has recognized ₩92,460 million of emission liabilities which is estimated amount to be submitted to government in excess of GHG emission allowance as of June 30, 2018.

(*5) As of June 30, 2018 and December 31, 2017, the amount includes a provision of ₩17,595 million and ₩23,600 million, respectively, for expected outflow of resources in connection with the performance guarantee for the Hwaseong-Dongtan complexes development project of POSCO ENGINEERING & CONSTRUCTION CO., LTD.

(b) Changes in provisions for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

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

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 49,171	25,967	(38,054)	(446)	45	36,683
Provision for construction warranties	118,036	32,111	(10,595)	(1,915)	1,212	138,849
Provision for legal contingencies and claims	36,764	14,423	(737)	(476)	(830)	49,144
Provision for the restoration	134,190	2,021	(2,610)	(35,135)	627	99,093
Others	249,957	213,635	(14,084)	(39,420)	62,542	472,630
	₩ <u>588,118</u>	<u>288,157</u>	<u>(66,080)</u>	<u>(77,392)</u>	<u>63,596</u>	<u>796,399</u>

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

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) For the year ended December 31, 2017

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 42,986	74,728	(64,319)	(3,035)	(1,189)	49,171
Provision for construction warranties	96,709	40,916	(18,006)	(2,502)	919	118,036
Provision for legal contingencies and claims	84,846	27,459	(70,156)	(1,749)	(3,636)	36,764
Provision for the restoration	62,594	63,438	(8,530)	-	16,688	134,190
Others	165,469	161,054	(64,850)	(20,199)	8,483	249,957
	<u>₩ 452,604</u>	<u>367,595</u>	<u>(225,861)</u>	<u>(27,485)</u>	<u>21,265</u>	<u>588,118</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 six-month periods ended June 30, 2018 and 2017 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Expense related to post-employment benefit plans under defined contribution plans	₩ 10,076	8,847	20,585	17,435

(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, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	June 30, 2018	December 31, 2017
Present value of funded obligations	₩ 1,862,353	1,826,907
Fair value of plan assets(*1)	(1,714,056)	(1,714,166)
Present value of non-funded obligations	17,984	16,228
Net defined benefit liabilities	<u>₩ 166,281</u>	<u>128,969</u>

- (*1) As of June 30, 2018 and December 31, 2017, the Company recognized net defined benefit assets amounting to ₩4,687 million and ₩8,224 million, respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

- 2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Defined benefit obligation			
at the beginning of period	₩	1,843,135	1,733,020
Current service costs		106,837	209,612
Interest costs		27,086	35,830
Remeasurements		34,128	51,994
Benefits paid		(131,628)	(185,220)
Others		779	(2,101)
Defined benefit obligation at the end of period	₩	<u>1,880,337</u>	<u>1,843,135</u>

- 3) Changes in fair value of plan assets for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Fair value of plan assets			
at the beginning of period	₩	1,714,166	1,693,118
Interest on plan assets		25,301	45,516
Remeasurement of plan assets		(8,351)	(17,190)
Contributions to plan assets		85,859	164,828
Benefits paid		(110,738)	(168,643)
Others		7,819	(3,463)
Fair value of plan assets at the end of period	₩	<u>1,714,056</u>	<u>1,714,166</u>

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the six-month periods ended June 30, 2018 and 2017 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	
	2018	2017	2018	2017
Current service costs	₩ 52,420	47,504	106,837	98,400
Net interest costs	1,368	(136)	1,785	(2,258)
	₩ <u>53,788</u>	<u>47,368</u>	<u>108,622</u>	<u>96,142</u>

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

20. Other Liabilities

Other liabilities as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018	December 31, 2017
Current			
Due to customers for contract work	₩	672,792	821,875
Advances received		690,717	599,879
Unearned revenue		48,512	7,121
Withholdings		257,523	221,940
Firm commitment liability		16,571	12,192
Others		20,988	33,590
	₩	1,707,103	1,696,597
Non-current			
Unearned revenue	₩	34,886	18,440
Others		63,221	14,360
	₩	98,107	32,800

21. Financial Instruments

(a) Classification and fair value of financial instruments

- 1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of June 30, 2018 and December 31, 2017 are as follows:

① June 30, 2018

(in millions of Won)

		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets						
Fair value through profit or loss(*1)						
Derivative assets	₩	56,418	-	56,418	-	56,418
Short-term financial instruments		5,464,988	-	5,464,988	-	5,464,988
Debt securities		22,976	-	-	8,676	8,676
Other securities		331,577	1,664	-	171,460	173,124
Other receivables		1,985	-	-	-	-
Derivatives assets designated as hedging instruments		17,038	-	17,038	-	17,038
Fair value through other comprehensive income(*1)						
Equity securities		1,399,502	1,017,055	-	221,120	1,238,175
Debt securities		2,477	-	-	-	-
Financial assets measured at amortized cost(*2)						
Cash and cash Equivalents		2,625,811	-	-	-	-
Trade accounts and notes receivable		9,669,144	-	-	-	-
Other receivables		2,329,907	-	-	-	-
Debt securities		53,265	-	-	-	-
Deposit instruments		1,484,307	-	-	-	-
	₩	23,459,395	1,018,719	5,538,444	401,256	6,958,419
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities	₩	87,699	-	87,699	-	87,699
Derivatives liabilities designated as hedging instruments		11,777	-	11,777	-	11,777
Financial liabilities measured at amortized cost(*2)						
Trade accounts and notes payable		3,590,932	-	-	-	-
Borrowings		21,270,386	-	21,413,484	-	21,413,484
Financial guarantee liabilities		70,849	-	-	-	-
Others		1,759,558	-	-	-	-
	₩	26,791,201	-	21,512,960	-	21,512,960

(*1) The Company has not performed fair value measurement for certain financial assets measured at fair value due to materiality considerations.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(*2) The Company has not performed fair value measurement for financial assets and liabilities measured at amortized cost except borrowings since their fair value approximate carrying amounts.

② December 31, 2017

(in millions of Won)

(in millions of Won)

		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at fair value through profit or loss					
Financial assets held for trading	₩ 1,970	-	1,970	-	1,970
Derivatives assets held for trading	65,051	-	65,051	-	65,051
Derivatives assets designated as hedging instruments	3,239	-	3,239	-	3,239
Available-for-sale financial assets (*1)	1,978,115	1,080,291	17,812	351,419	1,449,522
Held-to-maturity financial assets	5,211	-	-	-	-
Loans and receivables (*2)					
Cash and cash Equivalents	2,612,530	-	-	-	-
Trade accounts and notes receivable	8,901,867	-	-	-	-
Loans and other receivables	9,099,444	-	-	-	-
	₩ 22,667,427	1,080,291	88,072	351,419	1,519,782
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities held for trading	₩ 142,280	-	142,280	-	142,280
Derivatives liabilities designated as hedging instruments	13,230	-	13,230	-	13,230
Financial liabilities measured at amortized cost (*2)					
Trade accounts and notes payable	3,477,678	-	-	-	-
Borrowings	21,063,657	-	21,217,415	-	21,217,415
Financial guarantee liabilities	88,407	-	-	-	-
Others	1,865,683	-	-	-	-
	₩ 26,650,935	-	21,372,925	-	21,372,925

(*1) The Company has not performed fair value measurement for certain financial assets measured at fair value due to materiality considerations.

(*2) The Company has not performed fair value measurement for financial assets and liabilities measured at amortized cost except borrowings since their fair value approximate carrying amounts.

2) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2018 and 2017 were as follows:

① 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	-	-	-	-	41,371	41,371
Financial assets measured at amortized cost	87,721	-	349,027	(21,796)	(185)	414,767
Derivatives liabilities	-	(13,419)	-	(96,293)	-	(109,712)
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, 2018

(Unaudited)

② For the six-month period ended June 30, 2017

(in millions of Won)

	Finance income and costs						Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Derivatives assets	₩ -	(4,951)	-	108,525	-	-	103,574
Available-for-sale financial assets	28	-	-	95,106	(59,178)	69,265	105,221
Held-to-maturity financial assets	93	-	-	(3)	-	10	100
Loans and receivables	78,038	-	(279,987)	(17,330)	-	(128)	(219,407)
Financial liabilities at fair value through profit or loss	-	(75,746)	-	(105,728)	-	-	(181,474)
Financial liabilities measured at amortized cost	(328,419)	-	380,906	-	-	(9,751)	42,736
	₩ (250,260)	(80,697)	100,919	80,570	(59,178)	59,396	224,359

3) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2018 and 2017 were as follows:

① 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)

② For the three-month period ended June 30, 2017

(in millions of Won)

	Finance income and costs						Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Derivatives assets	₩ -	(17,068)	-	50,662	-	-	33,594
Available-for-sale financial assets	14	-	-	96,690	(55,219)	27,252	68,737
Held-to-maturity financial assets	41	-	-	-	-	5	46
Loans and receivables	37,685	-	181,827	(7,253)	-	(129)	212,130
Financial liabilities at fair value through profit or loss	-	25,647	-	(51,697)	-	-	(26,050)
Financial liabilities measured at amortized cost	(159,810)	-	(206,006)	-	-	(5,015)	(370,831)
	₩ (122,070)	8,579	(24,179)	88,402	(55,219)	22,113	187,349

(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, 2017.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

22. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2018 and December 31, 2017 are as follows:

<i>(Share, in Won)</i>		June 30, 2018	December 31, 2017
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, 2018, total shares of ADRs of 36,898,912, outstanding in overseas stock market, are equivalent to 9,224,728 shares of common stock.

(*2) As of June 30, 2018, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Share premium	₩	463,825	463,825
Gain on disposal of treasury shares		784,027	783,914
Other capital surplus		160,083	164,826
	₩	1,407,935	1,412,565

(c) POSCO Energy Co., Ltd., a subsidiary of the company, issued redeemable convertible preferred shares which are classified as non-controlling interests. The details of redeemable convertible preferred shares as of June 30, 2018 are as follows:

<i>(Share, in Won)</i>	Redeemable Convertible Preferred Shares
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 to common shares from 3 years after the issue date to the end of the redemption period (10 years). Conversion price is equal to issue price, which could be adjusted according to anti-dilution clause.

Redeemable convertible preferred stocks are classified as non-controlling interests in the consolidated financial statements since 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, 2018 (Unaudited)

23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of June 30, 2018 and December 31, 2017 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, 2018</u>	<u>December 31, 2017</u>
Hybrid bond 1-1(*1)	-	-	-	₩	-	800,000
Hybrid bond 1-2(*2)	2013-06-13	2043-06-13	4.60		200,000	200,000
Issuance cost					(616)	(3,081)
				₩	<u>199,384</u>	<u>996,919</u>

(*1) During the six-month period ended June 30, 2018, the Company exercised call option of the hybrid bond.

(*2) Details of issuance of hybrid bonds as of June 30, 2018 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 stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of June 30, 2018 amounts to ₩454 million.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(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, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		June 30, 2018	December 31, 2017
Hybrid bond 1-1(*1)	2013-08-29	2043-08-29	4.66	₩	165,000	165,000
Hybrid bond 1-2(*1)	2013-08-29	2043-08-29	4.72		165,000	165,000
Hybrid bond 1-3(*1)	2013-08-29	2043-08-29	4.72		30,000	30,000
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21		140,000	140,000
Issuance cost					(1,532)	(1,532)
				₩	<u>498,468</u>	<u>498,468</u>

(*1) Details of hybrid bonds of POSCO ENERGY Co., Ltd. as of June 30, 2018 are as follows:

	Hybrid bond 1-1	Hybrid bond 1-2 and 1-3	Hybrid bond 1-4
Maturity date	30 years (The Company has a right to extend the maturity date)		
Interest rate	Issue date ~ 2018-08-29 : 4.66 % Reset every 5 years as follows; · After 5 years: return on government bond (5 years) + 1.39% · After 10 years: additionally +0.25% according to Step-up clauses · After 25 years: additionally +0.75%	Issue date ~ 2018-08-29 : 4.72 % Reset every 5 years as follows; · After 5 years: return on government bond (5 years) + 1.45% · After 10 years: additionally +0.25% according to Step-up clauses · After 25 years: additionally +0.75%	Issue date ~ 2018-08-29 : 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 but for hybrid bond 1-3, the Company pays every quarter (3/30, 6/30, 9/30, 12/30))		
Others	The issuer can call the hybrid bond at year 5 and interest payment date afterwards		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, 2018 amounts to ₩2,000 million.

24. Reserves

Reserves as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	June 30, 2018	December 31, 2017
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (503,035)	(516,528)
Changes in fair value of equity investments at fair value through other comprehensive income	(245,638)	-
Changes in unrealized fair value of available-for-sale investments	-	230,190
Foreign currency translation differences	(310,168)	(372,166)
Gains or losses on valuation of derivatives	(377)	(136)
Others	(22,963)	(23,916)
	₩ <u>(1,082,181)</u>	<u>(682,556)</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

25. Treasury Shares

As of June 30, 2018, the Company holds 7,185,963 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

26. Revenue

(a) Disaggregation of revenue

- Details of revenue disaggregated by types of revenue and timing of revenue recognition for the six-month periods ended June 30, 2018 and 2017 were as follows:

① For the six-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	₩	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 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>

② For the six-month period ended June 30, 2017

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
Types of revenue						
Revenue from sales of goods	₩	14,694,902	10,512,981	5,607	232,621	25,446,111
Revenue from services		47,589	19,798	24,135	985,274	1,076,796
Revenue from construction contract		-	-	3,275,225	13,393	3,288,618
Others		27,907	53,559	42,737	85,860	210,063
	₩	<u>14,770,398</u>	<u>10,586,338</u>	<u>3,347,704</u>	<u>1,317,148</u>	<u>30,021,588</u>
Timing of revenue recognition						
Revenue recognized a point in time	₩	14,722,701	10,566,359	48,344	322,880	25,660,284
Revenue recognized over time		47,697	19,979	3,299,360	994,268	4,361,304
	₩	<u>14,770,398</u>	<u>10,586,338</u>	<u>3,347,704</u>	<u>1,317,148</u>	<u>30,021,588</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

- 2) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month periods ended June 30, 2018 and 2017 were as follows:

① For the three-month period ended June 30, 2018

(in millions of Won)

	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 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

② For the three-month period ended June 30, 2017

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 7,092,270	5,495,633	4,486	121,319	12,713,708
Revenue from services	14,202	10,266	11,783	432,968	469,219
Revenue from construction contract	-	-	1,644,869	6,169	1,651,038
Others	16,059	29,263	22,865	42,252	110,439
	₩ 7,122,531	5,535,162	1,684,003	602,708	14,944,404
Timing of revenue recognition					
Revenue recognized a point in time	₩ 7,108,329	5,524,899	27,351	166,005	12,826,584
Revenue recognized over time	14,202	10,263	1,656,652	436,703	2,117,820
	₩ 7,122,531	5,535,162	1,684,003	602,708	14,944,404

- (b) Details of contract assets and liabilities from contracts with customers as of June 30, 2018 and January 1, 2018, initial application date of K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments", are as follows;

(in millions of Won)

	June 30, 2018	The date of initial application (January 1, 2018)
Contract assets		
Due from customers for contract work	₩ 718,097	737,782
Contract liabilities		
Advance received	690,717	610,387
Due to customers for contract work	672,792	840,067
Unearned revenue	81,870	77,657

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

27. Construction Contracts

(a) Details of in-progress construction contracts as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018		December 31, 2017	
		Construction segment	Others	Construction segment	Others
Accumulated cost	₩	24,199,151	228,039	22,513,972	277,088
Accumulated construction profit		2,191,909	32,967	1,811,066	45,037
Accumulated construction loss		(921,030)	(10,159)	(704,234)	(14,359)
Accumulated construction revenue		25,470,030	250,847	23,620,804	307,766

(b) Details of due from customers for contract work and due to customers for contract work related to construction as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018		December 31, 2017	
		Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩	748,129	46,762	800,359	49,942
Due to customers for contract work		(641,191)	(31,601)	(780,052)	(41,823)
	₩	106,938	15,161	20,307	8,119

(c) Details of the provisions of construction loss as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018	December 31, 2017
Construction segment	₩	38,279	66,442
Others		714	1,232
	₩	38,993	67,674

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

- (d) Due to the factors causing the variation of costs for the six-month period ended June 30, 2018, 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, 2018 and future periods are as follows:

<i>(in millions of Won)</i>		Changes in profit (loss) of construction contract		
	Changes in estimated total contract costs	Net income	Future income (loss)	Total
Construction segment	₩ 154,383	17,107	87,349	104,456
Others	5,402	3,467	(1,152)	2,315
	₩ 159,785	20,574	86,197	106,771

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, 2018. 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 in the course of construction, 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

Construction 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, 2018 (Unaudited)

28. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

(in millions of Won)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Wages and salaries	₩ 190,601	175,978	407,539	385,271
Expenses related to post-employment benefits	16,356	16,452	37,158	38,858
Other employee benefits	48,276	38,807	96,087	79,400
Travel	10,827	10,236	20,094	19,074
Depreciation	27,423	22,997	51,603	47,019
Amortization	27,786	36,263	55,436	72,535
Communication	2,318	2,667	4,943	5,479
Electricity expenses	1,940	1,509	4,181	2,678
Taxes and public dues	23,933	23,242	38,997	43,565
Rental	15,935	17,374	34,380	33,710
Repairs	3,744	2,414	7,867	4,236
Entertainment	2,684	2,622	5,632	5,448
Advertising	29,439	34,622	59,800	58,427
Research & development	27,294	24,819	51,771	50,378
Service fees	40,046	44,742	79,258	95,930
Vehicles maintenance	2,239	2,063	4,182	4,191
Industry association fee	2,506	2,578	5,910	5,991
Conference	3,458	3,566	7,006	6,743
Increase to provisions	9,283	2,988	21,946	6,201
Others	11,164	8,190	21,553	15,160
	₩ 497,252	474,129	1,015,343	980,294

(b) Selling expenses

Selling expenses for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

(in millions of Won)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Freight and custody expenses	₩ 349,912	336,647	683,166	665,574
Operating expenses for distribution center	2,634	2,507	5,178	5,113
Sales commissions	17,265	14,438	30,138	28,383
Sales advertising	482	821	1,043	1,142
Sales promotion	3,238	3,038	6,375	5,537
Sample	840	484	1,470	1,007
Sales insurance premium	9,178	8,858	19,180	17,799
Contract cost	4,919	12,083	4,995	12,681
Others	3,000	4,874	6,731	7,471
	₩ 391,468	383,750	758,276	744,707

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

29. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

(in millions of Won)

(in millions of Won)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2018	2017	2018	2017
Finance income					
Interest income(*1)	₩	85,106	37,740	156,955	78,159
Dividend income		11,738	27,252	44,236	69,265
Gain on foreign currency transactions		155,132	176,347	325,458	396,875
Gain on foreign currency translations		248,562	(136,064)	333,458	289,465
Gain on derivatives transactions		70,001	51,848	98,451	109,857
Gain on valuations of derivatives		55,556	(23,609)	114,981	65,523
Gain on disposals of available-for-sale investments		-	97,114	-	97,114
Gain on disposals of financial assets at fair value through profit or loss		988	-	6,390	-
Gain on valuations of financial assets at fair value through profit or loss		3,739	-	4,267	-
Others		2,810	1,804	5,923	6,378
	₩	633,632	232,432	1,090,119	1,112,636
Finance costs					
Interest expenses	₩	175,796	159,810	337,656	328,419
Loss on foreign currency transactions		198,872	177,289	324,892	392,852
Loss on foreign currency translations		355,050	(112,827)	472,889	192,569
Loss on derivatives transactions		49,781	52,880	97,507	107,058
Loss on valuation of derivatives		13,934	(32,188)	62,894	146,220
Loss on disposal of trade accounts and notes receivable		10,941	7,254	21,796	17,331
Impairment losses on available-for-sale investments		-	55,219	-	59,178
Loss on disposals of financial assets at fair value through profit or loss		971	-	974	-
Loss on valuations of financial assets at fair value through profit or loss		1,662	-	4,373	-
Others		507	7,369	3,822	18,259
	₩	807,514	314,806	1,326,803	1,261,886

(*1) Interest income calculated using the effective interest method for the six-month periods ended June 30, 2018 and 2017 were ₩87,721 million and ₩45,877 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (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, 2018 and 2017 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Other non-operating income				
Gain on disposals of investments				
in subsidiaries, associates and joint ventures	₩ 44,399	5,310	44,399	54,981
Gain on disposals of property, plant and equipment	17,284	13,448	21,089	18,619
Gain on disposals of intangible assets	70,811	15,480	101,383	21,990
Gain on valuation of firm commitment	22,768	-	26,962	-
Gain on insurance proceeds	2,278	813	2,463	1,606
Others(*1)	108,589	10,532	130,789	26,824
	₩ 266,129	45,583	327,085	124,020
Other non-operating expenses				
Impairment losses on assets held for sale	₩ 46,896	-	46,896	-
Loss on disposals of investments				
in subsidiaries, associates and joint ventures	2,970	831	3,405	20,319
Loss on disposals of property, plant and equipment	46,862	46,810	59,072	78,069
Impairment losses on property, plant and equipment	648	632	18,870	7,573
Impairment losses on intangible assets	37	20,343	1,763	20,365
Increase to provisions	74,359	(1,449)	74,642	1,468
Loss on valuation of firm commitment	3,270	-	18,695	-
Donations	8,149	933	24,983	17,457
Idle tangible assets expenses	2,190	3,673	4,402	5,927
Others(*2)	166,296	22,845	193,837	43,461
	₩ 351,677	94,618	446,565	194,639

(*1) During the six-month period ended June 30, 2018, the Company recognized ₩41,137 million of tax refund including 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, 2018 (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, 2018 and 2017 were as follows (excluding finance costs and income tax expense):

(in millions of Won)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2018	2017	2018	2017
Raw material used, changes in inventories and others	₩	9,418,496	8,603,259	18,679,280	17,257,508
Employee benefits expenses		830,316	826,322	1,765,280	1,652,577
Outsourced processing cost		1,855,777	1,732,835	3,483,406	3,325,416
Electricity expenses		232,293	222,186	463,422	468,320
Depreciation(*1)		723,262	709,212	1,436,644	1,440,457
Amortization		95,580	99,565	204,435	202,146
Freight and custody expenses		349,912	336,647	683,166	665,574
Sales commissions		17,265	14,438	30,138	28,383
Loss on disposal of property, plant and equipment		46,862	46,810	59,072	78,069
Impairment losses on property, plant and equipment		648	632	18,870	7,573
Impairment losses on intangible assets		37	20,343	1,763	20,365
Donations		8,149	933	24,983	17,457
Other expenses		1,615,281	1,456,638	2,815,542	2,741,339
	₩	<u>15,193,878</u>	<u>14,069,820</u>	<u>29,666,001</u>	<u>27,905,184</u>

(*1) Includes depreciation expense of investment property.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

32. Income Taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2018 and 2017 were 31.03% and 28.19%, respectively.

33. Earnings per Share

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2018 and 2017 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	
		2018	2017	2018	2017
Profit attributable to controlling interest	₩	545,018,257,951	512,808,767,975	1,538,534,272,921	1,363,737,028,037
Interests of hybrid bonds		(6,650,931,505)	(7,877,385,203)	(14,358,575,340)	(16,298,038,354)
Weighted-average number of common shares outstanding (*1)		80,000,630	79,998,476	80,000,147	79,998,084
Basic and diluted earnings per share	₩	6,730	6,312	19,052	16,843

(*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	
		2018	2017	2018	2017
Total number of common shares issued	₩	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares		(7,186,205)	(7,188,359)	(7,186,688)	(7,188,751)
Weighted-average number of common shares outstanding	₩	80,000,630	79,998,476	80,000,147	79,998,084

Since there were no potential shares of common stock which had dilutive effects as of June 30, 2018 and 2017, 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, 2018 (Unaudited)

34. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the six-month periods ended June 30, 2018 and 2017 were as follows:

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

(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.	₩ 4,967	63	-	139,725	9	23,205
POSCO COATED & COLOR STEEL Co., Ltd.	227,199	2,724	-	-	4,218	664
POSCO ICT(*4)	1,319	7,475	-	137,368	16,173	95,168
eNtoB Corporation	5	60	175,914	8,347	58	12,292
POSCO CHEMTECH	200,582	23,081	259,624	15,978	155,550	601
POSCO ENERGY CO., LTD.	95,908	702	-	-	-	-
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
Others(*5)	578,854	20,540	145,626	11,014	128,471	62,924
	6,700,682	100,217	1,306,489	314,676	335,182	199,957
Associates and joint ventures(*3)						
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

(*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, 2018, 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.

(*5) During the six-month period ended June 30, 2018, the Company made loans of ₩2,950 million to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company. As of June 30, 2018, 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, 2018 (Unaudited)

2) For the six-month period ended June 30, 2017

(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.	₩ 1,778	44	-	80,775	-	4,528
POSCO Processing&Service	298,781	1	113,628	4,595	8,309	404
POSCO COATED & COLOR STEEL Co., Ltd.	205,803	3,533	-	-	5,165	22
POSCO ICT	791	5,077	-	145,916	13,894	86,413
eNtoB Corporation	1	30	155,121	1,502	17	13,138
POSCO CHEMTECH	173,162	21,064	231,609	15,721	141,196	6,259
POSCO ENERGY CO., LTD.	83,310	698	-	-	-	-
POSCO DAEWOO Corporation	2,458,294	35,155	211,854	221	16,755	1,249
POSCO Thainox Public Company Limited	109,055	9,780	6,130	-	-	-
POSCO America Corporation	203,013	-	90	-	-	75
POSCO Canada Ltd.	218	349	142,566	-	-	-
POSCO Asia Co., Ltd.	1,000,653	610	232,150	194	764	1,575
Qingdao Pohang Stainless Steel Co., Ltd.	81,685	-	-	-	-	28
POSCO JAPAN Co., Ltd.	754,062	-	13,481	-	-	739
POSCO MEXICO S.A. DE C.V.	176,937	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	219,889	-	-	-	-	32
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	100,616	-	-	-	-	-
Others	563,923	7,039	137,576	16,730	115,190	49,604
	6,431,971	83,380	1,244,205	265,654	301,290	164,066
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	453	46	3,742	202,905	10,333	15,965
SNNC	2,657	284	244,116	-	-	1
POSCO-SAMSUNG-Slovakia Processing Center	23,459	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	362,734	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	150,097	-	-	-
Others	6,871	39,846	44,626	-	-	1
	33,440	40,176	805,315	202,905	10,333	15,967
₩	6,465,411	123,556	2,049,520	468,559	311,623	180,033

(b) Significant transactions between the controlling company and related companies for the three-month periods ended June 30, 2018 and 2017 were as follows:

1) 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 CHEMTECH	102,349	5,406	127,033	10,291	78,268	453
POSCO ENERGY CO., LTD.	43,813	333	-	-	-	-
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	-	-	-	-	-
Others	279,009	12,612	86,258	5,843	63,203	35,253
	3,301,448	24,541	673,217	169,917	168,102	104,879
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	-	-	-
	18,854	35,605	346,318	47,532	4,751	2,635
₩	3,320,302	60,146	1,019,535	217,449	172,853	107,514

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) For the three-month period ended June 30, 2017

(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.	₩ 1,007	16	-	42,821	-	142
POSCO COATED & COLOR STEEL Co., Ltd.	100,614	119	-	-	2,702	-
POSCO ICT	490	7	-	100,638	6,994	42,033
eNtoB Corporation	1	-	75,597	183	7	7,973
POSCO CHEMTECH	90,575	5,464	116,066	12,567	70,148	628
POSCO ENERGY CO., LTD.	39,855	331	-	-	-	-
POSCO DAEWOO Corporation	1,425,066	-	141,381	192	12,385	647
POSCO Thainox Public Company Limited	56,888	9,780	2,914	-	-	-
POSCO America Corporation	103,168	-	90	-	-	39
POSCO Canada Ltd.	218	320	82,568	-	-	-
POSCO Asia Co., Ltd.	475,664	54	164,589	-	573	598
Qingdao Pohang Stainless Steel Co., Ltd.	44,833	-	-	-	-	2
POSCO JAPAN Co., Ltd.	398,464	-	7,117	-	-	499
POSCO MEXICO S.A. DE C.V.	96,387	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	123,505	-	-	-	-	11
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	44,747	-	-	-	-	-
Others	274,699	635	93,722	5,418	57,750	26,114
	<u>3,276,171</u>	<u>16,726</u>	<u>684,044</u>	<u>161,819</u>	<u>150,559</u>	<u>78,686</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	350	5	2,955	108,239	5,299	6,249
SNNC	1,390	133	122,307	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	10,483	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	206,485	-	-	-
CSP - Companhia Siderurgica do Pecem	-	-	73,156	-	-	-
Others	3,058	27,402	20,895	-	-	-
	<u>15,281</u>	<u>27,540</u>	<u>425,798</u>	<u>108,239</u>	<u>5,299</u>	<u>6,249</u>
₩	<u>3,291,452</u>	<u>44,266</u>	<u>1,109,842</u>	<u>270,058</u>	<u>155,858</u>	<u>84,935</u>

(c) The related account balances of significant transactions between the controlling company and related companies as of June 30, 2018 and December 31, 2017 are as follows:

1) June 30, 2018

(in millions of Won)

	Receivables			Payables		
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1	2,589	2,590	-	34,854	485
POSCO COATED & COLOR STEEL Co., Ltd.	54,928	508	55,436	-	5	1,383
POSCO ICT	-	113	113	1,059	58,484	8,470
eNtoB Corporation	-	-	-	6,235	30,281	-
POSCO CHEMTECH	67,837	3,617	71,454	18,512	53,745	17,521
POSCO ENERGY CO., LTD.	28,440	886	29,326	-	-	1,425
POSCO DAEWOO Corporation	473,524	1,521	475,045	7,860	5,791	6,139
POSCO Thainox Public Company Limited	74,662	-	74,662	672	-	-
POSCO America Corporation	20,761	-	20,761	-	-	-
POSCO Asia Co., Ltd.	459,630	595	460,225	3,611	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	28,677	-	28,677	-	-	-
POSCO MEXICO S.A. DE C.V.	107,616	569	108,185	-	-	-
POSCO Maharashtra Steel Private Limited	375,963	3,934	379,897	-	-	-
Others	421,989	52,259	474,248	22,671	26,570	82,346
	<u>2,114,028</u>	<u>66,591</u>	<u>2,180,619</u>	<u>60,620</u>	<u>209,730</u>	<u>117,769</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	5,038	1	5,039	2,575	12,842	36
SNNC	467	53	520	25,065	-	-
Roy Hill Holdings Pty Ltd	-	-	-	11,790	31	-
Others	7,326	18,829	26,155	141	-	-
	<u>12,831</u>	<u>18,883</u>	<u>31,714</u>	<u>39,571</u>	<u>12,873</u>	<u>36</u>
₩	<u>2,126,859</u>	<u>85,474</u>	<u>2,212,333</u>	<u>100,191</u>	<u>222,603</u>	<u>117,805</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of June 30, 2018

(Unaudited)

2) December 31, 2017

(in millions of Won)

	Receivables			Payables		
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	2	2,908	2,910	-	21,965	674
POSCO COATED & COLOR STEEL Co., Ltd.	58,184	324	58,508	-	5	504
POSCO ICT	55	217	272	-	72,586	27,009
eNtoB Corporation	-	-	-	1,458	31,899	20
POSCO CHEMTECH	61,810	3,589	65,399	51,774	20,313	17,568
POSCO ENERGY CO., LTD.	33,239	1,673	34,912	-	-	1,425
POSCO DAEWOO Corporation	483,915	12,739	496,654	10,213	2,145	5,794
POSCO Thainox Public Company Limited	57,826	-	57,826	1,204	-	-
POSCO America Corporation	5,365	-	5,365	-	-	-
POSCO Asia Co., Ltd.	404,857	541	405,398	9,811	24	-
Qingdao Pohang Stainless Steel Co., Ltd.	31,693	-	31,693	-	-	-
POSCO MEXICO S.A. DE C.V.	55,695	530	56,225	-	-	-
POSCO Maharashtra Steel Private Limited	392,630	5,733	398,363	-	-	-
Others	384,385	49,403	433,788	15,038	59,575	31,118
	1,969,656	77,657	2,047,313	101,750	208,512	84,112
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	1,946	9	1,955	3,842	15,723	-
SNNC	648	61	709	49,506	3	-
Others	8,350	904	9,254	824	-	-
	10,944	974	11,918	54,172	15,726	-
₩	1,980,600	78,631	2,059,231	155,922	224,238	84,112

(d) Significant transactions between the Company, excluding the controlling company, and related companies for the six-month periods ended June 30, 2018 and 2017 were as follows:

1) 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 - Companhia 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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) For the six-month period ended June 30, 2017

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 11,759	-	19	2,876
New Songdo International City Development, LLC	129,840	-	-	30
SNNC	15,352	-	-	2,603
Chuncheon Energy Co., Ltd.	53,496	5	-	-
Noeul Green Energy Co., Ltd.	6,083	-	-	1,119
VSC POSCO Steel Corporation	13,177	-	95	-
USS-POSCO Industries	7,430	54	1,089	-
CSP - Companhia Siderurgica do Pecem	69,290	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	25,100	-	28,044	-
LLP POSUK Titanium	-	-	3,972	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	2	-	9,490	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	12,168	-	-	-
PT. Batutua Tembaga Raya	-	-	8,650	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	17,886	-	74	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	86	1,429
Sebang Steel	441	-	13,229	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	43,764	-	-	-
DMSA/AMSA	-	-	22,019	-
South-East Asia Gas Pipeline Company Ltd.	-	34,541	-	-
Others	132,398	21,836	9,721	4,189
	₩ 538,186	56,436	96,488	12,246

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(e) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended June 30, 2018 and 2017 were as follows:

1) 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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) For the three-month period ended June 30, 2017

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,684	-	10	1,803
New Songdo International City Development, LLC	72,483	-	-	19
SNNC	3,004	-	-	870
Chuncheon Energy Co., Ltd.	20,989	5	-	-
Noeul Green Energy Co., Ltd.	4,308	-	-	813
VSC POSCO Steel Corporation	2,000	-	13	-
USS-POSCO Industries	-	7	659	-
CSP - Companhia Siderurgica do Pecem	28,809	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,679	-	14,391	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	2	-	3,705	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	4,856	-	-	-
PT. Batutua Tembaga Raya	-	-	5,939	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,015	-	52	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	40	568
Sebang Steel	441	-	6,269	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	192	-	-	-
DMSA/AMSA	-	-	9,273	-
South-East Asia Gas Pipeline Company Ltd.	-	15,093	-	-
Others	109,676	18,170	5,941	3,318
	₩ 269,138	33,275	46,292	7,391

(f) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of June 30, 2018 and December 31, 2017 are as follows:

1) June 30, 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.	₩ 4,646	-	5	4,651	6,964	8	6,972
New Songdo International City Development, LLC	510,163	279,062	19,383	808,608	-	1	1
Chuncheon Energy Co., Ltd.	55	-	-	55	-	7,149	7,149
VSC POSCO Steel Corporation	6,367	-	-	6,367	178	-	178
USS-POSCO Industries	-	-	-	-	201	-	201
Nickel Mining Company SAS	-	60,497	116	60,613	-	-	-
CSP - Companhia Siderurgica do Pecem	408,610	-	16,475	425,085	10,224	18,325	28,549
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	12,880	-	6	12,886	2,470	-	2,470
PT. Batutua Tembaga Raya	-	31,250	-	31,250	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,659	4,487	35	10,181	-	74	74
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	710	-	-	710	-	550	550
DMSA/AMSA	-	69,448	2,436	71,884	-	-	-
South-East Asia Gas Pipeline Company Ltd.	-	216,197	-	216,197	-	-	-
Others	90,383	139,848	17,960	248,191	6,748	14,009	20,757
	₩ 1,039,473	800,789	56,416	1,896,678	26,785	40,116	66,901

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) December 31, 2017

(in millions of Won)

	Receivables				Payables		
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes receivable	Others	Total
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	₩ 2,287	-	5	2,292	3,442	5,595	9,037
New Songdo International City Development, LLC	484,038	282,775	1,696	768,509	-	7,146	7,146
Chuncheon Energy Co., Ltd.	-	-	21	21	-	9,617	9,617
VSC POSCO Steel Corporation	16	-	-	16	17	-	17
USS-POSCO Industries	-	-	4	4	-	-	-
Nickel Mining Company SAS	-	59,668	118	59,786	-	-	-
CSP - Companhia Siderurgica do Pecem	380,180	-	13,443	393,623	-	29,700	29,700
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	2,108	5,357	6	7,471	2,449	-	2,449
PT. Batutua Tembaga Raya	24	29,048	-	29,072	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,067	5,357	32	13,456	107	-	107
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO INL TRADING CO., LTD.	715	-	-	715	-	526	526
DMSA/AMSA	-	69,713	4,443	74,156	-	-	-
South-East Asia Gas Pipeline Company Ltd.	-	229,880	-	229,880	-	-	-
Others	134,397	134,506	6,885	275,788	1,856	2,005	3,861
	₩ 1,011,832	816,304	28,653	1,854,789	7,871	54,589	62,460

(g) Significant financial transactions between the Company, excluding the controlling company, and related companies for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

1) June 30, 2018

(in millions of Won)

	Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures					
New Songdo International City Development, LLC	₩ 282,775	150	(3,714)	(149)	279,062
Gail International Korea, LLC	2,000	2,500	-	-	4,500
UITrans LRT Co., Ltd.	-	2,253	-	-	2,253
DMSA/AMSA(*1)	69,713	6,606	(342)	(6,529)	69,448
South-East Asia Gas Pipeline Company Ltd.	229,880	-	(23,988)	10,305	216,197
PT. Batutua Tembaga Raya	29,048	-	-	2,202	31,250
PT. Tanggamus Electric Power	3,197	1,042	-	199	4,438
PT. Wampu Electric Power	5,107	-	-	240	5,347
PT. POSMI Steel Indonesia	4,286	-	(1,482)	-	2,804
Nickel Mining Company SAS	59,668	-	-	829	60,497
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	5,357	-	(5,357)	-	-
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	6,428	-	-	302	6,730
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,357	-	(870)	-	4,487
POS-SeaAH Steel Wire (Thailand) Co., Ltd.	6,428	-	-	302	6,730
AMCI (WA) PTY LTD	92,061	1,592	-	(1,190)	92,463
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD	5,357	-	-	252	5,609
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD	8,571	-	-	403	8,974
SAMHWAN VINA CO., LTD	1,071	-	(1,071)	-	-
	₩ 816,304	14,143	(36,824)	7,166	800,789

(*1) During the six-month period ended June 30, 2018, loans amounting to ₩9,820 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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) December 31, 2017

(in millions of Won)

	Beginning	Lend	Collect	Others(*4)	Ending
Associates and jointventures					
METAPOLIS Co.,Ltd.(*1)	₩ 13,270	-	-	(13,270)	-
New Songdo International City Development, LLC	-	484,644	(201,869)	-	282,775
Gail International Korea, LLC	-	2,000	-	-	2,000
DMSA/AMSA(*2)	90,638	2,956	-	(23,881)	69,713
South-East Asia Gas Pipeline Company Ltd.	276,605	28,967	(46,252)	(29,440)	229,880
PT. Batutua Tembaga Raya	38,120	-	-	(9,072)	29,048
PT. Tanggamus Electric Power	3,606	-	-	(409)	3,197
PT. Wampu Electric Power	5,761	-	-	(654)	5,107
PT. POSMI Steel Indonesia	4,834	-	-	(548)	4,286
Nickel Mining Company SAS	60,425	-	-	(757)	59,668
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.(*1)	60,425	-	-	(60,425)	-
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	6,647	-	(577)	(713)	5,357
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	7,251	-	-	(823)	6,428
Hamparan Mulya	3,626	-	(3,626)	-	-
POS-SEAHSTEELWIRE (TIANJIN)CO.,Ltd	5,438	-	(5,438)	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,460	-	(2,262)	(841)	5,357
POS-SeAH Steel Wire (Thailand) Co., Ltd.	7,251	-	(1,142)	319	6,428
AMCI (WA) PTY LTD	91,775	4,327	-	(4,041)	92,061
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD(*3)	-	-	-	5,357	5,357
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD(*3)	-	-	-	8,571	8,571
SAMHWAN VINA CO., LTD(*3)	-	-	-	1,071	1,071
	₩ 684,132	522,894	(261,166)	(129,556)	816,304

(*1) During the year ended December 31, 2017, it was excluded from associates.

(*2) During the year ended December 31, 2017, loans amounting to ₩13,712 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

(*3) During the year ended December 31, 2017, it was newly classified as associates and joint ventures.

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

(h) For the six-month periods ended June 30, 2018 and 2017, details of compensation to key management officers were as follows:

(in millions of Won)

	June 30, 2018	June 30, 2017
Short-term benefits	₩ 56,861	62,334
Long-term benefits	6,530	5,684
Retirement benefits	12,155	7,649
	₩ 75,546	75,667

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, 2018

(Unaudited)

35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of June 30, 2018 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	USD	50,000,000	56,085	50,000,000
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	164,360	131,874,750
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	186,099	5,501,000,000
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	649,853,000	728,940	309,618,500
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	160,000,000	179,472	160,000,000
	POSCO SS VINA CO., LTD.	Export-Import Bank of Korea and others	USD	354,351,050	397,475	294,584,651
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	219,853	196,000,000
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,514,633	1,175,610,434
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMU and others	CNY	760,500,000	128,836	608,400,000
	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	196,017,000	219,873	196,017,000
	Daewoo Power PNG Ltd.	Export-Import Bank of Korea	USD	51,000,000	57,207	51,000,000
	Daewoo Textile LLC	Export-Import Bank of Korea	USD	2,000,000	2,243	2,000,000
	POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	14,652,750	16,436	14,652,750
	POSCO DAEWOO INDIA PVT., LTD.	Shinhan Bank and others	USD	117,400,000	131,688	92,405,221
	PT. Bio Inti Agrindo	SC Bank Korea	INR	1,650,000,000	26,879	-
POSCO DAEWOO Corporation	Golden Lace DAEWOO Company Limited	Export-Import Bank of Korea and others	USD	128,000,000	143,577	128,000,000
	Songdo Posco family Housing	Shinhan Bank	USD	9,000,000	10,095	4,500,000
	POSCO DAEWOO CHINA CO., LTD	SAMSUNG SECURITIES CO.,LTD and others	KRW	70,000	70,000	-
	POSCO E&C Vietnam Co., Ltd.	Mizuho	USD	8,000,000	8,974	1,629,084
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Export-Import Bank of Korea	USD	30,000,000	33,651	30,000,000
	POSCO Engineering and Construction India Private Limited	Woori bank and others	USD	148,000,000	166,012	139,000,000
	PT.POSCO E&C INDONESIA	Woori bank	USD	2,100,000	2,356	2,100,000
	Songdo Posco family Housing	POSCO Asia Co., Ltd.	USD	5,000,000	5,609	5,000,000
	Daewoo Global Development. Pte., Ltd	BNP Indonesia	IDR	79,000,000,000	6,154	79,000,000,000
	PT.POSCO ICT INDONESIA	SAMSUNG SECURITIES CO.,LTD and others	KRW	70,000	70,000	-
	POSCO CHEMTECH	SMBC and others	USD	163,633,000	183,548	163,633,000
	POSCO COATED & COLOR STEEL Co., Ltd.	PT.POSCO Asia Co., Ltd.	USD	1,500,000	1,683	1,500,000
	POSCO ENERGY CO., LTD	KEB Hana Bank	USD	33,600,000	37,689	18,823,529
	POSCO Asia Co., Ltd.	POSCO Asia Co., Ltd. and others	USD	13,986,947	15,689	13,986,947
	POSCO ASSAN TST STEEL INDUSTRY	Export-Import Bank of Korea and others	USD	193,900,000	217,498	129,314,046
		SMBC	USD	25,000,000	28,043	25,000,000
[Associates and joint ventures]						
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	471,114	415,200,000
	LLP POSUK Titanium	BNDES	BRL	464,060,000	134,758	464,060,000
	Nickel Mining Company SAS	SMBC	EUR	15,000,000	16,826	15,000,000
POSCO DAEWOO Corporation	GLOBAL KOMSCO Daewoo LLC	SMBC	EUR	46,000,000	59,663	46,000,000
		ICBC	USD	8,225,000	9,226	8,225,000
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	New Songdo International City Development, LLC	Others	KRW	340,000	340,000	321,800
	UITrans LRT Co., Ltd.	Kookmin Bank and others	KRW	20,740	20,740	1,610
	Chuncheon Energy Co., Ltd.	Kookmin Bank and others	KRW	11,600	11,600	-
POSCO ICT	Pohang E&E Co., Ltd.	Heungkuk Life Insurance Co., Ltd.	KRW	6,500	6,500	-
	JB CLARK HILLS	Korea Investment & Securities Co., Ltd.	KRW	40,000	40,000	37,000
	Incheon-Gimpo Expressway Co. Ltd.	KDB Bank	KRW	100,000	100,000	100,000
POSCO CHEMTECH	UITrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000
	KRAKATAU POS-CHEM					
	DONG-SUH CHEMICAL	KEB Hana Bank	USD	1,140,000	1,279	981,667
POSCO(Suzhou) Automotive Processing Center Co.,Ltd.	POS-InfraAuto (Suzhou) Co., Ltd	KDB Bank and others	USD	780,000	875	780,000
[Others]						
POSCO DAEWOO Corporation	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	87,272,727	97,894	20,177,845
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Ecocity CO.,LTD and others	Others	KRW	1,186,822	1,186,822	419,943
	SMS Energy and others	KEB Hana Bank and others	KRW	100,560	100,560	69,783
	Hyochun CO., LTD	Daegu Bank and others	KRW	39,575	39,575	39,575
POSCO ICT	BLT Enterprise and others	Kyobo Life Insurance Co.,Ltd. and others	KRW	1,163,585	1,163,585	1,163,585
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank and others	AUD	26,147,711	21,557	26,147,711
			USD	4,582,238,974	5,139,903	3,796,614,424
			KRW	3,225,382	3,225,382	2,229,296
			CNY	760,500,000	128,836	608,400,000
			INR	1,650,000,000	26,879	-
			IDR	79,000,000,000	6,154	79,000,000,000
			THB	5,501,000,000	186,099	5,501,000,000
			EUR	46,000,000	59,663	46,000,000
			AUD	26,147,711	21,557	26,147,711
			BRL	464,060,000	134,758	464,060,000

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ~~₩~~395,792 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION CO., LTD. amounting to ~~₩~~269,455 million as of June 30, 2018.

(c) Other commitments

Details of other commitments of the Company as of June 30, 2018 are as follows:

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, 2018, 102 million tons of iron ore and 16 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>As of June 30, 2018, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 6.49 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, 2018, 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. 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., at the request of creditors such as the Korea Development Bank.</p> <p>POSCO provides a supplementary funding for the purpose of promoting the Suncheon Bay PRT business of Suncheon Eco Trans Co., Ltd., a subsidiary of the Company, at the request of creditors.</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of June 30, 2018, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantee of up to USD 1,806 million and uses USD 797 million with Woori Bank and others.</p>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

POSCO ICT	As of June 30, 2018, in relation to contract enforcement, POSCO ICT was provided with ₩139,746 million, ₩23,299 million and ₩457 million guaranties from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively.
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(d) Litigation in progress

The Company is involved in 380 lawsuits and claims for alleged damages aggregating to ₩749.9 billion as defendant as of June 30, 2018, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩39.9 billion for 143 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 does not believe it has a present obligation as of June 30, 2018.

(e) Other contingencies

POSCO	POSCO has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.
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POSCO DAEWOO Corporation	As of June 30, 2018, POSCO DAEWOO Corporation has provided 33 blank promissory notes and 24 blank checks to KOREA ENERGY AGENCY and others as collateral for the guarantee on performance for contracts and others.
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POSCO ENGINEERING & CONSTRUCTION CO., LTD.	As of June 30, 2018, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 28 blank checks and four blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩10,400,390 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
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POSCO ICT	As of June 30, 2018, POSCO ICT has provided two blank promissory notes and four blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.
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POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

36. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the six-month periods ended June 30, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		June 30, 2018	June 30, 2017
Trade accounts and notes receivable	₩	(847,222)	(323,970)
Other receivables		(155,196)	(129,167)
Inventories		(586,794)	(471,183)
Other current assets		4,050	1,436
Other non-current assets		(22,130)	8,986
Trade accounts and notes payable		1,190	(590,036)
Other payables		25,845	(291,627)
Other current liabilities		11,093	(160,689)
Provisions		(40,828)	(30,864)
Payments of severance benefits		(131,628)	(104,983)
Plan assets		24,879	72,121
Other non-current liabilities		22,725	(3,958)
	₩	<u>(1,694,016)</u>	<u>(2,023,934)</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, liquefied natural gas production, 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, 2017.

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, 2018 (Unaudited)

(a) Information about reportable segments for the six-month periods ended June 30, 2018 and 2017 was as follows:

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

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
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

2) For the six-month period ended June 30, 2017

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	14,770,398	10,586,338	3,347,704	1,317,148	30,021,588
Internal revenues		9,086,615	7,278,333	197,798	1,216,783	17,779,529
Inter segment revenue		6,061,273	4,093,758	161,491	1,170,036	11,486,558
Total revenues		23,857,013	17,864,671	3,545,502	2,533,931	47,801,117
Segment profits		1,543,395	93,368	90,099	160,598	1,887,460

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the six-month periods ended June 30, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		June 30, 2018	June 30, 2017
Total profit for reportable segments	₩	1,784,729	1,887,460
Corporate fair value adjustments		(41,759)	(41,387)
Elimination of inter-segment profits		(79,090)	(339,135)
Income tax expense		748,564	591,676
Profit before income tax expense	₩	<u>2,412,444</u>	<u>2,098,614</u>

38. Events after the Reporting Period

- (a) On July 5, 2018, after the current reporting period, the Company issued Unguaranteed Bond 308-1 and Unguaranteed Bond 308-2 with issue price of ₩150,000 million and ₩350,000 million, respectively. Maturity of the bonds is July 5, 2021. Also, the Company issued an unguaranteed senior dollar bond with issue price of USD 500 million on August 1, 2018. Maturity of the bond is August 1, 2023.
- (b) On July 25, 2018, POSCO ENERGY CO., LTD., a subsidiary of the Company, declared to repay Hybrid Bond 1-1, Hybrid Bond 1-2 and Hybrid Bond 1-3 classified as equity (Non-controlling interest) in full through resolution of board of directors.