

POSCO

**Condensed Separate Interim Financial Statements
(Unaudited)
September 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 separate interim financial statements of POSCO (the "Company"), which comprise the condensed separate interim statement of financial position as of September 30, 2018, the condensed separate interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, the condensed separate interim statements of changes in equity and cash flows for the nine-month periods ended September 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 separate interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 1034 "Interim Financial Reporting". The Company's management is also responsible for the internal controls determined necessary to prepare condensed separate interim financial statements free of material misstatements due to error or fraud.

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

The separate statement of financial position of the Company as of December 31, 2017, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 28, 2018, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2017, presented for comparative purposes, is consistent, in all material respect, with the audited separate financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
November 14, 2018

This report is effective as of November 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 separate interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO

Condensed Separate Interim Statements of Financial Position As of September 30, 2018 and December 31, 2017 (Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Assets			
Cash and cash equivalents	20	₩ 979,302	332,405
Trade accounts and notes receivable, net	4,14,20,25,32	4,485,118	3,867,714
Other receivables, net	5,20,32	214,989	210,230
Other short-term financial assets	6,20	7,522,948	5,824,087
Inventories	7,29	4,534,183	4,543,533
Assets held for sale	8	31,193	34,545
Other current assets	13	<u>113,959</u>	<u>27,907</u>
Total current assets		<u>17,881,692</u>	<u>14,840,421</u>
Long-term trade accounts and notes receivable, net	4,20	8,836	12,774
Other receivables, net	5,20	70,425	62,421
Other long-term financial assets	6,20	1,323,600	1,393,316
Investments in subsidiaries, associates and joint ventures	9	15,115,480	15,098,856
Investment property, net	10	108,603	97,307
Property, plant and equipment, net	11	21,044,269	21,561,270
Intangible assets, net	12	527,963	528,074
Other non-current assets	13	<u>46,753</u>	<u>97,819</u>
Total non-current assets		<u>38,245,929</u>	<u>38,851,837</u>
Total assets		₩ <u><u>56,127,621</u></u>	<u><u>53,692,258</u></u>

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Financial Position, Continued As of September 30, 2018 and December 31, 2017 (Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Liabilities			
Trade accounts and notes payable	20,32	₩ 987,541	1,025,027
Short-term borrowings			
and current installments of long-term borrowings	4,14,20	1,627,212	1,235,707
Other payables	15,20,32	794,045	862,535
Other short-term financial liabilities	16,20	15,542	23,164
Current income tax liabilities		691,497	351,148
Provisions	17	130,515	18,166
Other current liabilities	19,25	78,005	54,401
Total current liabilities		<u>4,324,357</u>	<u>3,570,148</u>
Long-term borrowings,			
excluding current installments	14,20	3,428,114	2,665,517
Other payables	15,20	164,567	78,481
Other long-term financial liabilities	16,20	106,175	129,176
Defined benefit liabilities, net	18	27,228	43
Deferred tax liabilities		1,226,823	1,273,896
Long-term provisions	17,33	25,632	19,250
Other non-current liabilities	19,25	13,153	14,292
Total non-current liabilities		<u>4,991,692</u>	<u>4,180,655</u>
Total liabilities		<u>9,316,049</u>	<u>7,750,803</u>
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,154,775	1,156,429
Hybrid bonds	22	199,384	996,919
Reserves	23	(95,662)	233,390
Treasury shares	24	(1,532,728)	(1,533,054)
Retained earnings		46,603,400	44,605,368
Total equity		<u>46,811,572</u>	<u>45,941,455</u>
Total liabilities and equity		<u>₩ 56,127,621</u>	<u>53,692,258</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Comprehensive Income For the three-month and nine-month periods ended September 30, 2018 and 2017 (Unaudited)

(in millions of Won, except per share informations)

	Notes	For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2018	2017	2018	2017
Revenue	25,32	₩ 7,905,508	7,255,041	23,371,243	21,456,837
Cost of sales	7,29,32	(6,353,480)	(6,082,556)	(19,074,173)	(18,059,136)
Gross profit		1,552,028	1,172,485	4,297,070	3,397,701
Selling and administrative expenses	29,32				
Impairment loss on					
trade accounts and notes receivable		57	1,041	(1,889)	(568)
Other administrative expenses	26	(205,351)	(216,019)	(648,835)	(641,058)
Selling expenses	26	(251,965)	(235,745)	(713,538)	(653,887)
Operating profit		1,094,769	721,762	2,932,808	2,102,188
Finance income and costs	20,27				
Finance income		61,902	363,412	483,334	875,461
Finance costs		(100,173)	(112,210)	(388,122)	(435,760)
Other non-operating income and expenses	32				
Reversal of impairment loss on other receivables		103	(12)	3,007	(36)
Other non-operating income	28	34,977	10,710	216,190	286,029
Other non-operating expenses	28,29	89,746	(64,750)	(224,024)	(187,540)
Profit before income tax		1,181,324	918,912	3,023,193	2,640,342
Income tax expense	30	(290,225)	(188,990)	(783,067)	(561,619)
Profit		891,099	729,922	2,240,126	2,078,723
Other comprehensive income (loss)					
Items that will not be reclassified					
Remeasurements of defined benefit plans	18	(3,967)	(3,542)	(7,958)	(8,005)
Net changes in fair value of equity investments at fair value through other comprehensive income	6,20,23	36,148	-	(20,130)	-
Items that are or may be reclassified subsequently to profit or loss:					
Net changes in unrealized fair value of available-for-sale investments, net of tax	6,20,23	-	(238,271)	-	(13,086)
Total comprehensive income		₩ 923,280	488,109	2,212,038	2,057,632
Basic and diluted earnings per share (in Won)	30	₩ 11,118	9,020	27,801	25,677

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Changes in Equity For the nine-month periods ended September 30, 2018 and 2017 (Unaudited)

(in millions of Won)

	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2017	₩ 482,403	1,156,303	996,919	284,240	(1,533,468)	42,943,050	44,329,447
Comprehensive income:							
Profit	-	-	-	-	-	2,078,723	2,078,723
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(8,005)	(8,005)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	(13,086)	-	-	(13,086)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)
Interim dividends	-	-	-	-	-	(239,995)	(239,995)
Interest of hybrid bonds	-	-	-	-	-	(32,490)	(32,490)
Disposal of treasury shares	-	53	-	-	248	-	301
Balance as of September 30, 2017	₩ 482,403	1,156,356	996,919	271,154	(1,533,220)	44,281,296	45,654,908
Balance as of January 1, 2018	₩ 482,403	1,156,429	996,919	233,390	(1,533,054)	44,605,368	45,941,455
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(883)	(883)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(321,654)	-	321,602	(52)
Adjusted balance as of January 1, 2018	482,403	1,156,429	996,919	(88,264)	(1,533,054)	44,926,087	45,940,520
Comprehensive income:							
Profit	-	-	-	-	-	2,240,126	2,240,126
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(7,958)	(7,958)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(7,398)	-	(12,732)	(20,130)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)
Interim dividends	-	-	-	-	-	(240,001)	(240,001)
Repayment of hybrid bonds	-	(1,787)	(797,535)	-	-	-	(799,322)
Interest of hybrid bonds	-	-	-	-	-	(22,123)	(22,123)
Disposal of treasury shares	-	133	-	-	326	-	459
Balance as of September 30, 2018	₩ 482,403	1,154,775	199,384	(95,662)	(1,532,728)	46,603,400	46,811,572

See accompanying notes to the condensed separate interim financial statements.

POSCO
Condensed Separate Interim Statements of Cash Flows
For the nine-month periods ended September 30, 2018 and 2017
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Cash flows from operating activities			
Profit		₩ 2,240,126	2,078,723
Adjustments for :			
Expenses related to post-employment benefit		83,402	79,032
Depreciation		1,578,971	1,565,533
Amortization		49,770	67,515
Finance income		(349,196)	(721,823)
Finance costs		240,090	275,963
Loss on valuation of inventories		1,099	1,552
Gain on disposal of property, plant and equipment		(33,509)	(21,957)
Loss on disposal of property, plant and equipment		79,917	106,806
Impairment losses on property, plant and equipment		16,264	5,562
Gain on disposal of intangible assets		(99,358)	(23,199)
Impairment losses on intangible assets		-	11,822
Impairment losses on investments in subsidiaries, associates and joint ventures		34,207	13,643
Reversal of impairment losses on investments in subsidiaries, associates and joint ventures		-	(225,860)
Impairment loss on assets held for sale		2,374	9,363
Increase to provisions		128,016	509
Income tax expense		783,067	561,619
Others, net		(1,818)	1,363
Changes in operating assets and liabilities	34	(785,818)	(1,178,943)
Interest received		106,662	65,555
Interest paid		(84,954)	(84,018)
Dividends received		175,842	128,582
Income taxes paid		(432,719)	(412,840)
Net cash provided by operating activities		₩ <u>3,732,435</u>	<u>2,304,502</u>

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows, Continued For the nine-month periods ended September 30, 2018 and 2017 (Unaudited)

(in millions of Won)

	Notes	September 30, 2018	September 30, 2017
Cash flows from investing activities			
Decrease in deposits	₩	1,978,210	997,298
Proceeds from disposal of short-term financial instruments		19,975,926	13,298,351
Proceeds from disposal of long-term financial instruments		-	1
Proceeds from disposal of equity securities		45,284	-
Proceeds from disposal of debt securities		50,000	-
Proceeds from disposal of other securities		2,578	-
Proceeds from disposal of stock warrants		130	-
Proceeds from disposal of available-for-sale investments		-	766,846
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		101,294	-
Proceeds from disposal of property, plant and equipment		12,563	-
Proceeds from disposal of intangible assets		26,375	23,431
Proceeds from disposal of assets held for sale		231	450
Increase in deposits		(2,506,462)	(1,182,180)
Acquisition of short-term financial investments		(21,066,973)	(13,806,407)
Payment of short-term loans		(2,950)	-
Payment of long-term loans		(232)	(43)
Acquisition of debt securities		(130,216)	-
Acquisition of other securities		(464)	-
Acquisition of available-for-sale investments		-	(13,821)
Acquisition of investments in subsidiaries, associates and joint ventures		(151,983)	(13,654)
Acquisition of property, plant and equipment		(1,095,951)	(1,204,707)
Proceeds from disposal of property, plant and equipment		-	(4,050)
Acquisition of intangible assets		(42,070)	(53,489)
Net cash used in investing activities	₩	(2,804,710)	(1,191,974)
Cash flows from financing activities			
Proceeds from borrowings		1,380,252	302,944
Increase in long-term financial liabilities		1,102	854
Receipt of government grants		86	-
Repayment of borrowings		(302,340)	(352,841)
Decrease in long-term financial liabilities		(10,987)	(7,422)
Payment of cash dividends		(520,020)	(700,137)
Payment of interest of hybrid bonds		(24,059)	(32,730)
Repayment of hybrid bonds		(800,000)	-
Net cash used in financing activities	₩	(275,966)	(789,332)
Effect of exchange rate fluctuation on cash held		(4,862)	-
Net increase in cash and cash equivalents		646,897	323,196
Cash and cash equivalents at beginning of the period		332,405	120,529
Cash and cash equivalents at end of the period	₩	979,302	443,725

See accompanying notes to the condensed separate interim financial statements.

POSCO
Notes to the Condensed Separate Interim Financial Statements
As of September 30, 2018
(Unaudited)

1. Reporting Entity

POSCO (the “Company”) is the largest steel producer in Korea which was incorporated on April 1, 1968, to manufacture and sell steel rolled products and plates in the domestic and overseas markets.

The shares of the Company have been listed on the Korea Exchange since 1988. The Company 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 September 30, 2018, the shares of the Company are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

2. Statement of Compliance

Statement of compliance

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

These condensed separate interim financial statements have been prepared in accordance with K-IFRS No. 1034 “Interim Financial Reporting” as part of the period covered by the Company’s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2017. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

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.

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

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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.

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.

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

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 20.

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 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 its 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
- Estimate variable consideration such as sales discount
- Change in classification and subsequent measurement of financial assets.
- Increase in impairment loss on financial assets

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

(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 as of January 1, 2018.

(in millions of Won)

		<u>Retained earnings</u>
Shipping services included in the sales contract	₩	(510)
Variable consideration for sales discounts		<u>(373)</u>
	₩	<u><u>(883)</u></u>

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

1) Identification of performance obligations

The Company operates manufacturing and selling steel rolled products and plates, and certain sales contracts 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.

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

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 and selling and administrative expenses increases in contract liabilities and decrease in other payables as of and for the nine-month period ended September 30, 2018.

2) Variable consideration

The Company provides a certain percentage of price discount, if an accounts receivable is collected earlier than a certain collection date. 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. This change in relevant accounting policy resulted in increase in revenue and decrease in contract liabilities for the nine-month period ended September 30, 2018.

3) Impact of changes in accounting policies

The effects of adoption of K-IFRS No. 1115 to the Company's condensed separate interim statements of financial position and condensed separate interim statements of comprehensive income as of and for the nine-month period ended September 30, 2018 are as follows. There is no material impact on the Company's condensed separate interim statements of cash flows for the nine-month period ended September 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 liabilities	₩ 4,324,357	(975)	4,323,382
Other payables	794,045	22,987	817,032
Current income tax liabilities	691,497	208	691,705
Other current liabilities	78,004	(24,170)	53,834
Non-current liabilities	4,991,692	117	4,991,809
Deferred tax liabilities	1,226,823	117	1,226,940
Retained earnings	46,603,400	858	46,604,258
Condensed interim statements of comprehensive income			
Revenue	₩ 23,371,243	9,086	23,380,329
Selling and administrative expenses	(1,364,262)	(9,121)	(1,373,383)
Profit before income tax	3,023,193	(35)	3,023,158
Income tax expense	(783,067)	10	(783,057)
Profit	2,240,126	(25)	2,240,101

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

(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 the standard 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 cumulative effect resulting from initial application of K-IFRS No. 1109 as reserves and retained earnings 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 and retained earnings as of January 1, 2018.

<i>(in millions of Won)</i>	<u>Reserves</u>	<u>Retained earnings</u>
Classification to fair value through profit or loss in securities and select to fair value through other comprehensive income in equity securities	₩ (321,654)	321,654
Recognition of expected credit losses	-	(52)
	<u>₩ (321,654)</u>	<u>321,602</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 is 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 is determined for the entire contract without separating the embedded derivative.

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

Business model	Contractual cash flows are solely payments of principal and interests	All other cases
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.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value. Interest income which is calculated using the effective interest method, gains and losses from foreign currency translation and impairment loss are recognized in profit or loss and other profit or loss is recognized in other comprehensive income. At the time of elimination, other accumulated comprehensive income is 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.

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

As of January 1, 2018, the date of initial application, 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		New classification	
	classification under K-IFRS No. 1039	amounts under K-IFRS No. 1039	under K-IFRS No. 1109	amounts under K-IFRS No. 1109
Cash and cash equivalents	Loans and receivables	₩ 332,405	Amortized cost	₩ 332,405
Trade accounts and notes receivable(*1)	Loans and receivables	3,874,929	Amortized cost	3,874,859
Other receivables(*1)	Loans and receivables	162,313	Fair value through profit or loss	1,898
			Amortized cost	160,415
Equity securities(*2)	Available-for-sale financial assets	1,324,715	Fair value through other comprehensive income	1,324,715
Debt securities(*2)	Available-for-sale financial assets	10,305	Fair value through profit or loss	8,050
			Fair value through other comprehensive income	2,255
Other Securities(*2)	Available-for-sale financial assets	60,569	Fair value through profit or loss	60,569
Deposit instruments	Loans and receivables	666,112	Amortized cost	666,112
Short-term financial instruments	Loans and receivables	5,155,702	Fair value through profit or loss	5,155,702

(*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 ₩ 70 million and retained earnings were decreased by ₩ 50 million.

(*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 ₩321,654 million and retained earnings were increased by ₩321,654 million.

K-IFRS No. 1109 "Financial Instruments" retains most of the 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 K-IFRS No. 1039 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 is measured either 12-month or lifetime expected credit loss based on the extent of increase in credit risk.

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

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, allowances for losses were increased by ₩70 million and retained earnings were decreased by ₩50 million under K-IFRS No. 1109 "Financial Instruments".

New standards and interpretations not yet adopted

The following new standard has been published but is not mandatory for the Company for annual period beginning on 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 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 an 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 with a term of 12 months or less at the commencement date or low value assets. Accounting treatment for lessor is similar to the existing standard which classifies lease into finance and operating lease.

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

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 initiated procedures to prepare for changes related to K-IFRS No. 1116, and the Company is proceeding with the analysis of the impact on the financial statements resulting from the application of K-IFRS No. 1116.

4. Trade Accounts and Notes Receivable

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

<i>(in millions of Won)</i>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current			
Trade accounts and notes receivable	₩	4,501,878	3,886,950
Less: Allowance for doubtful accounts		(16,760)	(19,236)
	₩	<u>4,485,118</u>	<u>3,867,714</u>
Non-current			
Trade accounts and notes receivable	₩	13,522	18,586
Less: Present value discount		(3,393)	(5,107)
Less: Allowance for doubtful accounts		(1,293)	(705)
	₩	<u>8,836</u>	<u>12,774</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩114,303 million and ₩83,976 million as of September 30, 2018 and December 31, 2017, respectively. The fair value of trade accounts and notes receivable approximates carrying amounts. These trade accounts and notes receivable are accounted for short-term borrowings from financial institutions (Note 14).

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

5. Other Receivables

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

<i>(in millions of Won)</i>		September 30, 2018	December 31, 2017
Current			
Loans	₩	2,950	-
Other accounts receivable		190,574	199,724
Others		29,958	22,476
Less: Allowance for doubtful accounts		(8,493)	(11,970)
	₩	<u>214,989</u>	<u>210,230</u>
Non-current			
Loans	₩	25,634	22,877
Long-term other accounts receivable		50,236	44,616
Others		2,831	2,896
Less: Allowance for doubtful accounts		(8,276)	(7,968)
	₩	<u>70,425</u>	<u>62,421</u>

6. Other Financial Assets

(a) Other financial assets as of September 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		September 30, 2018	December 31, 2017
Current			
Debt securities	₩	81,866	-
Available-for-sale securities (bonds)		-	2,305
Deposit instruments(*1)		1,194,332	666,080
Short-term financial instruments		6,246,750	5,155,702
	₩	<u>7,522,948</u>	<u>5,824,087</u>
Non-current			
Equity securities	₩	1,256,629	-
Debt securities		8,655	-
Other securities		58,284	-
Available-for-sale securities (equity instruments)		-	1,384,784
Available-for-sale securities (others)		-	8,500
Deposit instruments(*2)		32	32
	₩	<u>1,323,600</u>	<u>1,393,316</u>

(*1) As of September 30, 2018 and December 31, 2017, ₩6,332 million and ₩10,080 million, respectively, are restricted in relation to government assigned project.

(*2) The Company is required to provide deposits to maintain checking accounts and accordingly the withdrawal of these deposits is restricted.

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

(b) Equity securities as of September 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	September 30, 2018				December 31, 2017		
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value	Book value
Marketable equity securities							
Nippon Steel & Sumitomo Metal Corporation	15,698,500	1.65	₩ 473,962	370,209	(103,753)	370,209	430,748
KB Financial group Inc.	3,863,520	0.92	178,839	209,403	30,564	209,403	244,947
Woori Bank	20,280,000	3.00	244,447	342,732	98,285	342,732	319,410
DONGKUK STEEL MLL CO., LTD	1,786,827	1.87	10,471	16,635	6,164	16,635	19,655
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	8,930	17,556	8,626	17,556	19,010
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82	11,911	8,123	(3,788)	8,123	10,278
Others (8 companies)			59,788	50,510	(9,278)	50,510	52,240
			<u>988,348</u>	<u>1,015,168</u>	<u>26,820</u>	<u>1,015,168</u>	<u>1,096,288</u>
Non-marketable equity securities							
Congonhas Mnerios S.A. (*1)	3,658,394	2.02	221,535	195,134	(26,401)	195,134	145,394
Poongsan Special Metal (*2)	315,790	5.00	7,657	7,657	-	7,657	7,657
HANKUMCO., LTD (*2)	21,000	4.99	4,599	4,599	-	4,599	4,599
Core-Industry Co., Ltd. (*2)	490,000	19.84	4,214	4,214	-	4,214	4,214
AJUSTEEL CO., LTD (*2)	17,000	4.36	4,165	4,165	-	4,165	4,165
Others (33 companies) (*2,3)			158,059	25,692	(132,367)	25,692	122,467
			<u>400,229</u>	<u>241,461</u>	<u>(158,768)</u>	<u>241,461</u>	<u>288,496</u>
			<u>₩ 1,388,577</u>	<u>1,256,629</u>	<u>(131,948)</u>	<u>1,256,629</u>	<u>1,384,784</u>

(*1) Fair value is based on an analysis performed by an external professional evaluation agency.

(*2) The Company has not performed fair value measurement for certain equity securities measured at fair value due to materiality consideration.

(*3) Other securities amounting to ₩60,069 million as of December 31, 2017 are included in book value which is classified as fair value through profit or loss from January 1, 2018, first application date of K-IFRS No. 1109 "Financial Instrument".

7. Inventories

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

(in millions of Won)

	September 30, 2018	December 31, 2017
Finished goods	₩ 888,359	927,413
Semi-finished goods	1,158,313	1,255,713
By-products	3,805	8,454
Raw materials	1,030,181	917,241
Fuel and materials	531,884	520,341
Materials-in-transit	922,238	916,255
Others	502	479
	<u>4,535,282</u>	<u>4,545,896</u>
Less: Allowance for inventories valuation	<u>(1,099)</u>	<u>(2,363)</u>
	<u>₩ 4,534,183</u>	<u>4,543,533</u>

The amounts of loss valuation on inventories recognized within cost of sales during the nine-month period ended September 30, 2018 and the year ended December 31, 2017 were ₩1,099 million and ₩2,363 million, respectively.

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

8. Assets Held for Sale

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

<i>(in millions of Won)</i>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Investments in subsidiaries(*1)	₩	31,193	34,153
Property, plant and equipment		-	392
	₩	<u>31,193</u>	<u>34,545</u>

(*1) During the year ended December 31, 2017, the Company determined to dispose part of the interest of POSCO Thainox Public Company Limited, subsidiary of the Company, and classified investments in subsidiaries as assets held for sale. The Company recognized ₩ 2,374 million of impairment loss from the difference between book value and net fair value of the interest, and finished disposal for part of it.

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

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying values as of September 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	Country	Principal operations	September 30, 2018		December 31,	
			Ownership (%)	Book value	2017	
					Book value	
[Domestic]						
POSCO DAEWOO Corporation	Korea	Trading	62.90	₩	3,610,164	3,610,164
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	Korea	Engineering and construction	52.80		1,014,314	1,014,314
POSCO ENERGY CO., LTD.	Korea	Power generation	89.02		658,176	658,176
POSCO Processing&Service	Korea	Steel sales and trading	93.95		385,995	385,995
POSCO ES MATERIALS CO., LTD.	Korea	Secondary battery active material manufacturing and sales	90.00		196,409	83,309
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	56.87		108,421	108,421
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00		103,780	103,780
POSCO CHEMTECH	Korea	Refractory manufacturing and sales	60.00		100,535	100,535
POSMATE	Korea	Business facility maintenance	83.83		73,374	73,374
POSCO ICT	Korea	Computer hardware and software distribution	65.38		70,990	70,990
POSCO M-TECH(*1)	Korea	Packing materials manufacturing and sales	48.85		50,857	50,857
POSCO Family Strategy Fund	Korea	Investment in venture companies	69.91		32,457	32,457
Busan E&E Co., Ltd.(*2)	Korea	Municipal solid waste fuel and power generation	70.00		30,148	30,148
Others (9 companies)					115,155	215,155
					<u>6,550,775</u>	<u>6,537,675</u>
[Foreign]						
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00		813,431	813,431
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00		722,569	722,569
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	100.00		634,626	631,625
POSCO Thainox Public Company Limited	Thailand	Stainless steel manufacturing and sales	84.69		416,612	416,612
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	100.00		330,623	330,623
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	58.60		283,845	283,845
POSCO SS VINA Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00		241,426	241,426
POSCO-China Holding Corp.	China	Investment management	100.00		240,430	240,430
POSCO America Corporation	USA	Steel trading	99.45		192,156	192,156
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	84.84		180,072	180,072
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00		160,572	160,572
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65		144,573	144,573
POSCO(Guangdong) Automotive Steel Co., Ltd.	China	Plate steel manufacturing and sales	83.64		130,751	130,751
POSCO COATED STEEL (THAILAND) CO., LTD.	Thailand	Plate steel manufacturing and sales	100.00		121,592	121,592
POSCO Asia Co., Ltd.	Hong Kong	Steel and raw material trading	100.00		117,710	117,710
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00		92,800	92,800
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99		75,567	75,567
POSCO JAPAN Co., Ltd.	Japan	Steel trading	100.00		68,436	68,436
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	70.00		65,982	65,982
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	90.00		62,494	62,494
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	100.00		50,297	50,297
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79		45,479	45,479
POSCO(Guangdong) coated Steel Co., Ltd.	China	Plate steel sheet manufacturing and sales	87.04		31,299	31,299
Others (27 companies)					406,124	371,742
					<u>5,629,466</u>	<u>5,592,083</u>
					<u>₩</u> <u>12,180,241</u>	<u>12,129,758</u>

(*1) The Company classified POSCO M-TECH Co., Ltd. as a subsidiary investment in consideration of additional facts and circumstances, such as the relative size of the voting rights held by the Company and the degree of diversification of other voting rights holders, although the Company holds less than half of the voting rights of POSCO M-Tech Co., Ltd.

(*2) As of September 30, 2018 and December 31, 2017 the investment in a subsidiary amounting to ₩30,148 million was provided as collateral in relation to the loan agreements of Busan E&E Co., Ltd.

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

(b) Details of associates and carrying values as of September 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	Country	Principal operations	September 30, 2018		December 31,
			Ownership (%)	Book value	2017 Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	Korea	Mine investment	29.50	₩ 169,316	169,316
SNNC	Korea	STS material manufacturing and sales	49.00	100,655	100,655
Others (6 companies)				<u>19,052</u>	<u>19,052</u>
				<u>289,023</u>	<u>289,023</u>
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
7623704 Canada Inc. (*1)	Canada	Mine investment	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (4 companies)				<u>25,635</u>	<u>25,665</u>
				<u>350,176</u>	<u>350,206</u>
				<u>₩ 639,199</u>	<u>639,229</u>

(*1) As of September 30, 2018, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

(c) Details of joint ventures and carrying values as of September 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	Country	Principal operations	September 30, 2018		December 31,
			Ownership (%)	Book value	2017 Book value
Roy Hill Holdings Pty Ltd (*1)	Australia	Mine development	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem (*2)	Brazil	Steel manufacturing and sales	20.00	538,501	573,830
POSCO-NPS Niobium LLC	USA	Mine development	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
Others (4 companies)				<u>68,504</u>	<u>67,004</u>
				<u>₩ 2,296,040</u>	<u>2,329,869</u>

(*1) As of September 30, 2018 and December 31, 2017, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to loans from project financing of Roy Hill Holdings Pty Ltd.

(*2) During the nine-month ended September 30, 2018, the Company performed impairment test on shares of CSP-Compania Siderurgica do Pecem due to evidences of impairment including continuous loss. Recoverable amount of the share is determined based on its value in use which is estimated from the present value of estimated future cash flows discounted at 9.27%. As a result of impairment test, the Company has recognized an impairment loss amounting to ₩34,207 million since recoverable amount on shares of CSP is significantly less than its carrying amount.

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

10. Investment Property, Net

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

(a) For the nine-month period ended September 30, 2018

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	38,035	-	6,611	44,646
Buildings		49,793	(2,767)	7,288	54,314
Structures		9,479	(476)	640	9,643
	₩	<u>97,307</u>	<u>(3,243)</u>	<u>14,539</u>	<u>108,603</u>

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

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	34,213	-	3,822	38,035
Buildings		46,437	(3,308)	6,664	49,793
Structures		5,646	(585)	4,418	9,479
	₩	<u>86,296</u>	<u>(3,893)</u>	<u>14,904</u>	<u>97,307</u>

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

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

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

11. Property, Plant and Equipment, Net

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

(a) For the nine-month period ended September 30, 2018

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,474,993	-	(6,661)	-	-	(6,607)	1,461,725
Buildings		2,334,399	1,840	(8,552)	(156,600)	-	52,504	2,223,591
Structures		2,352,008	2,065	(241)	(140,488)	-	52,304	2,265,648
Machinery and equipment		13,437,338	34,536	(33,157)	(1,253,220)	(16,264)	832,131	13,001,364
Vehicles		7,047	354	-	(4,058)	-	2,994	6,337
Tools		21,115	2,466	-	(8,019)	-	3,631	19,193
Furniture and fixtures		31,050	932	(31)	(6,077)	-	166	26,040
Finance lease assets		72,105	73,800	-	(7,266)	-	-	138,639
Construction-in-progress		1,831,215	1,058,307	-	-	-	(987,790)	1,901,732
	₩	<u>21,561,270</u>	<u>1,174,300</u>	<u>(48,642)</u>	<u>(1,575,728)</u>	<u>(16,264)</u>	<u>(50,667)</u>	<u>21,044,269</u>

(*1) The Company has recognized an impairment loss since recoverable amount on Fe powder factory is less than its carrying amount for the nine-month period ended September 30, 2018.

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,472,419	-	(4,970)	-	-	7,544	1,474,993
Buildings		2,451,009	2,324	(4,129)	(217,381)	-	102,576	2,334,399
Structures		2,464,391	5,712	(1,876)	(188,449)	(29)	72,259	2,352,008
Machinery and equipment		13,577,042	71,692	(77,575)	(1,649,668)	(17,619)	1,533,466	13,437,338
Vehicles		11,316	521	-	(7,117)	-	2,327	7,047
Tools		23,244	3,891	(8)	(11,289)	(3)	5,280	21,115
Furniture and fixtures		33,890	3,793	(29)	(9,063)	-	2,459	31,050
Finance lease assets		77,848	-	-	(5,743)	-	-	72,105
Construction-in-progress		2,146,250	1,513,388	-	-	-	(1,828,423)	1,831,215
	₩	<u>22,257,409</u>	<u>1,601,321</u>	<u>(88,587)</u>	<u>(2,088,710)</u>	<u>(17,651)</u>	<u>(102,512)</u>	<u>21,561,270</u>

(*1) The Company has recognized impairment losses since recoverable amount on Fe powder factory and ULPC facilities were less than their carrying amount for the year ended December 31, 2017.

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

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

12. Intangible Assets, Net

Changes in the carrying amount of intangible assets for the nine-month period ended September 30, 2018 and the year ended December 31, 2017 were as follows:

(a) For the nine-month period ended September 30, 2018

<i>(in millions of Won)</i>	Beginning	Acquisitions	Disposals	Amortization	Transfer(*3)	Ending
Intellectual property rights	₩ 24,177	-	(216)	(3,632)	2,435	22,764
Membership(*1)	48,277	6,386	-	-	(108)	54,555
Development expenses	74,805	334	-	(24,509)	18,392	69,022
Port facilities usage rights	310,039	-	-	(16,402)	7,680	301,317
Construction-in-progress	55,292	26,895	-	-	(23,658)	58,529
Other intangible assets(*2)	15,484	75,593	-	(5,227)	(64,074)	21,776
	₩ 528,074	109,208	(216)	(49,770)	(59,333)	527,963

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

(*2) The Company transferred the carrying amount of Greenhouse gases emission rights amounting to ₩71,468 million to other current asset, as the amount is expected to be submitted in 2019.

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>	Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩ 22,671	-	(447)	(4,339)	-	6,292	24,177
Membership(*1)	48,512	-	(235)	-	-	-	48,277
Development expenses	102,785	2,021	-	(61,037)	-	31,036	74,805
Port facilities usage rights	257,348	-	-	(19,990)	-	72,681	310,039
Construction-in-progress	52,925	62,200	-	-	-	(59,833)	55,292
Other intangible assets	24,649	1,573	(2)	(6,237)	(11,822)	7,323	15,484
	₩ 508,890	65,794	(684)	(91,603)	(11,822)	57,499	528,074

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

(*2) The Company has recognized an impairment losses on some other intangible assets since the recoverable amounts were less than carrying amounts.

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

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

13. Other Assets

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

<i>(in millions of Won)</i>		September 30, 2018	December 31, 2017
Current			
Advance payments	₩	4,296	7,156
Prepaid expenses		38,195	20,751
Greenhouse gases emission rights		71,468	-
	₩	<u>113,959</u>	<u>27,907</u>
Non-current			
Long-term prepaid expenses	₩	5,340	5,395
Others(*1)		41,413	92,424
	₩	<u>46,753</u>	<u>97,819</u>

(*1) As of September 30, 2018 and December 31, 2017, the Company recognized tax assets amounting to ₩38,367 million and ₩88,633 million, respectively, 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.

14. Borrowings

(a) Borrowings as of September 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		September 30, 2018	December 31, 2017
Short-term borrowings			
Short-term borrowings	₩	414,303	383,976
Current portion of long-term borrowings		750	2,715
Current portion of debentures		1,212,468	849,644
Less: Current portion of discount on debentures issued		(309)	(628)
	₩	<u>1,627,212</u>	<u>1,235,707</u>
Long-term borrowings			
Long-term borrowings	₩	1,135	1,468
Debentures		3,441,306	2,672,327
Less: Discount on debentures issued		(14,327)	(8,278)
	₩	<u>3,428,114</u>	<u>2,665,517</u>

(b) Short-term borrowings as of September 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	Lenders	Issuance date	Maturity date	Annual interest rate (%)	September 30, 2018	December 31, 2017
Short-term borrowings	Korea Development Bank	2018.05.11	2018.12.11	2.17	₩ 300,000	300,000
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	114,303	83,976
					<u>₩ 414,303</u>	<u>383,976</u>

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

(c) Current portion of long-term borrowings as of September 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	<u>Lenders</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Annual interest rate (%)</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Borrowings	Woori Bank	2011.04.28	2019.03.15	1.75	₩ 750	2,715
Debtentures	Domestic debtentures 304-1 and others	2011.11.28~ 2016.05.03	2018.10.04~ 2019.05.03	1.76~4.05	819,768	469,736
Foreign debtentures	Samurai Bond 13	2013.12.11	2018.12.10	1.35	392,391	379,280
					₩ 1,212,909	851,731

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

(in millions of Won)

	<u>Lenders</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Annual interest rate (%)</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Borrowings	-	-	-	-	₩ -	375
Foreign borrowings	KOREA ENERGY AGENCY	2007.12.27~ 2008.12.29	2022.12.29	3 year Government bond	1,135	1,093
Debtentures	Domestic debtentures 304-2 and others	2011.11.28~ 2018.07.05	2020.10.04~ 2023.10.04	1.88~4.12	1,177,540	1,028,258
Foreign debtentures	Japan Yen private bond and others	2010.10.28~ 2018.08.01	2020.10.28~ 2023.08.01	2.70~5.25	2,249,439	1,635,791
					₩ 3,428,114	2,665,517

15. Other Payables

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

(in millions of Won)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current		
Accounts payable	₩ 385,748	460,427
Accrued expenses	387,521	379,797
Dividend payable	2,715	4,671
Finance lease liabilities	8,906	6,003
Withholdings	9,155	11,637
	₩ 794,045	862,535
Non-current		
Accrued expenses	₩ 32,253	9,625
Finance lease liabilities	129,156	65,500
Long-term withholdings	3,158	3,356
	₩ 164,567	78,481

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

16. Other Financial Liabilities

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

<i>(in millions of Won)</i>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current			
Derivative liabilities	₩	1,794	9,632
Financial guarantee liabilities		<u>13,748</u>	<u>13,532</u>
	₩	<u>15,542</u>	<u>23,164</u>
Non-current			
Derivative liabilities	₩	56,954	74,834
Financial guarantee liabilities		<u>49,221</u>	<u>54,342</u>
	₩	<u>106,175</u>	<u>129,176</u>

17. Provisions

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

<i>(in millions of Won)</i>		<u>September 30, 2018</u>		<u>December 31, 2017</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Provision for bonus payments(*1)	₩	4,006	-	5,893	-
Provision for restoration(*2)		8,057	23,580	12,273	17,198
Provision for litigation(*3)		-	2,052	-	2,052
Emission liabilities(*4)		<u>118,452</u>	-	-	-
	₩	<u>130,515</u>	<u>25,632</u>	<u>18,166</u>	<u>19,250</u>

(*1) Represents the provision for bonuses limited to 100% of annual salaries for executives.

(*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery as provisions for restoration as of September 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 discount rates of 2.56~2.68% to measure present value of these costs.

(*3) The Company has recognized provisions for certain litigations as of September 30, 2018.

(*4) The Company has recognized emission liabilities which is expected quantity to be submitted to government in excess of Greenhouse gases emission allowance as of September 30, 2018.

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

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

1) For the nine-month period ended September 30, 2018

<i>(in millions of Won)</i>		Beginning	Increase	Utilization	Ending
Provision for bonus payments	₩	5,893	13,084	(14,971)	4,006
Provision for restoration		29,471	9,564	(7,398)	31,637
Provision for litigation		2,052	-	-	2,052
Emission liabilities		-	118,452	-	118,452
	₩	<u>37,416</u>	<u>141,100</u>	<u>(22,369)</u>	<u>156,147</u>

2) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Increase	Reversal	Utilization	Ending
Provision for bonus payments	₩	3,985	22,300	-	(20,392)	5,893
Provision for restoration		37,178	822	-	(8,529)	29,471
Provision for litigation		2,497	-	(419)	(26)	2,052
	₩	<u>43,660</u>	<u>23,122</u>	<u>(419)</u>	<u>(28,947)</u>	<u>37,416</u>

18. Employee Benefits

(a) Defined contribution plans

The expense related to post-employment benefit plans under defined contribution plans for the three-month and nine-month periods ended September 30, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		For the three-month ended September 30		For the nine-month ended September 30	
		2018	2017	2018	2017
Expense related to post-employment benefit plans under defined contribution plans	₩	8,230	6,355	23,197	19,035

(b) Defined benefit plans

1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of September 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		September 30, 2018	December 31, 2017
Present value of funded obligations	₩	1,109,349	1,108,876
Fair value of plan assets		(1,082,121)	(1,108,833)
Net defined benefit liabilities	₩	<u>27,228</u>	<u>43</u>

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

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

<i>(in millions of Won)</i>	September 30, 2018	December 31, 2017
Defined benefit obligation at the beginning of period	₩ 1,108,876	1,065,255
Current service costs	83,401	115,113
Interest costs	25,318	19,468
Remeasurement	-	25,425
Amount transferred from associate	241	-
Benefits paid	(108,487)	(116,385)
Defined benefit obligation at the end of period	₩ <u>1,109,349</u>	<u>1,108,876</u>

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

<i>(in millions of Won)</i>	September 30, 2018	December 31, 2017
Fair value of plan assets at the beginning of period	₩ 1,108,833	1,146,876
Interest on plan assets	25,317	31,697
Remeasurement of plan assets	(10,977)	(11,643)
Contributions to plan assets	50,000	49,963
Benefits paid	(91,052)	(108,060)
Fair value of plan assets at the end of period	₩ <u>1,082,121</u>	<u>1,108,833</u>

- 4) The amounts recognized in the statements of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>	For the three-month ended September 30		For the nine-month ended September 30	
	2018	2017	2018	2017
Current service costs	₩ 26,286	32,047	83,401	88,204
Net interest costs	-	(3,058)	1	(9,172)
	₩ <u>26,286</u>	<u>28,989</u>	<u>83,402</u>	<u>79,032</u>

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

19. Other Liabilities

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

<i>(in millions of Won)</i>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current			
Advances received	₩	19,926	27,358
Withholdings		32,034	25,556
Unearned revenue		26,044	1,487
	₩	<u>78,004</u>	<u>54,401</u>
Non-current			
Unearned revenue	₩	13,153	14,292

20. Financial Instruments

(a) Classification and fair value of financial instruments

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

① September 30, 2018

<i>(in millions of Won)</i>	<u>Book value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets					
Fair value through profit or loss(*1)					
Short-term financial instruments	₩ 6,246,750	-	6,246,750	-	6,246,750
Debt securities	8,050	-	-	-	-
Other securities	58,284	-	-	47,459	47,459
Other receivables	2,000	-	-	-	-
Fair value through other comprehensive income(*1)					
Equity securities	1,256,629	1,015,168	-	195,134	1,210,302
Debt securities	2,471	-	-	-	-
Financial assets measured at amortized cost(*2)					
Cash and cash Equivalents	979,302	-	-	-	-
Trade accounts and notes receivable	4,487,238	-	-	-	-
Debt securities	80,000	-	-	-	-
Other receivables	211,870	-	-	-	-
Deposit instruments	1,194,364	-	-	-	-
	₩ <u>14,526,958</u>	<u>1,015,168</u>	<u>6,246,750</u>	<u>242,593</u>	<u>7,504,511</u>
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 58,748	-	58,748	-	58,748
Financial liabilities measured at amortized cost(*2)					
Trade accounts and notes payable	987,541	-	-	-	-
Borrowings	5,055,326	-	5,195,489	-	5,195,489
Financial guarantee liabilities	62,969	-	-	-	-
Others	928,650	-	-	-	-
	₩ <u>7,093,234</u>	<u>-</u>	<u>5,254,237</u>	<u>-</u>	<u>5,254,237</u>

(*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.

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

② December 31, 2017

(in millions of Won)

	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Available-for-sale financial assets(*1)	₩ 1,395,589	1,096,288	-	195,102	1,291,390
Loans and receivables(*2)					
Cash and cash Equivalents	332,405	-	-	-	-
Trade accounts and notes receivable	3,874,929	-	-	-	-
Loans and other receivables	5,984,127	-	-	-	-
	₩ 11,587,050	1,096,288	-	195,102	1,291,390
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities	₩ 84,466	-	84,466	-	84,466
Financial liabilities measured at amortized cost(*2)					
Trade accounts and notes payable	1,025,027	-	-	-	-
Borrowings	3,901,224	-	4,041,204	-	4,041,204
Financial guarantee liabilities	67,874	-	-	-	-
Others	932,405	-	-	-	-
	₩ 6,010,996	-	4,125,670	-	4,125,670

(*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.

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

- 2) Financial liabilities were recognized in connection with financial guarantee contracts as of September 30, 2018. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount		
		Foreign currency	Won equivalent	Foreign currency	Won equivalent	
Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMJ	CNY	260,500,000	42,144	208,400,000	33,715
	Credit Agricole	CNY	305,000,000	49,343	244,000,000	39,474
	SMBC	CNY	195,000,000	31,547	156,000,000	25,238
POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea	USD	180,000,000	200,286	90,000,000	100,143
	HSBC	USD	80,000,000	89,016	40,000,000	44,508
	DBS	USD	100,000,000	111,270	50,000,000	55,635
	SCB	USD	66,853,000	74,387	50,318,500	55,989
	ING	USD	50,000,000	55,635	50,000,000	55,635
	Citi	USD	30,000,000	33,381	15,000,000	16,691
POSCO ASSANT STS STEEL INDUSTRY	SMBC	USD	62,527,500	69,574	56,274,750	62,617
	ING	USD	60,000,000	66,762	54,000,000	60,086
	BNP	USD	24,000,000	26,705	21,600,000	24,034
POSCO Asia Co., Ltd.	BOC	USD	50,000,000	55,635	50,000,000	55,635
POSCO MEXICO S.A. DE C.V.	BOA	USD	30,000,000	33,381	30,000,000	33,381
	BTMJ	USD	30,000,000	33,381	30,000,000	33,381
	CITI BANAMEX	USD	40,000,000	44,508	40,000,000	44,508
	ING	USD	20,000,000	22,254	20,000,000	22,254
	SMBC	USD	40,000,000	44,508	40,000,000	44,508
POSCO SS VINA Co., Ltd.	Export-Import Bank of Korea	USD	249,951,050	278,121	207,849,131	231,274
	BOA	USD	40,000,000	44,508	33,232,000	36,977
	BTMJ	USD	40,000,000	44,508	33,232,000	36,977
	DBS	USD	24,400,000	27,150	20,271,520	22,556
POSCO-VIETNAMCo., Ltd.	BTMJ	USD	26,000,000	28,930	26,000,000	28,930
	SMBC	USD	50,000,000	55,635	50,000,000	55,635
	Credit Agricole	USD	40,000,000	44,508	40,000,000	44,508
	Citi	USD	20,000,000	22,254	20,000,000	22,254
	MZUHO	USD	20,000,000	22,254	20,000,000	22,254
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	567,000,000	630,901	495,361,087	551,188
	SMBC	USD	140,000,000	155,778	122,498,478	136,304
	BTMJ	USD	119,000,000	132,411	102,443,478	113,989
	SCB	USD	107,800,000	119,949	94,778,478	105,460
	MZUHO	USD	105,000,000	116,834	90,391,305	100,578
	Credit Suisse AG	USD	91,000,000	101,256	78,339,130	87,168
	HSBC	USD	91,000,000	101,256	78,339,130	87,168
	ANZ	USD	73,500,000	81,783	65,250,652	72,604
	BOA	USD	35,000,000	38,945	30,130,435	33,526
	The Tokyo Star Bank, Ltd	USD	21,000,000	23,367	18,078,261	20,116
POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & Co.	THB	5,501,000,000	188,684	5,501,000,000	188,684
LLP POSUK Titanium	SMBC	USD	15,000,000	16,691	15,000,000	16,691
CSP - Compania Siderurgica do Pecem	Export-Import Bank of Korea	USD	182,000,000	202,511	177,801,868	197,840
	Santander	USD	47,600,000	52,965	46,250,108	51,462
	BNP	USD	47,600,000	52,965	46,250,108	51,462
	MZUHO	USD	47,600,000	52,965	46,250,108	51,462
	Credit Agricole	USD	20,000,000	22,254	19,432,820	21,623
	SOCIETE GENERALE	USD	20,000,000	22,254	19,432,820	21,623
	KfW	USD	20,000,000	22,254	19,432,820	21,623
	BBVA Seoul	USD	17,600,000	19,584	17,100,878	19,028
	ING	USD	17,600,000	19,584	17,100,878	19,028
	BNDES	BRL	464,060,000	128,670	464,060,000	128,670
Nickel Mining Company SAS	SMBC	EUR	46,000,000	59,550	46,000,000	59,550
		USD	3,159,031,550	3,515,058	2,687,440,743	2,990,313
		CNY	760,500,000	123,034	608,400,000	98,427
		EUR	46,000,000	59,550	46,000,000	59,550
		THB	5,501,000,000	188,684	5,501,000,000	188,684
		BRL	464,060,000	128,670	464,060,000	128,670

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

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

- ① For the nine-month period ended September 30, 2018

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)	
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others		Total
Financial assets at fair value through profit or loss	₩	99,398	-	-	1,119	(1,160)	-	99,357	-
Financial assets at fair value through other comprehensive income		-	70,357	-	-	-	-	70,357	(20,130)
Financial assets measured at amortized cost		16,679	-	(21,812)	-	-	-	(5,133)	-
Financial liabilities at fair value through profit or loss		-	-	-	350	25,717	-	26,067	-
Financial liabilities measured at amortized cost		(104,052)	-	(99,361)	-	-	5,643	(197,770)	-
	₩	12,025	70,357	(121,173)	1,469	24,557	5,643	(7,122)	(20,130)

- (* 1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩102,334 million for the nine-month period ended September 30, 2018.

- ② For the nine-month period ended September 30, 2017

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)	
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others		Total
Financial assets at fair value through profit or loss	₩	-	-	-	-	-	(66,088)	(66,088)	-
Available-for-sale financial assets		42	27,976	-	380,205	(94,350)	-	313,873	(13,086)
Loans and receivables		63,186	-	(42,807)	-	-	(1,120)	19,259	-
Financial liabilities at fair value through profit or loss		-	-	-	-	-	(5,210)	(5,210)	-
Financial liabilities at amortized cost		(90,871)	-	138,852	-	-	7,202	55,183	-
	₩	(27,643)	27,976	96,045	380,205	(94,350)	(65,216)	317,017	(13,086)

- (* 1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩122,684 million for the nine-month period ended September 30, 2017.

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

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

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)	
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others		Total
Financial assets at fair value through profit or loss	₩	34,760	-	-	130	(12,204)	-	22,686	-
Financial assets at fair value through other comprehensive income		-	2,466	-	-	-	-	2,466	36,148
Financial assets measured at amortized cost		7,643	-	(59,327)	-	-	-	(51,684)	-
Financial liabilities at fair value through profit or loss		-	-	-	350	(15,220)	-	(14,870)	-
Financial liabilities measured at amortized cost		(40,431)	-	31,056	-	-	1,401	(7,974)	-
	₩	1,972	2,466	(28,271)	480	(27,424)	1,401	(49,376)	36,148

- (* 1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩11,105 million for the three-month period ended September 30, 2018.

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

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

(in millions of Won)

	Finance income and costs						Total	Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others		
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	817	817	-
Available-for-sale financial assets	14	26	-	284,122	(41,551)	-	242,611	(238,271)
Loans and receivables	25,229	-	20,845	-	-	(724)	45,350	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	4,237	4,237	-
Financial liabilities at amortized cost	(36,379)	-	(20,513)	-	-	2,402	(54,490)	-
₩	(11,136)	26	332	284,122	(41,551)	6,732	238,525	(238,271)

(* 1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩12,677 million for the three-month period ended September 30, 2017.

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the separate financial statements as of and for the year ended December 31, 2017.

21. Share Capital and Capital Surplus

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

(Share, in Won)	September 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 September 30, 2018, total shares of ADRs of 36,457,460, outstanding in overseas stock market, are equivalent to 9,114,365 shares of common stock.

(*2) As of September 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 September 30, 2018 and December 31, 2017 are as follows :

(in millions of Won)	September 30, 2018	December 31, 2017
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	784,047	783,914
Loss from merger	(91,310)	(91,310)
Loss on disposal of hybrid bonds	(1,787)	-
₩	1,154,775	1,156,429

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

22. Hybrid Bonds

Hybrid bonds classified as equity as of September 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>September 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 nine-month period ended September 30, 2018, the Company exercised call option of the hybrid bond.

(*2) Details of issuance of a hybrid bond as of September 30, 2018 are as follows:

	<u>Hybrid bond 1-2</u>
Maturity date	30 years (The Company has a right to extend the maturity date)
Interest rate	Issue date ~ 2023-06-12 : 4.60% Reset every 10 years as follows; · After 10 years : return on government bond (10 years) + 1.40% · After 10 years : additionally + 0.25% according to Step-up clauses · After 30 years : additionally + 0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to the Company)
Others	The Company 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 September 30, 2018 amounts to ₩454 million.

23. Reserves

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

<i>(in millions of Won)</i>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Changes in fair value of equity investments		
at fair value through other comprehensive income	₩ (95,662)	-
Changes in unrealized fair value of available-for-sale investments	-	233,390
	<u>₩ (95,662)</u>	<u>233,390</u>

24. Treasury Shares

As of September 30, 2018, the Company holds 7,185,703 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

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

25. Revenue

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

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2018	2017	2018	2017
Types of revenue				
Sales of steel product	₩ 7,647,210	7,204,499	22,650,954	21,299,616
Transportation services	182,690	-	527,975	-
Others	75,608	50,542	192,314	157,221
	₩ <u>7,905,508</u>	<u>7,255,041</u>	<u>23,371,243</u>	<u>21,456,837</u>
Timing of revenue recognition				
Revenue recognized at a point in time	₩ 7,706,115	7,241,975	22,797,897	21,416,275
Revenue recognized over time	199,393	13,066	573,346	40,562
	₩ <u>7,905,508</u>	<u>7,255,041</u>	<u>23,371,243</u>	<u>21,456,837</u>

(b) Details of contract assets and liabilities from contracts with customers as of September 30, 2018 and January 1, 2018, the 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)

		September 30, 2018	The date of initial application (January 1, 2018)
Receivables			
Account receivables	₩	4,487,238	3,874,859
Contract assets			
Account receivables		6,716	5,559
Contract liabilities			
Advance received		19,926	27,358
Unearned income		38,898	30,735

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

26. Selling and Administrative Expenses

(a) Other administrative expenses

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

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2018	2017	2018	2017
Wages and salaries	₩	52,532	51,031	177,547	166,846
Expenses related to post-employment benefits		5,295	10,904	21,146	27,188
Other employee benefits		13,067	10,489	45,447	31,999
Travel		2,954	3,171	8,919	9,130
Depreciation		5,027	3,930	12,523	12,840
Amortization		7,438	15,038	21,778	43,704
Rental		13,233	11,439	39,409	33,720
Repairs		2,296	1,511	9,982	4,944
Advertising		17,086	22,616	67,377	74,032
Research & development		24,306	27,511	58,586	65,523
Service fees		45,406	42,906	129,928	119,431
Supplies expense		216	1,181	1,319	3,376
Vehicles maintenance		1,395	1,533	3,664	4,425
Industry association fee		772	1,163	3,926	4,113
Training		6,076	5,150	16,219	14,413
Conference		1,367	1,234	3,995	3,374
Others		6,885	5,212	27,070	22,000
	₩	<u>205,351</u>	<u>216,019</u>	<u>648,835</u>	<u>641,058</u>

(b) Selling expenses

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

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2018	2017	2018	2017
Freight and custody expenses	₩	225,844	207,235	645,132	589,516
Operating expenses for distribution center		2,474	2,471	7,321	7,284
Sales commissions		20,065	22,148	51,555	46,139
Sales advertising		858	895	1,687	1,986
Sales promotion		1,450	1,340	3,875	3,821
Sample		191	234	950	760
Sales insurance premium		1,083	1,422	3,018	4,381
	₩	<u>251,965</u>	<u>235,745</u>	<u>713,538</u>	<u>653,887</u>

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

27. Finance Income and Costs

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

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2018	2017	2018	2017
Finance income				
Interest income(*1)	₩ 42,403	25,243	116,077	63,228
Dividend income	13,571	12,703	172,691	150,660
Gain on foreign currency transactions	48,385	50,499	133,788	153,638
Gain on foreign currency translations	(24,730)	(11,557)	19,356	119,678
Gain on valuation of derivatives	(20,322)	-	32,726	-
Gain on disposals of available-for-sale investment	-	284,122	-	381,026
Gain on disposals of Financial assets measured at fair value through profit or loss	130	-	1,119	-
Others	2,465	2,402	7,577	7,231
	₩ <u>61,902</u>	<u>363,412</u>	<u>483,334</u>	<u>875,461</u>
Finance costs				
Interest expenses	₩ 40,431	36,379	104,052	90,871
Loss on foreign currency transactions	55,069	39,976	146,448	158,648
Loss on foreign currency translations	(3,143)	(1,366)	127,869	18,623
Loss on valuation of derivatives	7,009	(5,054)	7,009	71,298
Impairment loss on available-for-sale investment	-	41,551	-	94,350
Loss on valuation of Financial assets measured at fair value through profit or loss	93	-	1,160	-
Others	714	724	1,584	1,970
	₩ <u>100,173</u>	<u>112,210</u>	<u>388,122</u>	<u>435,760</u>

(*1) Interest income calculated using the effective interest method for the nine-month periods ended September 30, 2018 and 2017 were ₩16,679 million and ₩14,179 million, respectively.

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

28. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and nine-month periods ended September 30, 2018 and 2017 were as follows:

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2018	2017	2018	2017
Other non-operating income				
Gain on disposals of property, plant and equipment	₩ 13,107	6,029	33,509	21,957
Gain on disposals of intangible assets	-	1,223	99,358	23,199
Reversal of impairment losses on investments in subsidiaries, associates and joint ventures	-	-	-	225,860
Others(*1)	21,870	3,458	83,323	15,013
	₩ <u>34,977</u>	<u>10,710</u>	<u>216,190</u>	<u>286,029</u>
Other non-operating expenses				
Loss on disposals of property, plant and equipment	₩ 19,389	36,431	79,917	106,806
Impairment losses on property, plant and equipment	-	-	16,264	5,562
Impairment losses on intangible assets	-	-	-	11,822
Impairment losses on of investment in subsidiaries, associates and joint ventures	-	827	34,207	13,643
Impairment loss on assets held for sale	(3,248)	9,363	2,374	9,363
Donations	-	7,348	21,750	22,748
Others(*2)	(105,887)	10,781	69,512	17,596
	₩ <u>(89,746)</u>	<u>64,750</u>	<u>224,024</u>	<u>187,540</u>

(*1) During the nine-month period ended September 30, 2018, the Company recognized ₩55,306 million of tax refund without corporate tax due to the consequences of appeal to tax tribunal against tax investigation as non-operating income.

(*2) During the nine-month period ended September 30, 2018, the Company recognized ₩52,997 million of additional taxes imposed on value added tax related to imported LNG as non-operating expense.

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

29. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses and other non-operating expenses in the statements of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017 were as follows (excluding finance costs and income tax expenses):

(in millions of Won)	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2018	2017	2018	2017
Changes in inventories(*1)	₩ (43,149)	53,770	139,839	(105,261)
Raw materials and consumables used	4,470,784	4,253,918	12,972,651	12,617,373
Employee benefits expenses	434,498	394,430	1,336,688	1,204,323
Outsourced processing cost	579,169	543,278	1,752,291	1,567,744
Depreciation(*2)	529,065	526,571	1,578,971	1,565,533
Amortization	16,913	23,479	49,770	67,515
Electricity and water expenses	145,457	161,920	481,105	479,280
Service fees	69,029	60,461	193,217	173,458
Rental	18,518	16,256	55,944	49,546
Advertising	17,086	22,616	67,377	74,032
Freight and custody expenses	225,844	207,235	645,132	589,516
Sales commissions	20,065	22,148	51,555	46,139
Loss on disposals of property, plant and equipment	19,389	36,431	79,917	106,806
Impairment loss on property, plant and equipment	-	-	16,264	5,562
Impairment loss on investments in subsidiaries, associates and joint ventures	-	827	34,207	13,643
Others	218,222	274,700	1,210,772	1,087,015
	₩ <u>6,720,890</u>	<u>6,598,040</u>	<u>20,665,700</u>	<u>19,542,224</u>

(*1) Changes in inventories are the changes in product, semi-finished products and by-products.

(*2) Includes depreciation of investment property.

30. Income Taxes

The effective tax rates of the Company for the nine-month periods ended September 30, 2018 and 2017 were 25.9% and 21.3%, respectively.

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

31. Earnings per Share

Basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2018 and 2017 were as follows:

<i>(in Won except per share information)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2018	2017	2018	2017
Profit for the period	₩ 891,098,863,628	729,921,746,510	2,240,126,330,038	2,078,722,527,607
Interests of hybrid bonds	(1,681,205,479)	(8,330,108,492)	(16,039,780,819)	(24,628,146,846)
Weighted-average number of common shares outstanding(*1)	80,000,982	79,998,798	80,000,428	79,998,325
Basic and diluted earnings per share	11,118	9,020	27,801	25,677

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

<i>(in share)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 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	(7,185,853)	(7,188,037)	(7,186,407)	(7,188,510)
Weighted-average number of common shares outstanding	<u>80,000,982</u>	<u>79,998,798</u>	<u>80,000,428</u>	<u>79,998,325</u>

Since there were no potential shares of common stock which had dilutive effects as of September 30, 2018 and 2017, diluted earnings per share is equal to basic earnings per share.

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

32. Related Party Transactions

(a) Significant transactions with related companies for the nine-month periods ended September 30, 2018 and 2017 were as follows:

1) For the nine-month period ended September 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.	₩ 6,369	76	-	196,752	12	29,718
POSCO COATED & COLOR STEEL Co., Ltd.	356,527	2,724	-	-	6,869	1,276
POSCO ICT(*4)	1,972	7,475	-	204,736	24,754	139,216
eNtoB Corporation	9	60	264,079	18,832	217	20,548
POSCO CHEMTECH	302,031	28,457	395,063	17,218	234,193	1,271
POSCO ENERGY CO., LTD.	146,878	1,060	-	-	-	-
POSCO DAEWOO Corporation	4,510,731	41,542	532,993	-	43,401	1,200
POSCO Thainox Public Company Limited	215,188	5,249	8,508	-	-	-
POSCO America Corporation	231,452	-	-	-	-	1,715
POSCO Canada Ltd.	190	1,234	197,650	-	-	-
POSCO Asia Co., Ltd.	1,412,737	189	430,584	556	1,876	2,866
Qingdao Pohang Stainless Steel Co., Ltd.	134,544	7	-	-	-	34
POSCO JAPAN Co., Ltd.	1,056,147	6	18,655	2,528	-	2,574
POSCOVIETNAM Co., Ltd.	220,718	71	-	-	-	8
POSCO MEXICO S.A. DE C.V.	220,900	59	-	-	-	35
POSCO Maharashtra Steel Private Limited	423,802	490	-	-	-	115
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	165,483	-	1,111	-	-	5
Others(*5)	896,515	36,460	285,775	15,708	193,469	95,559
	<u>10,302,193</u>	<u>125,159</u>	<u>2,134,418</u>	<u>456,330</u>	<u>504,791</u>	<u>296,140</u>
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.	9,275	144	2,340	119,442	17,299	5,397
SNNC	3,784	799	384,903	-	-	5
POSCO-SAMSUNGOSlovakia Processing Center	56,357	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	602,687	-	-	-
Others	8,557	53,013	54,996	-	-	5
	<u>77,973</u>	<u>53,956</u>	<u>1,044,926</u>	<u>119,442</u>	<u>17,299</u>	<u>5,407</u>
₩	<u>10,380,166</u>	<u>179,115</u>	<u>3,179,344</u>	<u>575,772</u>	<u>522,090</u>	<u>301,547</u>

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

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

(*3) As of September 30, 2018, the Company provided guarantees to related companies (Note 20).

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

(*5) During the nine-month period ended September 30, 2018, the Company made loans of ₩2,950 million to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company. As of September 30, 2018, corresponding amounts of those loans were recorded as allowance for doubtful accounts.

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

2) For the nine-month period ended September 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.	₩ 2,551	55	-	117,040	2	9,835
POSCO Processing&Service	298,781	1	113,628	4,595	8,309	404
POSCO COATED & COLOR STEEL Co., Ltd.	305,823	3,533	-	-	7,166	47
POSCO ICT	1,122	5,087	-	225,629	21,203	129,147
eNtoB Corporation	1	30	233,816	4,265	32	19,292
POSCO CHEMTECH	266,494	27,736	362,422	15,721	214,862	6,646
POSCO ENERGY CO., LTD.	133,124	1,068	-	-	-	-
POSCO DAEWOO Corporation	3,868,409	35,155	375,159	221	29,974	1,355
POSCO Thainox Public Company Limited	160,079	9,780	8,068	-	-	-
POSCO America Corporation	296,609	-	90	-	-	1,283
POSCO Canada Ltd.	218	666	206,071	-	-	-
POSCO Asia Co., Ltd.	1,517,004	887	311,610	194	1,257	3,053
Qingdao Pohang Stainless Steel Co., Ltd.	119,797	-	-	-	-	160
POSCO JAPAN Co., Ltd.	1,105,655	2	20,104	311	-	2,397
POSCO MEXICO S.A. DE C.V.	231,152	-	-	-	-	665
POSCO Maharashtra Steel Private Limited	349,800	-	-	-	-	51
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	147,370	-	-	-	-	-
Others	835,030	7,681	208,938	21,508	174,123	84,427
	<u>9,639,019</u>	<u>91,681</u>	<u>1,839,906</u>	<u>389,484</u>	<u>456,928</u>	<u>258,762</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	1,097	71	4,366	255,140	14,905	17,591
SNNC	3,833	426	390,983	-	-	1
POSCO-SAMSUNG-Slovakia Processing Center	40,994	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	547,506	-	-	-
CSP - Companhia Siderurgica do Pecem	-	-	159,501	-	-	-
Others	10,737	52,519	59,652	-	-	3
	<u>56,661</u>	<u>53,016</u>	<u>1,162,008</u>	<u>255,140</u>	<u>14,905</u>	<u>17,595</u>
₩	<u>9,695,680</u>	<u>144,697</u>	<u>3,001,914</u>	<u>644,624</u>	<u>471,833</u>	<u>276,357</u>

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

(b) Significant transactions with related companies for the three-month periods ended September 30, 2018 and 2017 were as follows:

1) For the three-month period ended September 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.	₩ 1,402	13	-	57,027	3	6,513
POSCO COATED & COLOR STEEL Co., Ltd.	129,328	-	-	-	2,651	612
POSCO ICT	653	-	-	67,368	8,581	44,048
eNtoB Corporation	4	-	88,165	10,485	159	8,256
POSCO CHEMTECH	101,449	5,376	135,439	1,240	78,643	670
POSCO ENERGY CO., LTD.	50,970	358	-	-	-	-
POSCO DAEWOO Corporation	1,618,711	2,683	189,376	-	14,023	525
POSCO Thainox Public Company Limited	74,564	-	3,056	-	-	-
POSCO America Corporation	96,316	-	-	-	-	768
POSCO Canada Ltd.	-	352	69,486	-	-	-
POSCO Asia Co., Ltd.	460,938	27	194,209	21	551	982
Qingdao Pohang Stainless Steel Co., Ltd.	47,367	-	-	-	-	29
POSCO JAPAN Co., Ltd.	362,715	-	6,938	819	-	1,081
POSCO-VIETNAM Co., Ltd.	56,802	50	-	-	-	-
POSCO MEXICO S.A. DE C.V.	74,511	22	-	-	-	35
POSCO Maharashtra Steel Private Limited	154,893	141	-	-	-	29
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	53,227	-	1,111	-	-	-
Others	317,661	15,920	140,149	4,694	64,998	32,635
	<u>3,601,511</u>	<u>24,942</u>	<u>827,929</u>	<u>141,654</u>	<u>169,609</u>	<u>96,183</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	4,007	36	708	43,867	6,790	614
SNNC	1,317	197	141,893	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	27,844	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	193,872	-	-	-
Others	3,450	7,885	19,173	-	-	-
	<u>36,618</u>	<u>8,118</u>	<u>355,646</u>	<u>43,867</u>	<u>6,790</u>	<u>614</u>
₩	<u>3,638,129</u>	<u>33,060</u>	<u>1,183,575</u>	<u>185,521</u>	<u>176,399</u>	<u>96,797</u>

2) For the three-month period ended September 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.	₩ 773	11	-	36,265	2	5,307
POSCO COATED & COLOR STEEL Co., Ltd.	100,020	-	-	-	2,001	25
POSCO ICT	331	10	-	79,713	7,309	42,734
eNtoB Corporation	-	-	78,695	2,763	15	6,154
POSCO CHEMTECH	93,332	6,672	130,813	-	73,666	387
POSCO ENERGY CO., LTD.	49,814	370	-	-	-	-
POSCO DAEWOO Corporation	1,410,115	-	163,305	-	13,219	106
POSCO Thainox Public Company Limited	51,024	-	1,938	-	-	-
POSCO America Corporation	93,596	-	-	-	-	1,208
POSCO Canada Ltd.	-	317	63,505	-	-	-
POSCO Asia Co., Ltd.	516,351	277	79,460	-	493	1,478
Qingdao Pohang Stainless Steel Co., Ltd.	38,112	-	-	-	-	132
POSCO JAPAN Co., Ltd.	351,593	2	6,623	311	-	1,658
POSCO MEXICO S.A. DE C.V.	54,215	-	-	-	-	665
POSCO Maharashtra Steel Private Limited	129,911	-	-	-	-	19
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	46,754	-	-	-	-	-
Others	271,107	642	71,362	4,778	58,933	34,823
	<u>3,207,048</u>	<u>8,301</u>	<u>595,701</u>	<u>123,830</u>	<u>155,638</u>	<u>94,696</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	644	25	624	52,235	4,572	1,626
SNNC	1,176	142	146,867	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	17,535	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	184,772	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	9,404	-	-	-
Others	3,866	12,673	15,026	-	-	2
	<u>23,221</u>	<u>12,840</u>	<u>356,693</u>	<u>52,235</u>	<u>4,572</u>	<u>1,628</u>
₩	<u>3,230,269</u>	<u>21,141</u>	<u>952,394</u>	<u>176,065</u>	<u>160,210</u>	<u>96,324</u>

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

(c) The related account balances of significant transactions with related companies as of September 30, 2018 and December 31, 2017 are as follows:

1) September 30, 2018

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	-	3,883	3,883	-	23,602	716	24,318
POSCO COATED & COLOR STEEL Co., Ltd.	63,346	237	63,583	286	8	1,486	1,780
POSCO ICT	-	170	170	1,162	34,689	17,589	53,440
eNtoB Corporation	-	-	-	7,457	35,602	11	43,070
POSCO CHEMTECH	68,773	3,545	72,318	16,335	52,742	17,747	86,824
POSCO ENERGY CO., LTD.	35,558	1,297	36,855	-	-	1,425	1,425
POSCO DAEWOO Corporation	588,318	793	589,111	2,504	2,285	3,922	8,711
POSCO Thainox Public Company Limited	74,671	2	74,673	645	-	-	645
POSCO America Corporation	24,289	-	24,289	-	-	-	-
POSCO Asia Co., Ltd.	486,058	602	486,660	15,485	-	184	15,669
Qingdao Pohang Stainless Steel Co., Ltd.	32,635	-	32,635	-	-	-	-
POSCO MEXICO S.A. DE C.V.	96,181	569	96,750	-	-	-	-
POSCO Maharashtra Steel Private Limited	406,981	3,966	410,947	-	-	-	-
Others	465,606	53,420	519,026	47,817	24,346	82,761	154,924
	<u>2,342,416</u>	<u>68,484</u>	<u>2,410,900</u>	<u>91,691</u>	<u>173,274</u>	<u>125,841</u>	<u>390,806</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	1,297	1	1,298	2,375	16,145	-	18,520
SNNC	492	68	560	31,408	-	-	31,408
Roy Hill Holdings Pty Ltd	-	-	-	22,153	-	-	22,153
Others	7,717	18,847	26,564	480	75	-	555
	<u>9,506</u>	<u>18,916</u>	<u>28,422</u>	<u>56,416</u>	<u>16,220</u>	<u>-</u>	<u>72,636</u>
₩	<u>2,351,922</u>	<u>87,400</u>	<u>2,439,322</u>	<u>148,107</u>	<u>189,494</u>	<u>125,841</u>	<u>463,442</u>

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	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	2	2,908	2,910	-	21,965	674	22,639
POSCO COATED & COLOR STEEL Co., Ltd.	58,184	324	58,508	-	5	504	509
POSCO ICT	55	217	272	1,458	72,586	27,009	101,053
eNtoB Corporation	-	-	-	12,252	31,899	20	44,171
POSCO CHEMTECH	61,810	3,589	65,399	51,774	20,313	17,568	89,655
POSCO ENERGY CO., LTD.	33,239	1,673	34,912	-	-	1,425	1,425
POSCO DAEWOO Corporation	483,915	12,739	496,654	10,213	2,145	5,794	18,152
POSCO Thainox Public Company Limited	57,826	-	57,826	1,204	-	-	1,204
POSCO America Corporation	5,365	-	5,365	-	-	-	-
POSCO Asia Co., Ltd.	404,857	541	405,398	9,811	24	-	9,835
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	105,731
	<u>1,969,656</u>	<u>77,657</u>	<u>2,047,313</u>	<u>101,750</u>	<u>208,512</u>	<u>84,112</u>	<u>394,374</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	1,946	9	1,955	3,842	15,723	-	19,565
SNNC	648	61	709	49,506	3	-	49,509
Others	8,350	904	9,254	824	-	-	824
	<u>10,944</u>	<u>974</u>	<u>11,918</u>	<u>54,172</u>	<u>15,726</u>	<u>-</u>	<u>69,898</u>
₩	<u>1,980,600</u>	<u>78,631</u>	<u>2,059,231</u>	<u>155,922</u>	<u>224,238</u>	<u>84,112</u>	<u>464,272</u>

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

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

<i>(in millions of Won)</i>	September 30, 2018	September 30, 2017
Short-term benefits	₩ 34,403	36,742
Long-term benefits	4,629	3,938
Retirement benefits	9,357	12,814
	<u>₩ 48,389</u>	<u>53,494</u>

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

33. Commitments and Contingencies

(a) Commitments

The Company entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of September 30, 2018, 95 million tons of iron ore and 15 million tons of coal remained to be purchased under such long-term contracts.

The Company 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 on August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

As of September 30, 2018, the Company entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowing, which is 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 project. The Company is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of September 30, 2018, the ending balance of the borrowing amounts to USD 1.02 million.

The Company 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.

The Company 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.

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

The Company provides 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.

- (b) As of September 30, 2018, the Company has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.
- (c) Litigation in progress

The Company is involved in 21 lawsuits and claims for alleged damages aggregating to ₩41.1 billion as defendant as of September 30, 2018, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩2.1 billion for one of 21 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company does not believe it has a present obligation as of September 30, 2018.

34. Cash Flows from Operating Activities

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

<i>(in millions of Won)</i>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Trade accounts and notes receivable, net	₩ (647,385)	(838,879)
Other accounts receivable	3,150	50,307
Inventories	14,988	(125,757)
Prepaid expenses	(17,341)	(31,746)
Other current assets	2,956	11
Long-term guarantee deposits	65	(49)
Other non-current assets	767	-
Trade accounts and notes payable	(35,246)	(92,773)
Other accounts payable	(47,827)	(76,790)
Accrued expenses	2,492	(75,379)
Advances received	(482)	32,309
Withholdings	6,478	(3,074)
Unearned revenue	8,334	(588)
Other current liabilities	(9,330)	(7,125)
Payments of severance benefits	(108,487)	(89,151)
Plan assets	41,052	79,723
Other non-current liabilities	(2)	18
	₩ <u>(785,818)</u>	<u>(1,178,943)</u>

35. Events after the Reporting Period

Pursuant to the resolution of the Board of Directors on November 3, 2018, the Company decided to pay cash dividends of ₩2,000 per common share (total dividend: ₩160 billion).