

POSCO

and Subsidiaries

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

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
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 consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

<i>(in millions of Won)</i>	<u>Notes</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Assets			
Cash and cash equivalents	21	₩ 3,237,376	2,612,530
Trade accounts and notes receivable, net	4,21,26,27,34	9,829,193	8,950,548
Other receivables, net	5,21,34	1,874,032	1,636,006
Other short-term financial assets	6,21	8,525,439	7,045,880
Inventories	7	10,911,145	9,950,955
Current income tax assets		47,485	38,489
Assets held for sale	8	88,966	71,768
Other current assets	14	<u>881,501</u>	<u>821,242</u>
Total current assets		<u>35,395,137</u>	<u>31,127,418</u>
Long-term trade accounts and notes receivable, net	4,21	443,852	731,570
Other receivables, net	5,21	898,718	879,176
Other long-term financial assets	6,21	1,844,452	1,911,684
Investments in associates and joint ventures	9	3,630,666	3,557,932
Investment property, net	11	1,012,449	1,064,914
Property, plant and equipment, net	12	31,040,374	31,883,535
Intangible assets, net	13	5,143,981	5,952,269
Defined benefit assets, net	19	994	8,224
Deferred tax assets		1,504,719	1,419,226
Other non-current assets	14	<u>427,665</u>	<u>489,011</u>
Total non-current assets		<u>45,947,870</u>	<u>47,897,541</u>
Total assets		<u>₩ 81,343,007</u>	<u>79,024,959</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position, Continued
As of 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	21,34	₩ 3,728,619	3,465,146
Short-term borrowings and current installments of long-term borrowings	4,15,21	11,785,324	11,274,516
Other payables	16,21,34	1,692,706	1,753,461
Other short-term financial liabilities	17,21	90,664	129,812
Current income tax liabilities		875,391	515,538
Provisions	18,35	247,039	110,946
Other current liabilities	20,26,27	1,745,979	1,696,597
Total current liabilities		<u>20,165,722</u>	<u>18,946,016</u>
Long-term trade accounts and notes payable	21	3,483	12,532
Long-term borrowings, excluding current installments	15,21	10,283,181	9,789,141
Other payables	16,21	176,203	147,750
Other long-term financial liabilities	17,21	89,409	114,105
Defined benefit liabilities, net	19	227,567	137,193
Deferred tax liabilities		1,729,046	1,904,242
Long-term provisions	18,35	491,130	477,172
Other non-current liabilities	20,26	104,087	32,800
Total non-current liabilities		<u>13,104,106</u>	<u>12,614,935</u>
Total liabilities		<u>33,269,828</u>	<u>31,560,951</u>
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,410,785	1,412,565
Hybrid bonds	23	199,384	996,919
Reserves	24	(1,197,673)	(682,556)
Treasury shares	25	(1,532,728)	(1,533,054)
Retained earnings		45,331,873	43,056,600
Equity attributable to owners of the controlling company		44,694,044	43,732,877
Non-controlling interests	23	3,379,135	3,731,131
Total equity		<u>48,073,179</u>	<u>47,464,008</u>
Total liabilities and equity		<u>₩ 81,343,007</u>	<u>79,024,959</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month and nine-month periods ended September 30, 2018 and 2017 (Unaudited)

(in millions of Won, except per share information)

	Notes	For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2018	2017	2018	2017
Revenue	26,27,34,37	₩ 16,410,726	15,036,118	48,356,306	45,057,705
Cost of sales	7,27,31,34	(14,020,283)	(13,037,442)	(41,415,278)	(38,932,047)
Gross profit		2,390,443	1,998,676	6,941,028	6,125,658
Selling and administrative expenses	31,34				
Impairment loss on trade accounts and notes receivable		(1,890)	(4,881)	(38,864)	(62,785)
Other administrative expenses	28	(446,565)	(486,814)	(1,461,907)	(1,467,108)
Selling expenses	28	(410,885)	(381,289)	(1,169,162)	(1,125,996)
Operating profit		1,531,103	1,125,692	4,271,095	3,469,769
Share of profit of equity-accounted investees, net	9	43,800	54,188	75,451	61,553
Finance income and costs	21,29				
Finance income		173,988	624,776	1,264,108	1,737,412
Finance costs		(425,048)	(521,951)	(1,751,851)	(1,783,837)
Other non-operating income and expenses	34				
Impairment loss on other receivables		(15,325)	83	(18,361)	(32,877)
Other non-operating income	30	109,121	22,517	436,206	146,538
Other non-operating expenses	30,31	28,325	(74,024)	(418,240)	(268,663)
Profit before income tax	37	1,445,964	1,231,281	3,858,408	3,329,895
Income tax expense	32,37	(388,305)	(324,658)	(1,136,869)	(916,334)
Profit		1,057,659	906,623	2,721,539	2,413,561
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	(9,731)	1,298	(41,666)	(7,135)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	36,687	-	(24,454)	-
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		(57,167)	64,447	(30,416)	(82,621)
Net changes in unrealized fair value of available-for-sale investments	21	-	(231,029)	-	(6,670)
Foreign currency translation differences		(119,741)	80,978	(45,912)	(3,989)
Gains or losses on valuation of derivatives	21	64	(339)	(174)	(339)
Other comprehensive loss, net of tax		(149,888)	(84,645)	(142,622)	(100,754)
Total comprehensive income	₩	907,771	821,978	2,578,917	2,312,807
Profit attributable to:					
Owners of the controlling company	₩	1,019,526	869,422	2,558,060	2,233,159
Non-controlling interests		38,133	37,201	163,479	180,402
Profit	₩	1,057,659	906,623	2,721,539	2,413,561
Total comprehensive income attributable to:					
Owners of the controlling company	₩	880,569	780,579	2,414,408	2,128,647
Non-controlling interests		27,202	41,399	164,509	184,160
Total comprehensive income	₩	907,771	821,978	2,578,917	2,312,807
Basic and diluted earnings per share (in Won)	33	12,723	10,764	31,775	27,607

See accompanying notes to the condensed consolidated interim financial statements.

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

(in millions of Won)

	Attributable to owners of the controlling company						Subtotal	Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings			
Balance as of January 1, 2017	₩ 482,403	1,397,791	996,919	(143,985)	(1,533,468)	41,173,778	42,373,438	3,464,956	45,838,394
Comprehensive income:									
Profit	-	-	-	-	-	2,233,159	2,233,159	180,402	2,413,561
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(8,301)	(8,301)	1,166	(7,135)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(67,188)	-	-	(67,188)	(15,433)	(82,621)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	(6,034)	-	-	(6,034)	(636)	(6,670)
Foreign currency translation differences, net of tax	-	-	-	(22,667)	-	-	(22,667)	18,678	(3,989)
Gains or losses on valuation of derivatives, net of tax	-	-	-	(322)	-	-	(322)	(17)	(339)
Total comprehensive income	-	-	-	(96,211)	-	2,224,858	2,128,647	184,160	2,312,807
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)	(42,152)	(502,139)
Interim dividends	-	-	-	-	-	(239,995)	(239,995)	-	(239,995)
Changes in subsidiaries	-	-	-	-	-	-	-	(4,277)	(4,277)
Changes in ownership interest in subsidiaries	-	5,972	-	-	-	-	5,972	213,276	219,248
Interest of hybrid bonds	-	-	-	-	-	(32,490)	(32,490)	(18,091)	(50,581)
Disposal of treasury shares	-	53	-	-	248	-	301	-	301
Others	-	(1,944)	-	(669)	-	953	(1,660)	1,498	(162)
Total transactions with owners of the controlling company	-	4,081	-	(669)	248	(731,519)	(727,859)	150,254	(577,605)
Balance as of September 30, 2017	₩ 482,403	1,401,872	996,919	(240,865)	(1,533,220)	42,667,117	43,774,226	3,799,370	47,573,596

See accompanying notes to the condensed consolidated interim financial statements.

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

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
Balance as of January 1, 2018	₩ 482,403	1,412,565	996,919	(682,556)	(1,533,054)	43,056,600	43,732,877	3,731,131	47,464,008
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(76,359)	(76,359)	(63,792)	(140,151)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(412,102)	-	379,370	(32,732)	(19,544)	(52,276)
Adjusted balance as of January 1, 2018	482,403	1,412,565	996,919	(1,094,658)	(1,533,054)	43,359,611	43,623,786	3,647,795	47,271,581
Comprehensive income:									
Profit	-	-	-	-	-	2,558,060	2,558,060	163,479	2,721,539
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(26,645)	(26,645)	(15,021)	(41,666)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(42,885)	-	-	(42,885)	12,469	(30,416)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(13,115)	-	(12,739)	(25,854)	1,400	(24,454)
Foreign currency translation differences, net of tax	-	-	-	(48,088)	-	-	(48,088)	2,176	(45,912)
Gains or losses on valuation of derivatives, net of tax	-	-	-	(180)	-	-	(180)	6	(174)
Total comprehensive income	-	-	-	(104,268)	-	2,518,676	2,414,408	164,509	2,578,917
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)	(54,148)	(334,147)
Interim dividends	-	-	-	-	-	(240,001)	(240,001)	-	(240,001)
Changes in subsidiaries	-	-	-	-	-	-	-	(2,092)	(2,092)
Changes in ownership interest in subsidiaries	-	(2,504)	-	-	-	-	(2,504)	1,337	(1,167)
Repayment of hybrid bonds	-	(2,769)	(797,535)	-	-	-	(800,304)	(359,018)	(1,159,322)
Interest of hybrid bonds	-	-	-	-	-	(22,123)	(22,123)	(16,610)	(38,733)
Disposal of treasury shares	-	133	-	-	326	-	459	-	459
Others	-	3,360	-	1,253	-	(4,291)	322	(2,638)	(2,316)
Total transactions with owners of the controlling company	-	(1,780)	(797,535)	1,253	326	(546,414)	(1,344,150)	(433,169)	(1,777,319)
Balance as of September 30, 2018	₩ 482,403	1,410,785	199,384	(1,197,673)	(1,532,728)	45,331,873	44,694,044	3,379,135	48,073,179

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated 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	₩	2,721,539	2,413,561
Adjustments for:			
Depreciation		2,167,285	2,168,576
Amortization		273,674	293,555
Finance income		(558,899)	(989,761)
Finance costs		992,830	993,822
Income tax expense		1,136,869	916,334
Impairment loss on property, plant and equipment		18,890	7,426
Gain on disposal of property, plant and equipment		(36,811)	(26,254)
Loss on disposal of property, plant and equipment		78,565	115,498
Impairment loss on goodwill and intangible assets		2,075	24,898
Gain on disposal of goodwill and intangible assets		(110,814)	(22,015)
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(45,500)	(55,565)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		3,419	20,967
Share of profit of equity-accounted investees		(75,451)	(61,553)
Impairment losses on assets held for sale		47,581	-
Gain on disposals of assets held for sale		(12,123)	(1,180)
Expenses related to post-employment benefit		161,185	148,735
Impairment loss on trade and other receivables		57,225	95,662
Loss on valuation of inventories		38,227	91,325
Increase to provisions		272,796	112,609
Others, net		(9,790)	5,397
		<u>4,401,233</u>	<u>3,838,476</u>
Changes in operating assets and liabilities	36	(2,011,700)	(2,351,747)
Interest received		221,523	116,098
Interest paid		(476,728)	(471,785)
Dividends received		166,868	146,249
Income taxes paid		(803,294)	(636,053)
Net cash provided by operating activities	₩	<u>4,219,441</u>	<u>3,054,799</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows, Continued
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 investing activities			
Acquisitions of short-term financial instruments	₩	(23,743,067)	(15,270,479)
Proceeds from disposal of short-term financial instruments		22,202,267	14,856,312
Increase in loans		(421,836)	(919,634)
Collection of loans		513,881	312,201
Acquisitions of securities		(311,343)	-
Acquisitions of available-for-sale investments		-	(47,964)
Proceeds from disposal of securities		157,012	-
Proceeds from disposal of available-for-sale investments		-	774,336
Acquisitions of investment in associates and joint ventures		(22,937)	(24,671)
Proceeds from disposal of investment in associates and joint ventures		88,852	33,354
Acquisitions of investment property		(23,467)	(17,084)
Proceeds from disposal of investment property		31,159	977
Acquisitions of property, plant and equipment		(1,354,353)	(1,561,790)
Proceeds from disposal of property, plant and equipment		61,744	27,710
Acquisitions of intangible assets		(83,074)	(254,268)
Proceeds from disposal of intangible assets		50,197	26,135
Proceeds from disposal of assets held for sale		15,930	203,958
Increase (decrease) in cash from disposal of business, net of cash transferred		173,838	(53,075)
Others, net		12,710	(28,657)
		<u>(2,652,487)</u>	<u>(1,942,639)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		2,496,313	989,803
Repayment of borrowings		(1,448,400)	(2,118,070)
Proceeds from (repayment of) short-term borrowings, net		(194,375)	1,074,920
Capital contribution from non-controlling interests		5,808	254,407
Payment of cash dividends		(570,103)	(742,726)
Payment of interest of hybrid bonds		(42,033)	(50,820)
Repayment of hybrid bonds		(1,160,000)	-
Others, net		(30,919)	(17,807)
		<u>(943,709)</u>	<u>(610,293)</u>
Net cash used in financing activities			
Effect of exchange rate fluctuation on cash held		<u>1,601</u>	<u>5,991</u>
Net increase in cash and cash equivalents		624,846	507,858
Cash and cash equivalents at beginning of the period		<u>2,612,530</u>	<u>2,447,619</u>
Cash and cash equivalents at end of the period	₩	<u><u>3,237,376</u></u>	<u><u>2,955,477</u></u>

See accompanying notes to the condensed consolidated interim financial statements.

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

1. General Information

General information about POSCO, its 35 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 136 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 120 associates and joint ventures are as follows:

(a) The controlling company

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

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

As of September 30, 2018, the shares of the POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

(b) Consolidated subsidiaries included for the first time during the nine-month period ended September 30, 2018 were as follows:

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

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

<u>Company</u>	<u>Date of exclusion</u>	<u>Reason</u>
KIS Devonian Canada Corporation	February 2018	Merged into POSCO DAEWOO E&P CANADA CORPORATION
POSCO-CDSFC	February 2018	Merged into POSCO China Dalian Plate Processing Center Co., Ltd.
POCA STEM Co., Ltd.	March 2018	Liquidation
POSCO E&C VENEZUELA C.A.	March 2018	Liquidation
PT PEN INDONESIA	March 2018	Merged into PT. POSCO E&C INDONESIA
Kyobo Securities Bond Plus 6M Professional Private Equity Trust W-2	April 2018	Disposal
Mirae Asset Smart Q Sigma 2.0 Professional Private Equity Trust	May 2018	Disposal
Kyobo Securities Bond Plus 6M Professional Private Equity Trust W-5	May 2018	Disposal
POSCO RUS LLC	May 2018	Liquidation
POSPower Co., Ltd.	July 2018	Reclassification to an associate upon loss of control due to a decline in ownership
POSCO MESDC S.A. DE C.V.	August 2018	Merged into POSCO MEXICO S.A. DE C.V.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2018
(Unaudited)

2. Statement of Compliance

Statement of compliance

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

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

In 2018, the Company adopted K-IFRS No. 1115 “Revenue from Contracts with Customers” and K-IFRS No. 1109 “Financial Instruments” for the first time. Changes to significant accounting policies are described in Note 3.

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period 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.

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2017.

Changes in Accounting Policies

The Company has initially adopted K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments" from January 1, 2018. The Company also expects to apply the accounting policies set out below for 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
- determine separate construction contracts such as design, purchase and construction services which are highly dependent or correlated as a single performance obligation

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

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

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

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

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

(in millions of Won)

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

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

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1) Identification of performance obligations

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

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

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

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

2) Variable consideration

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

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

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

3) Performance obligation satisfied over time

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

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

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

4) Incremental costs of obtaining a contract

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

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

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

5) Impact of changes in accounting policies

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

(in millions of Won)

	<u>As reported</u>	<u>Adjustments of K-IFRS No. 1115</u>	<u>Amounts without adoption of K-IFRS No. 1115</u>
Condensed interim financial statements of financial position			
Current assets	₩ 35,395,137	229,604	35,624,741
Trade accounts and notes receivable	9,829,193	146,873	9,976,066
Inventories	10,911,145	(253)	10,910,892
Other current assets	881,501	82,983	964,484
Non-current assets	45,947,870	(40,756)	45,907,114
Deferred tax assets	1,504,719	(40,756)	1,463,963
Current liabilities	20,165,722	58,823	20,224,545
Others payables	1,692,706	26,295	1,719,001
Current income tax liabilities	875,391	126	875,517
Provisions	247,039	(30,958)	216,081
Other current liabilities	1,745,979	63,360	1,809,339
Retained earnings	45,331,873	69,190	45,401,063
Non-controlling interests	3,379,135	60,836	3,439,971
Condensed interim statements of comprehensive income			
Revenue	₩ 48,356,306	(49,190)	48,307,116
Cost of sales	(41,415,278)	45,303	(41,369,975)
Selling and administrative expenses	(2,669,933)	(7,245)	(2,677,178)
Finance costs	(1,751,851)	175	(1,751,676)
Profit before income tax	3,858,408	(10,957)	3,847,451
Income tax expense	(1,136,869)	832	(1,136,037)
Profit	2,721,539	(10,125)	2,711,414

(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, retained earnings and non-controlling interests of the Company at the date of initial application.

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

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

(in millions of Won)

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

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

1) Classification and measurement of financial assets and financial liabilities

When applying K-IFRS No. 1109, the classification of financial assets 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.

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

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

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

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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 calculated using the effective interest method, gains and losses on foreign currency translation and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other accumulated comprehensive income are reclassified to profit or loss.

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

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

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

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

(*1) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, loss allowance was increased by ₩66,637 million, retained earnings and non-controlling interests were decreased by ₩32,732 million and ₩19,544 million, respectively.

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

K-IFRS No. 1109 "Financial Instruments" retains most of the 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.

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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.

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

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

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

3) Hedge Accounting

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

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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 after January 1, 2018, and the Company has not early adopted them.

(a) K-IFRS No. 1116 "Leases"

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

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

K-IFRS No. 1116 suggests a single accounting model that requires a lessee to recognize lease related asset and liability in the financial statements. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease 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.

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.

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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	₩ 9,452,958	8,583,311
Finance lease receivables	2,617	10,469
Due from customers for contract work	914,394	850,301
Less: Allowance for doubtful accounts	<u>(540,776)</u>	<u>(493,533)</u>
	<u>₩ 9,829,193</u>	<u>8,950,548</u>
Non-current		
Trade accounts and notes receivable	₩ 549,995	871,432
Finance lease receivables	-	734
Less: Allowance for doubtful accounts	<u>(106,143)</u>	<u>(140,596)</u>
	<u>₩ 443,852</u>	<u>731,570</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩408,875 million and ₩309,964 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 15)

5. Other Receivables

Other receivables 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		
Loans	₩ 550,718	617,696
Other accounts receivable	1,187,966	960,543
Accrued income	214,847	179,971
Deposits	106,932	107,137
Others	13,439	18,925
Less: Allowance for doubtful accounts	<u>(199,870)</u>	<u>(248,266)</u>
	<u>₩ 1,874,032</u>	<u>1,636,006</u>
Non-current		
Loans	₩ 848,509	874,158
Other accounts receivable	133,846	92,939
Accrued income	1,842	1,663
Deposits	153,637	122,485
Less: Allowance for doubtful accounts	<u>(239,116)</u>	<u>(212,069)</u>
	<u>₩ 898,718</u>	<u>879,176</u>

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6. Other Financial Assets

Other financial assets 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			
Derivatives assets	₩	40,056	63,912
Debt securities		85,358	-
Financial assets held for trading		-	1,970
Available-for-sale securities (bonds)		-	136,141
Current portion of held-to-maturity securities		-	421
Deposit instruments(*1,2)		1,872,231	1,297,769
Short-term financial instruments(*2)		<u>6,527,794</u>	<u>5,545,667</u>
	₩	<u>8,525,439</u>	<u>7,045,880</u>
Non-current			
Derivatives assets	₩	767	4,378
Equity securities(*3)		1,449,458	-
Debt securities		23,608	-
Other securities(*3)		334,592	-
Available-for-sale securities (equity instruments)(*3)		-	1,730,753
Available-for-sale securities (bonds)		-	54,439
Available-for-sale securities (others)		-	56,782
Held-to-maturity securities		-	4,790
Deposit instruments(*2)		<u>36,027</u>	<u>60,542</u>
	₩	<u>1,844,452</u>	<u>1,911,684</u>

(*1) As of September 30, 2018 and December 31, 2017, ₩6,332 million and ₩10,080 million, respectively, are restricted for the use in a government project.

(*2) As of September 30, 2018 and December 31, 2017, financial instruments amounting to ₩56,217 million and ₩78,477 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) As of September 30, 2018 and December 31, 2017, ₩136,341 million and ₩136,099 million of equity and other securities, respectively, have been provided as collateral for borrowings, construction projects and others.

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7. Inventories

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

<i>(in millions of Won)</i>	September 30, 2018	December 31, 2017
Finished goods	₩ 1,538,058	1,526,628
Merchandise	1,054,335	930,558
Semi-finished goods	1,730,984	1,721,130
Raw materials	2,712,058	2,329,268
Fuel and materials	844,706	808,016
Construction inventories	868,552	849,266
Materials-in-transit	2,196,911	1,818,576
Others	68,433	103,144
	<u>11,014,037</u>	<u>10,086,586</u>
Less: Allowance for inventories valuation	(102,892)	(135,631)
	<u>₩ 10,911,145</u>	<u>9,950,955</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the nine-month period ended September 30, 2018 and the year ended December 31, 2017 were ₩38,227 million and ₩78,560 million, respectively.

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>	September 30, 2018		December 31, 2017	
	Subsidiaries(*1)	The controlling company	Subsidiaries(*2)	Total
Assets				
Other financial assets	₩ 5,281	-	-	-
Property, plant and equipment	71,340	392	71,340	71,732
Intangible assets	12,345	-	-	-
Others	-	-	36	36
	<u>₩ 88,966</u>	<u>392</u>	<u>71,376</u>	<u>71,768</u>

(*1) During the nine-month period ended September 30, 2018 POSCO DAEWOO E&P CANADA CORPORATION, a subsidiary of the Company, decided to sell mining rights related to the Canadian tight oil gas project and classified corresponding intangible asset of ₩59,536 million as assets held for sale. During the nine-month period ended September 30, 2018, ₩47,191 million, the difference between the net fair value and the book value of the related mining rights, was recognized as an impairment loss on assets held for sale.

(*2) During the year ended December 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD., a subsidiary of the Company, determined to dispose of the office building, Seomyeon Fiesta, in Busan and classified the related property, plant and equipment amounting to ₩71,340 million as assets held for sale.

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9. Investments in Associates and Joint Ventures

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

(in millions of Won)

Company	September 30, 2018			December 31, 2017	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natual Resources Private Equity Fund	178,713,975,892	31.14	₩ 178,787	₩ 174,461	175,553
POSPower Co., Ltd.(*1)	4,507,138	34.00	164,757	163,905	-
SNNC	18,130,000	49.00	90,650	119,038	110,424
QSONE Co.,Ltd.	200,000	50.00	84,395	85,272	85,049
Chun-cheon Energy Co., Ltd.(*2)	16,098,143	45.67	80,491	66,262	74,378
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	2,008,000	29.53	10,040	17,774	17,252
BLUE OCEAN Private Equity Fund	333	27.52	33,300	17,068	19,620
Daesung Steel(*4)	108,038	17.54	14,000	15,566	15,500
Incheon-Gimpo Expressway Co., Ltd.(*2,4)	9,032,539	18.26	45,163	14,955	31,660
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	13,800,000	40.45	13,800	10,438	12,379
UITrans LRT Co., Ltd.(*2)	7,714,380	38.19	38,572	8,393	15,841
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*4)	6,485	12.50	6,485	5,739	6,828
KONES, Corp.	3,250,000	41.67	6,893	2,285	2,827
Others (40 companies)(*2)				84,438	67,325
				<u>785,594</u>	<u>634,636</u>
[Foreign]					
AES-VCM Mong Duong Power Company Limited(*3)	-	30.00	164,303	219,489	142,348
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	135,899	186,162	197,069
7623704 Canada Inc.(*4)	114,452,000	10.40	124,341	127,192	121,702
Eureka Moly LLC	-	20.00	240,123	82,251	79,398
AMCI (WA) PTY LTD	49	49.00	209,664	58,495	63,378
Nickel Mining Company SAS	3,234,698	49.00	157,585	40,546	45,905
KOREA LNG LTD.	2,400	20.00	135,205	38,658	33,422
NCR LLC	-	29.41	37,939	36,247	33,738
PT. Batutua Tembaga Raya	128,285	22.00	21,824	21,824	21,823
PT. Wampu Electric Power(*2)	8,708,400	20.00	10,054	15,141	13,391
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,105	15,617
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	6,480	6,517
Others (27 companies)(*2)				106,870	111,497
				<u>954,460</u>	<u>885,805</u>
			₩	<u>1,740,054</u>	<u>1,520,441</u>

(*1) During the nine-month period ended September 30, 2018, the Company disposed of 63.53% of shares in POSPOWER Co., Ltd., which resulted in the Company's loss of control, and the Company classified the remaining investment as investment in an associate.

(*2) As of September 30, 2018 and December 31, 2017, investments in associates amounting to ₩294,913 million and ₩158,370 million, respectively, are provided as collateral in relation to the associates' borrowings.

(*3) As of September 30, 2018 and December 31, 2017, shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, are provided as collateral in relation to the associates' borrowings.

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

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

(in millions of Won)

Company	September 30, 2018			December 31, 2017	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 166,351	110,760
Others (7 companies)				9,249	6,094
				<u>175,600</u>	<u>116,854</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,051,547	1,125,133
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	361,750	348,836
KOBRASCO	2,010,719,185	50.00	32,950	110,688	108,485
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	87,760	88,305
DMSA/AMSA(*1)	-	4.00	314,231	54,870	56,735
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	5,130	146,427
Others (14 companies)				43,267	46,716
				<u>1,715,012</u>	<u>1,920,637</u>
				₩ <u>1,890,612</u>	<u>2,037,491</u>

(*1) As of September 30, 2018 and December 31, 2017, the investments in joint ventures are provided as collateral in relation to the joint ventures' borrowings.

(c) The movements of investments in associates and joint ventures for the 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

(in millions of Won)

Company	December 31, 2017			Share of profits (losses)	Other increase (decrease)(*1)	September 30, 2018
	Book value	Acquisition	Dividends			Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,553	-	-	(1,092)	-	174,461
POPOWER Co., Ltd.	-	176,731	-	(770)	(12,056)	163,905
SNNC	110,424	-	-	8,614	-	119,038
QSONE Co., Ltd.	85,049	-	(550)	773	-	85,272
Chun-cheon Energy Co., Ltd	74,378	-	-	(8,116)	-	66,262
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	17,252	-	-	522	-	17,774
BLUE OCEAN Private Equity Fund	19,620	-	-	(1,119)	(1,433)	17,068
Daesung Steel	15,500	-	-	66	-	15,566
Incheon-Gimpo Expressway Co., Ltd.	31,660	-	-	(16,705)	-	14,955
Keystone NO. 1. Private Equity Fund	12,379	-	-	(2,041)	100	10,438
UITrans LRT Co., Ltd.	15,841	-	-	(7,448)	-	8,393
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	6,828	-	-	(1,089)	-	5,739
KONES, Corp.	2,827	-	-	(542)	-	2,285
POSCO MITSUBISHI CARBON TECHNOLOGY	110,760	-	-	55,591	-	166,351
Others (47 companies)	73,419	21,560	(302)	304	(1,294)	93,687
	<u>751,490</u>	<u>198,291</u>	<u>(852)</u>	<u>26,948</u>	<u>(14,683)</u>	<u>961,194</u>
[Foreign]						
AES-VCM Mong Duong Power Company Limited	142,348	-	(15,225)	22,786	69,580	219,489
South-East Asia Gas Pipeline Company Ltd.	197,069	-	(17,354)	14,186	(7,739)	186,162
7623704 Canada Inc.	121,702	-	(4,509)	5,242	4,757	127,192
Eureka Moly LLC	79,398	-	-	(204)	3,057	82,251
AMCI (WA) PTY LTD.	63,378	-	-	(2,395)	(2,488)	58,495
Nickel Mining Company SAS	45,905	-	-	(5,964)	605	40,546
KOREA LNG LTD.	33,422	-	(7,635)	7,623	5,248	38,658
NCR LLC	33,738	277	-	(144)	2,376	36,247
PT. Batutua Tembaga Raya	21,823	-	-	(525)	526	21,824
PT. Wampu Electric Power	13,391	-	-	1,241	509	15,141
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	15,617	-	-	(311)	(201)	15,105
POSCO SaAH Steel Wire(Nantong) Co., Ltd.	6,517	-	-	93	(130)	6,480
Roy Hill Holdings Pty Ltd.	1,125,133	-	-	46,764	(120,350)	1,051,547
POSCO-NPS Niobium LLC	348,836	-	(14,981)	14,308	13,587	361,750
KOBRASCO	108,485	-	(35,353)	53,730	(16,174)	110,688
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,305	-	-	399	(944)	87,760
DMSA/AMSA	56,735	9,608	-	(13,822)	2,349	54,870
CSP - Companhia Siderurgica do Pecem	146,427	-	-	(132,460)	(8,837)	5,130
Others (41 companies)	158,213	1,422	(21,542)	37,956	(25,912)	150,137
	<u>2,806,442</u>	<u>11,307</u>	<u>(116,599)</u>	<u>48,503</u>	<u>(80,181)</u>	<u>2,669,472</u>
	₩ <u>3,557,932</u>	<u>209,598</u>	<u>(117,451)</u>	<u>75,451</u>	<u>(94,864)</u>	<u>3,630,666</u>

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(Unaudited)

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

2) For the year ended December 31, 2017

(in millions of Won)

Company	December 31, 2016			Share of profits (losses)	Other increase (decrease)(*1)	December 31,
	Book value	Acquisition	Dividends			2017
						Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,690	-	-	418	(555)	175,553
SNMC	107,859	-	-	2,370	195	110,424
QSONE Co.,Ltd.	84,799	-	(368)	618	-	85,049
Chun-cheon Energy Co., Ltd	45,077	27,791	-	1,510	-	74,378
Incheon-Gimpo Expressway Co., Ltd.	37,372	-	-	(6,463)	751	31,660
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	12,551	-	-	4,701	-	17,252
BLUE OCEAN Private Equity Fund	35,752	-	-	(8,154)	(7,978)	19,620
Daesung Steel	12,302	-	-	3,198	-	15,500
Keystone NO. 1. Private Equity Fund	13,314	-	-	(886)	(49)	12,379
UTrans LRT Co., Ltd.	17,851	-	-	(2,010)	-	15,841
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	11,890	-	-	(197)	(4,865)	6,828
KONES, Corp.	5,641	-	-	(2,774)	(40)	2,827
POSCO MTSUBISHI CARBON TECHNOLOGY	83,113	-	-	27,582	65	110,760
Others (40 companies)	55,061	28,348	(137)	(7,995)	(1,858)	73,419
	698,272	56,139	(505)	11,918	(14,334)	751,490
[Foreign]						
AES-VCM Mbong Duong Power Company Limited	167,141	-	(30,798)	19,644	(13,639)	142,348
South-East Asia Gas Pipeline Company Ltd.	215,996	-	(37,016)	42,896	(24,807)	197,069
7623704 Canada Inc.	137,512	-	(7,563)	7,468	(15,715)	121,702
Eureka Ibly LLC	89,601	-	-	(35)	(10,168)	79,398
AMCI (WA) PTY LTD	70,501	-	-	(4,299)	(2,824)	63,378
Nickel Mining Company SAS	45,138	-	-	424	343	45,905
KOREA LNG LTD.	63,058	-	(6,466)	(70,180)	47,010	33,422
NCR LLC	36,738	276	-	(60)	(3,216)	33,738
PT. Batutua Tembaga Raya	22,723	-	-	260	(1,160)	21,823
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	18,008	-	-	(1,268)	(1,123)	15,617
PT. Wampu Electric Power	8,706	-	-	5,927	(1,242)	13,391
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,840	-	-	303	(626)	6,517
Roy Hill Holdings Pty Ltd	1,186,859	-	-	46,020	(107,746)	1,125,133
POSCO-NPS Niobium LLC	393,570	-	(17,277)	17,173	(44,630)	348,836
KOBRASCO	88,308	-	(22,135)	56,445	(14,133)	108,485
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	97,369	-	(5,542)	1,555	(5,077)	88,305
DMSA/AMSA	74,935	13,712	-	(22,339)	(9,573)	56,735
CSP - Companhia Siderurgica do Pecem	330,463	-	-	(147,847)	(36,189)	146,427
Others (40 companies)	130,651	22,209	(4,408)	46,535	(36,774)	158,213
	3,184,117	36,197	(131,205)	(1,378)	(281,289)	2,906,442
₩	3,882,389	92,336	(131,710)	10,540	(295,623)	3,557,932

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

POSCO and Subsidiaries

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

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

1) September 30, 2018

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 556,293	766	555,527	-	4,576
POSPOWER Co., Ltd.	306,235	1,750	304,485	-	(3,188)
SNNC	655,462	386,423	269,039	501,348	22,584
QSONE Co., Ltd.	249,072	78,528	170,544	12,172	1,546
Chun-cheon Energy Co., Ltd	660,361	509,776	150,585	248,603	(10,357)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	64,074	34,196	29,878	16,237	1,767
BLUE OCEAN Private Equity Fund	308,562	175,196	133,366	340,997	(2,462)
Daesung Steel	169,856	112,498	57,358	55,578	378
Incheon-Gimpo Expressway Co., Ltd.	1,057,062	937,449	119,613	-	(90,282)
Keystone NO. 1. Private Equity Fund	176,731	145,737	30,994	8,447	(5,805)
UITrans LRT Co., Ltd.	489,759	428,878	60,881	9,531	(18,992)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	46,834	919	45,915	1,222	(8,706)
KONES, Corp.	1,438	1,587	(149)	2,464	(1,300)
POSCO MITSUBISHI CARBON TECHNOLOGY	500,493	223,842	276,651	227,356	92,856
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,898,964	1,155,516	743,448	252,315	53,495
7623704 Canada Inc.	1,236,435	1,283	1,235,152	-	52,669
Nickel Mining Company SAS	476,289	343,832	132,457	143,112	(10,179)
KOREA LNG LTD.	193,354	63	193,291	39,336	38,120
PT. Batutua Tembaga Raya	342,786	278,919	63,867	100,069	(2,085)
PT. Wampu Electric Power	220,942	148,233	72,709	19,062	6,203
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	73,516	23,341	50,175	95,076	(983)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	62,114	34,958	27,156	64,998	365
Roy Hill Holdings Pty Ltd	9,594,392	6,095,623	3,498,769	2,027,373	259,117
POSCO-NPS Niobium LLC	723,296	-	723,296	-	28,617
KOBRASCO	305,634	84,257	221,377	163,681	107,461
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	707,969	384,545	323,424	995,789	1,597
DMSA/AMSA	5,705,262	4,334,231	1,371,031	556,973	(345,381)
CSP - Companhia Siderurgica do Pecem	3,992,792	4,088,644	(95,852)	1,355,335	(653,671)

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2) December 31, 2017

(in millions of Won)

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

10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of September 30, 2018 are as follows:

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

POSCO and Subsidiaries

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11. 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	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩ 360,402	1,327	(15,474)	(1,464)	(20,346)	324,445
Buildings	634,040	-	(5,444)	(17,008)	(8,063)	603,525
Structures	6,281	-	-	(481)	(4,146)	1,654
Construction-in-progress	64,191	22,140	-	-	(3,506)	82,825
	₩ <u>1,064,914</u>	<u>23,467</u>	<u>(20,918)</u>	<u>(18,953)</u>	<u>(36,061)</u>	<u>1,012,449</u>

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

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

(b) For the year ended December 31, 2017

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

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(Unaudited)

12. 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(*1)	Others(*2)	Ending
Land	₩	2,527,650	835	(18,188)	(53)	20,179	2,530,423
Buildings		4,877,018	23,634	(9,761)	(254,164)	(165,936)	4,470,791
Structures		2,765,852	5,397	(2,749)	(162,639)	335,464	2,941,325
Machinery and equipment		19,367,957	88,536	(39,824)	(1,664,267)	919,080	18,671,482
Vehicles		32,861	7,448	(689)	(10,837)	2,893	31,676
Tools		63,640	12,229	(619)	(20,564)	4,415	59,101
Furniture and fixtures		145,439	22,649	(362)	(39,038)	(270)	128,418
Finance lease assets		145,257	17,616	(350)	(14,188)	182	148,517
Bearer plants		65,515	-	-	(2,576)	5,756	68,695
Construction-in-progress		1,892,346	1,254,256	(13,676)	-	(1,142,980)	1,989,946
	₩	<u>31,883,535</u>	<u>1,432,600</u>	<u>(86,218)</u>	<u>(2,168,326)</u>	<u>(21,217)</u>	<u>31,040,374</u>

(*1) Impairment losses on property, plant and equipment amounting to ₩18,890 million are included.

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

(b) For the year ended December 31, 2017

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

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

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

POSCO and Subsidiaries

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

13. Goodwill and Other Intangible Assets, Net

Changes in the carrying amount of goodwill and other 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

(in millions of Won)

		Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*4)	Ending
Goodwill	₩	1,349,838	-	-	-	-	(1,176)	1,348,662
Intellectual property rights		2,449,193	26,323	(1,816)	(153,000)	(792)	(84,150)	2,235,758
Premium in rental(*1)		118,310	17,094	(11,126)	(152)	3	(4,980)	119,149
Development expenses		80,218	3,495	-	(27,263)	(411)	19,134	75,173
Port facilities usage rights		309,373	-	-	(16,382)	-	7,692	300,683
Exploration and evaluation assets		205,944	2,977	-	-	-	(159)	208,762
Customer relationships		466,945	-	-	(36,793)	-	3,223	433,375
Power generation permit(*2)		539,405	-	-	-	-	(539,405)	-
Other intangible assets(*3)		433,043	121,598	(1,372)	(40,084)	(527)	(90,239)	422,419
	₩	<u>5,952,269</u>	<u>171,487</u>	<u>(14,314)</u>	<u>(273,674)</u>	<u>(1,727)</u>	<u>(690,060)</u>	<u>5,143,981</u>

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

(*2) During the nine-month period ended September 30, 2018, the Company disposed of a portion of shares of its subsidiary, POSPOWER Co., Ltd., which resulted in the Company's loss of control, and derecognized corresponding intangible assets.

(*3) The Company transferred the carrying amount of Greenhouse gases emission rights amounting to ₩71,646 million to other current asset, as the amount is expected to be submitted in 2019.

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

(b) For the year ended December 31, 2017

(in millions of Won)

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

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

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

POSCO and Subsidiaries

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

14. Other Assets

Other assets 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			
Advance payments	₩	621,025	661,779
Prepaid expenses		178,251	143,032
Firm commitment asset		8,668	15,115
Greenhouse gases emission rights		71,646	167
Others		1,911	1,149
	₩	<u>881,501</u>	<u>821,242</u>
Non-current			
Long-term advance payments	₩	23,946	24,201
Long-term prepaid expenses		336,431	333,153
Others(*1)		67,288	131,657
	₩	<u>427,665</u>	<u>489,011</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 based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years' tax audits that were finalized and claim for rectification are finalized.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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15. Borrowings

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

<i>(in millions of Won)</i>	<u>Lenders</u>	<u>Interest rate (%)</u>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Short-term borrowings					
Bank overdrafts	JP Morgan and others	0.7~8.5	₩	261,426	217,879
Short-term borrowings	HSBC and others	0.3~10.1		<u>7,829,544</u>	<u>7,956,939</u>
				<u>8,090,970</u>	<u>8,174,818</u>
Current portion of long-term liabilities					
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.5~8.5		1,211,354	1,407,123
Current portion of debentures	Korea Development Bank and others	1.4~6.3		2,484,058	1,693,974
Less: Current portion of discount on debentures issued				<u>(1,058)</u>	<u>(1,399)</u>
				<u>3,694,354</u>	<u>3,099,698</u>
			₩	<u>11,785,324</u>	<u>11,274,516</u>

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

<i>(in millions of Won)</i>	<u>Lenders</u>	<u>Interest rate (%)</u>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Long-term borrowings	Export-Import Bank of Korea and others	0.4~15.9	₩	4,864,583	4,839,199
Less: Present value discount				(61,433)	(36,459)
Debentures	Korea Development Bank and others	1.8~5.3		5,498,920	4,999,575
Less: Discount on debentures issued				<u>(18,889)</u>	<u>(13,174)</u>
			₩	<u>10,283,181</u>	<u>9,789,141</u>

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

<i>(in millions of Won)</i>	<u>Lenders</u>		<u>Book value</u>	<u>Pledged amount</u>
Property, plant and equipment and Investment property(*1)	Korea Development Bank and others	₩	5,626,929	5,078,717
Trade accounts and notes receivable	Korea Development Bank and others		139,755	139,755
Inventories	Export-Import Bank of Korea and others		206,851	151,692
Financial instruments	Woori Bank and others		<u>55,870</u>	<u>55,870</u>
		₩	<u>6,029,405</u>	<u>5,426,034</u>

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

POSCO and Subsidiaries

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

16. 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	₩ 742,123	800,374
Accrued expenses	644,938	653,923
Dividend payable	7,956	7,213
Finance lease liabilities	8,989	17,763
Withholdings	288,700	274,188
	<u>₩ 1,692,706</u>	<u>1,753,461</u>
Non-current		
Accounts payable	₩ 1,623	4,632
Accrued expenses	38,037	14,234
Finance lease liabilities	83,886	75,255
Long-term withholdings	52,657	53,629
	<u>₩ 176,203</u>	<u>147,750</u>

17. Other Financial Liabilities

Other financial liabilities 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		
Derivative liabilities	₩ 40,496	69,872
Financial guarantee liabilities	50,168	59,940
	<u>₩ 90,664</u>	<u>129,812</u>
Non-current		
Derivative liabilities	₩ 69,336	85,638
Financial guarantee liabilities	20,073	28,467
	<u>₩ 89,409</u>	<u>114,105</u>

POSCO and Subsidiaries

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

18. Provisions

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

(in millions of Won)

	September 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 34,054	-	49,171	-
Provision for construction warranties	15,185	127,614	11,804	106,232
Provision for legal contingencies and claims(*1)	495	41,456	495	36,269
Provision for the restoration(*2)	8,057	92,705	12,273	121,917
Others(*3,4,5)	189,248	229,355	37,203	212,754
	₩ <u>247,039</u>	<u>491,130</u>	<u>110,946</u>	<u>477,172</u>

(*1) The Company recognized probable outflow of resources amounting to ₩35,140 million and ₩27,963 million as provisions in relation to lawsuits against the Company as of September 30, 2018 and December 31, 2017, respectively.

(*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩31,637 million 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 a discount rate of 2.56%~2.68% to measure present value of these costs.

(*3) As of September 30, 2018 and December 31, 2017, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩188,288 million and ₩157,461 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*4) The Company has recognized ₩125,653 million of emission liabilities which is expected quantity to be submitted to government in excess of Greenhouse gases emission allowance as of September 30, 2018.

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

(b) Changes in provisions for the 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

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 49,171	41,008	(55,584)	(517)	(24)	34,054
Provision for construction warranties	118,036	43,947	(14,961)	(4,556)	333	142,799
Provision for legal contingencies and claims	36,764	14,974	(5,428)	(2,885)	(1,474)	41,951
Provision for the restoration	134,190	14,147	(7,627)	(40,165)	217	100,762
Others	249,957	286,235	(115,174)	(69,863)	67,448	418,603
	₩ <u>588,118</u>	<u>400,311</u>	<u>(198,774)</u>	<u>(117,986)</u>	<u>66,500</u>	<u>738,169</u>

(*1) Includes ₩67,674 million of reclassification to provision for construction loss from due to (from) customer for contract work due to the initial application of K-IFRS No. 1115, adjustments of foreign currency translation differences and others.

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2) For the year ended December 31, 2017

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

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

19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the 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 periods ended September 30		For the nine-month periods ended September 30	
		2018	2017	2018	2017
Expense related to post-employment benefit plans under defined contribution plans	₩	12,198	8,678	32,783	26,113

(b) Defined benefit plan

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	₩	1,897,539	1,826,907
Fair value of plan assets(*1)		(1,689,737)	(1,714,166)
Present value of non-funded obligations		18,771	16,228
Net defined benefit liabilities	₩	<u>226,573</u>	<u>128,969</u>

(*1) As of September 30, 2018 and December 31, 2017, the Company recognized net defined benefit assets amounting to ₩994 million and ₩8,224 million, respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

POSCO and Subsidiaries

Notes to the Condensed Consolidated 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>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Defined benefit obligation			
at the beginning of period	₩	1,843,135	1,733,020
Current service costs		158,462	209,612
Interest costs		40,853	35,830
Remeasurements		40,244	51,994
Benefits paid		(166,450)	(185,220)
Others		66	(2,101)
Defined benefit obligation at the end of period	₩	<u>1,916,310</u>	<u>1,843,135</u>

- 3) Changes in 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>		<u>September 30, 2018</u>	<u>December 31, 2017</u>
Fair value of plan assets			
at the beginning of period	₩	1,714,166	1,693,118
Interest on plan assets		38,130	45,516
Remeasurement of plan assets		(15,665)	(17,190)
Contributions to plan assets		86,413	164,828
Benefits paid		(141,233)	(168,643)
Others		7,926	(3,463)
Fair value of plan assets at the end of period	₩	<u>1,689,737</u>	<u>1,714,166</u>

- 4) The amounts recognized in condensed consolidated interim 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>	<u>For the three-month periods</u>		<u>For the nine-month periods</u>	
	<u>ended September 30</u>		<u>ended September 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current service costs	₩ 51,625	59,794	158,462	158,194
Net interest costs	938	(7,201)	2,723	(9,459)
	<u>₩ 52,563</u>	<u>52,593</u>	<u>161,185</u>	<u>148,735</u>

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20. 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			
Due to customers for contract work	₩	669,085	821,875
Advances received		762,766	599,879
Unearned revenue		65,752	7,121
Withholdings		220,193	221,940
Firm commitment liability		18,322	12,192
Others		9,861	33,590
	₩	<u>1,745,979</u>	<u>1,696,597</u>
Non-current			
Unearned revenue	₩	34,867	18,440
Others		69,220	14,360
	₩	<u>104,087</u>	<u>32,800</u>

21. Financial Instruments

(a) Classification and fair value of financial instruments

1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of 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>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets						
Fair value through profit or loss(*1)						
Derivative assets	₩	24,504	-	24,504	-	24,504
Short-term financial instruments		6,527,794	-	6,527,794	-	6,527,794
Debt securities		19,200	-	-	8,574	8,574
Other securities		334,592	1,531	-	169,989	171,520
Other receivables		2,000	-	-	-	-
Derivatives assets designated as hedging instruments		16,319	-	16,319	-	16,319
Fair value through other comprehensive income(*1)						
Equity securities		1,449,458	1,054,843	-	232,940	1,287,783
Debt securities		2,471	-	-	-	-
Financial assets measured at amortized cost(*2)						
Cash and cash Equivalents		3,237,376	-	-	-	-
Trade accounts and notes receivable		9,435,196	-	-	-	-
Other receivables		2,469,018	-	-	-	-
Debt securities		87,295	-	-	-	-
Deposit instruments		1,908,258	-	-	-	-
	₩	<u>25,513,481</u>	<u>1,056,374</u>	<u>6,568,617</u>	<u>411,503</u>	<u>8,036,494</u>
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities	₩	100,742	-	100,742	-	100,742
Derivatives liabilities designated as hedging instruments		9,090	-	9,090	-	9,090
Financial liabilities measured at amortized cost(*2)						
Trade accounts and notes payable		3,732,102	-	-	-	-
Borrowings		22,068,505	-	22,235,387	-	22,235,387
Financial guarantee liabilities		70,241	-	-	-	-
Others		1,747,103	-	-	-	-
	₩	<u>27,727,783</u>	<u>-</u>	<u>22,345,219</u>	<u>-</u>	<u>22,345,219</u>

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

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

② December 31, 2017

(in millions of Won)

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

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

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

2) Finance income and costs by category of financial instrument for the 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 loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 105,627	(432)	-	5,336	1,975	112,506	-
Derivatives assets	-	41,573	-	170,893	-	212,466	-
Financial assets at fair value through other comprehensive income	-	-	-	-	48,192	48,192	(24,454)
Financial assets measured at amortized cost	131,709	-	125,751	(30,677)	(275)	226,508	-
Derivatives liabilities	-	(27,503)	-	(150,546)	-	(178,049)	(174)
Financial liabilities measured at amortized cost	(533,550)	-	(367,510)	-	(8,306)	(909,366)	-
₩	(296,214)	13,638	(241,759)	(4,994)	41,588	(487,743)	(24,628)

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2018
(Unaudited)

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

(in millions of Won)

	Finance income and costs							Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total	
Derivatives assets	₩ -	15,673	-	153,509	-	-	169,182	(339)
Available-for-sale financial assets	41	-	-	376,427	(106,203)	72,899	343,164	(6,670)
Held-to-maturity financial assets	186	-	-	(3)	-	15	198	-
Loans and receivables	140,988	-	(216,747)	(25,387)	-	(210)	(101,356)	-
Derivatives liabilities	-	(83,809)	-	(178,787)	-	-	(262,596)	-
Financial liabilities measured at amortized cost	(499,299)	-	322,256	-	-	(17,974)	(195,017)	-
₩	(358,084)	(68,136)	105,509	325,759	(106,203)	54,730	(46,425)	(7,009)

3) 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
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 36,393	(326)	-	(80)	-	35,987	-
Derivatives assets	-	(23,933)	-	73,656	-	49,723	-
Financial assets at fair value through other comprehensive income	-	-	-	-	5,931	5,931	36,687
Financial assets measured at amortized cost	43,988	-	(112,913)	(8,881)	(90)	(77,896)	-
Derivatives liabilities	-	(14,084)	-	(54,253)	-	(68,337)	64
Financial liabilities measured at amortized cost	(195,894)	-	10,019	-	(10,593)	(196,468)	-
₩	(115,513)	(38,343)	(102,894)	10,442	(4,752)	(251,060)	36,751

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

(in millions of Won)

	Finance income and costs							Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total	
Derivatives assets	₩ -	20,624	-	44,984	-	-	65,608	(339)
Available-for-sale financial assets	13	-	-	281,321	(47,025)	3,634	237,943	(231,029)
Held-to-maturity financial assets	93	-	-	-	-	5	98	-
Loans and receivables	62,950	-	63,240	(8,057)	-	(82)	118,051	-
Derivatives liabilities	-	(8,063)	-	(73,059)	-	-	(81,122)	-
Financial liabilities measured at amortized cost	(170,880)	-	(58,650)	-	-	(8,223)	(237,753)	-
₩	(107,824)	12,561	4,590	245,189	(47,025)	(4,666)	102,825	(231,368)

(b) Financial risk management

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

POSCO and Subsidiaries

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

22. Share Capital and Capital Surplus

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

<i>(Share, in Won)</i>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
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:

<i>(in millions of Won)</i>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	784,047	783,914
Other capital surplus	162,913	164,826
	<u>₩ 1,410,785</u>	<u>1,412,565</u>

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

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

Redeemable convertible preferred stocks are classified as non-controlling interests in the consolidated financial statements since the issuer has a redemption right and can control the circumstances in which the entity can settle a variable quantity of equity instruments.

POSCO and Subsidiaries

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

23. Hybrid Bonds

(a) 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 hybrid bonds as of September 30, 2018 are as follows:

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

The hybrid bond holder's 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.

POSCO and Subsidiaries

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

(b) POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued hybrid bonds which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of 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)	-	-	-	₩ -	165,000
Hybrid bond 1-2(*1)	-	-	-	-	165,000
Hybrid bond 1-3(*1)	-	-	-	-	30,000
Hybrid bond 1-4(*2)	2013-08-29	2043-08-29	5.21	140,000	140,000
Issuance cost				(429)	(1,532)
				₩ <u>139,571</u>	<u>498,468</u>

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

(*2) Details of hybrid bonds of POSCO ENERGY, Ltd. as of September 30, 2018 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of September 30, 2018 amounts to ₩639 million.

24. 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>
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (559,413)	(516,528)
Changes in fair value of equity investments at fair value through other comprehensive income	(195,028)	-
Changes in unrealized fair value of available-for-sale investments	-	230,190
Foreign currency translation differences	(420,254)	(372,166)
Gains or losses on valuation of derivatives	(316)	(136)
Others	(22,662)	(23,916)
	₩ <u>(1,197,673)</u>	<u>(682,556)</u>

POSCO and Subsidiaries
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25. 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.

26. Revenue

(a) Disaggregation of revenue

- 1) Details of revenue disaggregated by types of revenue and timing of revenue recognition 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)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 23,973,412	16,103,338	3,345	441,017	40,521,112
Revenue from services	437,585	480,743	49,981	1,606,067	2,574,376
Revenue from construction contract	-	-	4,862,741	26,437	4,889,178
Others	32,757	113,201	16,300	209,382	371,640
	<u>₩ 24,443,754</u>	<u>16,697,282</u>	<u>4,932,367</u>	<u>2,282,903</u>	<u>48,356,306</u>
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 24,006,169	16,216,539	19,645	657,001	40,899,354
Revenue recognized over time	437,585	480,743	4,912,722	1,625,902	7,456,952
	<u>₩ 24,443,754</u>	<u>16,697,282</u>	<u>4,932,367</u>	<u>2,282,903</u>	<u>48,356,306</u>

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

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 22,276,274	15,480,537	7,556	456,569	38,220,936
Revenue from services	75,833	23,690	36,245	1,385,605	1,521,373
Revenue from construction contract	-	-	4,943,076	29,708	4,972,784
Others	37,360	79,572	79,542	146,138	342,612
	<u>₩ 22,389,467</u>	<u>15,583,799</u>	<u>5,066,419</u>	<u>2,018,020</u>	<u>45,057,705</u>
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 22,313,525	15,559,927	87,098	608,823	38,569,373
Revenue recognized over time	75,942	23,872	4,979,321	1,409,197	6,488,332
	<u>₩ 22,389,467</u>	<u>15,583,799</u>	<u>5,066,419</u>	<u>2,018,020</u>	<u>45,057,705</u>

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Notes to the Condensed Consolidated Interim Financial Statements, Continued
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2) Details of revenue disaggregated by types of revenue and timing of revenue recognition 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)

		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
Types of revenue						
Revenue from sales of goods	₩	7,996,136	5,532,883	1,167	159,153	13,689,339
Revenue from services		155,430	168,515	12,138	512,106	848,189
Revenue from construction contract		-	-	1,741,179	1,468	1,742,647
Others		<u>14,345</u>	<u>40,025</u>	<u>2,703</u>	<u>73,478</u>	<u>130,551</u>
	₩	<u>8,165,911</u>	<u>5,741,423</u>	<u>1,757,187</u>	<u>746,205</u>	<u>16,410,726</u>
Timing of revenue recognition						
Revenue recognized at a point in time	₩	8,010,481	5,572,908	3,870	234,293	13,821,552
Revenue recognized over time		<u>155,430</u>	<u>168,515</u>	<u>1,753,317</u>	<u>511,912</u>	<u>2,589,174</u>
	₩	<u>8,165,911</u>	<u>5,741,423</u>	<u>1,757,187</u>	<u>746,205</u>	<u>16,410,726</u>

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

(in millions of Won)

		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
Types of revenue						
Revenue from sales of goods	₩	7,581,372	4,967,556	1,949	223,948	12,774,825
Revenue from services		28,244	3,892	12,110	400,331	444,577
Revenue from construction contract		-	-	1,667,851	16,315	1,684,166
Others		<u>9,453</u>	<u>26,013</u>	<u>36,805</u>	<u>60,279</u>	<u>132,550</u>
	₩	<u>7,619,069</u>	<u>4,997,461</u>	<u>1,718,715</u>	<u>700,873</u>	<u>15,036,118</u>
Timing of revenue recognition						
Revenue recognized at a point in time	₩	7,590,824	4,993,568	38,754	285,943	12,909,089
Revenue recognized over time		<u>28,245</u>	<u>3,893</u>	<u>1,679,961</u>	<u>414,930</u>	<u>2,127,029</u>
	₩	<u>7,619,069</u>	<u>4,997,461</u>	<u>1,718,715</u>	<u>700,873</u>	<u>15,036,118</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)

		<u>September 30, 2018</u>	<u>The date of initial application (January 1, 2018)</u>
Contract assets			
Due from customers for contract work	₩	837,849	737,782
Contract liabilities			
Advance received		781,407	610,387
Due to customers for contract work		669,085	840,067
Unearned revenue		99,369	77,657

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27. Contracts Applied the Input Method

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

(in millions of Won)

	September 30, 2018		December 31, 2017	
	Construction segment	Others	Construction segment	Others
Accumulated cost	₩ 27,255,634	252,969	22,513,972	277,088
Accumulated contract profit	2,412,343	41,739	1,811,066	45,037
Accumulated contract loss	(991,776)	(10,153)	(704,234)	(14,359)
Accumulated contract revenue	28,676,201	284,555	23,620,804	307,766

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

(in millions of Won)

	September 30, 2018		December 31, 2017	
	Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩ 862,912	51,482	800,359	49,942
Due to customers for contract work	(643,870)	(25,215)	(780,052)	(41,823)
	₩ 219,042	26,267	20,307	8,119

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

(in millions of Won)

	September 30, 2018	December 31, 2017
Construction segment	₩ 31,712	66,442
Others	736	1,232
	₩ 32,448	67,674

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(d) Due to the factors causing the variation of costs for the nine-month period ended September 30, 2018, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profits or loss for the nine-month period ended September 30, 2018 and future periods are as follows:

(in millions of Won)

	Changes in estimated total contract costs	Changes in profit (loss) of contract		
		Net income	Future income (loss)	Total
Construction segment	₩ 173,085	8,446	79,607	88,053
Others	2,815	6,385	(534)	5,851
	₩ 175,900	14,831	79,073	93,904

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contracts as of September 30, 2018. The estimation is evaluated for the total contract cost and expected total contract revenue as of the end of the period. Also, it may change during future periods.

(e) Uncertainty of estimates

1) Total contract revenues

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

2) Total contract costs

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

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

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

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28. 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:

<i>(in millions of Won)</i>	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2018	2017	2018	2017
Wages and salaries	₩ 191,939	195,497	599,478	580,768
Expenses related to post-employment benefits	15,609	21,208	52,767	60,066
Other employee benefits	40,707	38,525	136,794	117,925
Travel	9,778	9,940	29,872	29,014
Depreciation	22,909	23,277	74,512	70,296
Amortization	28,200	36,899	83,636	109,434
Communication	2,367	3,026	7,310	8,505
Electricity expenses	2,191	1,849	6,372	4,527
Taxes and public dues	13,268	11,508	52,265	55,073
Rental	18,527	13,752	52,907	47,462
Repairs	2,123	3,211	9,990	7,447
Entertainment	2,886	2,736	8,518	8,184
Advertising	21,384	26,498	81,184	84,925
Research & development	32,359	31,618	84,130	81,996
Service fees	36,102	45,903	115,360	141,833
Vehicles maintenance	2,305	2,188	6,487	6,379
Industry association fee	1,288	1,840	7,198	7,831
Conference	3,135	3,906	10,141	10,649
Increase (decrease) to provisions	(11,267)	2,409	10,679	8,610
Others	10,755	11,024	32,307	26,184
	₩ <u>446,565</u>	<u>486,814</u>	<u>1,461,907</u>	<u>1,467,108</u>

(b) Selling expenses

Selling expenses 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 periods		For the nine-month periods	
	ended September 30		ended September 30	
	2018	2017	2018	2017
Freight and custody expenses	₩ 367,035	339,978	1,050,201	1,005,552
Operating expenses for distribution center	2,673	2,615	7,851	7,728
Sales commissions	17,214	14,116	47,352	42,499
Sales advertising	1,006	931	2,049	2,073
Sales promotion	3,555	3,360	9,930	8,897
Sample	458	458	1,928	1,465
Sales insurance premium	9,127	9,271	28,307	27,070
Others	9,817	10,560	21,544	30,712
	₩ <u>410,885</u>	<u>381,289</u>	<u>1,169,162</u>	<u>1,125,996</u>

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29. 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)	₩ 80,381	63,056	237,336	141,215
Dividend income	5,931	3,634	50,167	72,899
Gain on foreign currency transactions	206,390	194,812	531,848	591,687
Gain on foreign currency translations	(156,026)	5,688	177,432	295,153
Gain on derivatives transactions	74,780	46,107	173,231	155,964
Gain on valuations of derivatives	(35,751)	23,835	79,230	89,358
Gain on disposals of available-for-sale investment	-	284,232	-	381,346
Gain on disposals of financial assets at fair value through profit or loss	71	-	6,461	-
Gain on valuations of financial assets at fair value through profit or loss	110	-	4,377	-
Others	(1,898)	3,412	4,026	9,790
	₩ <u>173,988</u>	<u>624,776</u>	<u>1,264,108</u>	<u>1,737,412</u>
Finance costs				
Interest expenses	₩ 195,894	170,880	533,550	499,299
Loss on foreign currency transactions	237,961	171,730	562,853	564,582
Loss on foreign currency translations	(84,703)	24,180	388,186	216,749
Loss on derivatives transactions	55,377	74,184	152,884	181,242
Loss on valuation of derivatives	2,266	11,274	65,160	157,494
Loss on disposal of trade accounts and notes receivable	8,881	8,057	30,677	25,387
Impairment losses on available-for-sale investment	-	47,025	-	106,203
Loss on disposals of financial assets at fair value through profit or loss	151	-	1,125	-
Loss on valuations of financial assets at fair value through profit or loss	436	-	4,809	-
Others	8,785	14,621	12,607	32,881
	₩ <u>425,048</u>	<u>521,951</u>	<u>1,751,851</u>	<u>1,783,837</u>

(*1) Interest income calculated using the effective interest method for the nine-month periods ended September 30, 2018 and 2017 were ₩131,709 million and ₩88,024 million, respectively.

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30. 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 assets held for sale	₩ 12,019	1	12,123	1,180
Gain on disposals of investments in subsidiaries, associates and joint ventures	1,101	584	45,500	55,565
Gain on disposals of property, plant and equipment	15,721	7,635	36,811	26,254
Gain on disposals of intangible assets	9,431	25	110,814	22,015
Gain on valuation of firm commitment	12,229	-	39,190	-
Gain on insurance proceeds	4,108	2,549	6,571	4,155
Others(*1)	54,512	11,723	185,197	37,369
	₩ <u>109,121</u>	<u>22,517</u>	<u>436,206</u>	<u>146,538</u>
Other non-operating expenses				
Impairment losses on assets held for sale	₩ 685	-	47,581	-
Loss on disposals of investments in subsidiaries, associates and joint ventures	14	649	3,419	20,967
Loss on disposals of property, plant and equipment	19,493	37,279	78,565	115,498
Impairment losses on property, plant and equipment	20	2	18,890	7,426
Impairment losses on intangible assets	312	4,533	2,075	24,898
Increase to provisions	7,593	(328)	82,234	1,140
Loss on valuation of firm commitment	17,422	-	36,117	-
Donations	743	8,645	25,726	26,102
Idle tangible assets expenses	2,073	2,260	6,475	8,187
Others(*2)	(76,680)	20,984	117,158	64,445
	₩ <u>(28,325)</u>	<u>74,024</u>	<u>418,240</u>	<u>268,663</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 about value added tax related to imported LNG as non-operating expense.

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31. Expenses by Nature

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

(in millions of Won)

	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2018	2017	2018	2017
Raw material used, changes in inventories and others ₩	9,648,661	9,361,477	28,327,941	26,618,985
Employee benefits expenses	806,757	835,739	2,572,037	2,488,316
Outsourced processing cost	1,840,462	1,787,982	5,323,868	5,113,398
Electricity expenses	220,731	230,491	684,153	698,811
Depreciation(*1)	730,641	728,119	2,167,285	2,168,576
Amortization	69,239	91,409	273,674	293,555
Freight and custody expenses	367,035	339,978	1,050,201	1,005,552
Sales commissions	17,214	14,116	47,352	42,499
Loss on disposal of property, plant and equipment	19,493	37,279	78,565	115,498
Impairment losses on property, plant and equipment	20	2	18,890	7,426
Impairment losses on intangible assets	312	4,533	2,075	24,898
Donations	743	8,645	25,726	26,102
Other expenses	1,145,863	544,790	3,961,405	3,286,127
₩	<u>14,867,171</u>	<u>13,984,560</u>	<u>44,533,172</u>	<u>41,889,743</u>

(*1) Includes depreciation expense of investment property.

POSCO and Subsidiaries
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32. Income Taxes

The effective tax rates of the Company for the nine-month periods ended September 30, 2018 and 2017 were 29.46% and 27.52%, respectively.

33. 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:

(in Won except per share information)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2018	2017	2018	2017
Profit attributable to controlling interest	₩ 1,019,525,874,393	869,421,921,571	2,558,060,147,314	2,233,158,949,608
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	₩ 12,723	10,764	31,775	27,607

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

(Share)

	For the three-month periods ended 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	80,000,982	79,998,798	80,000,428	79,998,325

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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34. Related Party Transactions

(a) Significant transactions between the controlling company and 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	-	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
POSCOVIETNAMCo., 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-SAMSUNG0Slovakia 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 mainly consist of sales of steel products to subsidiaries, associates and joint ventures.

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

(*3) As of September 30, 2018, the Company provided guarantees to related parties (Note 35).

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

(*5) During the 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.

POSCO and Subsidiaries
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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>

(b) Significant transactions between the controlling company and 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>

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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>

(c) The related account balances of significant transactions between the controlling company and 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>

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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
	1,969,656	77,657	2,047,313	101,750	208,512	84,112	394,374
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
	10,944	974	11,918	54,172	15,726	-	69,898
₩	1,980,600	78,631	2,059,231	155,922	224,238	84,112	464,272

(d) Significant transactions between the Company, excluding the controlling company, and 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		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd. ₩	12,521	-	62	18,281
New Songdo International City Development, LLC	30,150	33,382	-	12
SNNC	47,805	128	8,874	36,555
Chuncheon Energy Co., Ltd.	24,327	-	-	-
Noeul Green Energy Co., Ltd.	4,782	-	-	-
VSC POSCO Steel Corporation	12,412	-	2,051	15
USS-POSCO Industries	-	-	1,887	-
CSP - Companhia Siderurgica do Pecem	176,115	8,963	180,863	26,131
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	35,574	-	56,135	-
LLP POSUK Titanium	-	-	944	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	8,806	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	10,187	-	-	-
PT. Batutua Tembaga Raya	-	48	9,319	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	23,612	-	192	-
Sebang Steel	-	-	11,093	14
DMSA/AMSA	-	-	29,556	587
South-East Asia Gas Pipeline Company Ltd.	-	33,840	-	-
Others	242,254	46,853	14,832	41,473
₩	619,739	123,214	324,614	123,068

POSCO and Subsidiaries

Notes to the Condensed Consolidated 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	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 16,077	-	81	5,453
New Songdo International City Development, LLC	194,286	-	-	30
SNNC	21,727	-	684	14,266
Chuncheon Energy Co., Ltd.	60,126	5	-	-
Noeul Green Energy Co., Ltd.	8,860	-	-	1,958
VSC POSCO Steel Corporation	15,624	-	141	-
USS-POSCO Industries	26,899	107	1,701	-
CSP - Compania Siderurgica do Pecem	109,586	-	37,845	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	27,418	-	39,600	-
LLP POSUK Titanium	-	-	3,972	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	2	-	14,011	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	16,191	-	-	-
PT. Batutua Tembaga Raya	-	-	13,796	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	25,697	-	98	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	87	1,632
Sebang Steel	441	-	18,033	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	43,764	-	-	-
DMSA/AMSA	-	-	37,772	-
South-East Asia Gas Pipeline Company Ltd.	-	40,708	-	-
Others	208,031	23,185	14,920	13,370
	₩ <u>774,729</u>	<u>64,005</u>	<u>182,741</u>	<u>36,709</u>

POSCO and Subsidiaries

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

(e) Significant transactions between the Company, excluding the controlling company, and 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	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,773	-	15	10,749
New Songdo International City Development, LLC	4,044	12,091	-	-
SNNC	9,833	128	4,104	19,729
Chuncheon Energy Co., Ltd.	3,978	-	-	-
Noeul Green Energy Co., Ltd.	1,661	-	-	-
VSC POSCO Steel Corporation	177	-	652	-
USS-POSCO Industries	-	-	715	-
CSP - Companhia Siderurgica do Pecem	58,639	2,437	121,291	4,591
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,348	-	18,000	-
LLP POSUK Titanium	-	-	197	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	3,373	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	2,975	-	-	-
PT. Batutua Tembaga Raya	-	48	4,200	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,474	-	73	-
Sebang Steel	-	-	2,410	-
DMSA/AMSA	-	-	9,616	-
South-East Asia Gas Pipeline Company Ltd.	-	5,257	-	-
Others	99,238	18,231	6,803	14,308
	₩ 203,140	38,192	171,449	49,377

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2018
(Unaudited)

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	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,318	-	62	2,577
New Songdo International City Development, LLC	64,446	-	-	-
SNNC	6,375	-	684	11,663
Chuncheon Energy Co., Ltd.	6,630	-	-	-
Noeul Green Energy Co., Ltd.	2,777	-	-	839
VSC POSCO Steel Corporation	2,447	-	46	-
USS-POSCO Industries	19,469	53	612	-
CSP - Companhia Siderurgica do Pecem	40,296	-	37,845	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	2,318	-	11,556	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	4,521	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	4,023	-	-	-
PT. Batutua Tembaga Raya	-	-	5,146	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,811	-	24	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	1	203
Sebang Steel	-	-	4,804	-
DMSA/AMSA	-	-	15,753	-
South-East Asia Gas Pipeline Company Ltd.	-	6,167	-	-
Others	75,633	1,349	5,199	9,181
	₩ 236,543	7,569	86,253	24,463

(f) The related account balances of significant transactions between the Company, excluding the controlling company, and 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		Loans	Others	Total	Trade accounts and notes payable	
	notes receivable	Loans				Others	notes payable
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	₩ 3,462	-	5	3,467	11,802	8	11,810
New Songdo International City Development, LLC	234,213	279,062	15,967	529,242	-	-	-
Chun-cheon Energy Co., Ltd.	55	-	-	55	-	3,179	3,179
VSC POSCO Steel Corporation	-	-	81	81	-	-	-
USS-POSCO Industries	-	-	-	-	211	-	211
Nickel Mining Company SAS	-	60,383	117	60,500	-	-	-
CSP - Companhia Siderurgica do Pecem	382,161	-	8,911	391,072	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,183	-	-	10,183	2,335	-	2,335
PT. Batutua Tembaga Raya	-	35,652	49	35,701	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,529	4,451	35	11,015	82	-	82
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	395	-	-	395	-	546	546
DMSA/AMSA	-	71,307	-	71,307	1,172	-	1,172
South-East Asia Gas Pipeline Company Ltd.	-	202,323	-	202,323	-	-	-
POSPower Co.,Ltd.	18,348	-	-	18,348	-	66,836	66,836
Others	65,882	141,360	16,065	223,307	19,184	6,388	25,572
	₩ 721,228	794,538	41,230	1,556,996	34,786	76,957	111,743

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2018
(Unaudited)

2) December 31, 2017

(in millions of Won)

	Receivables				Payables			
	Trade accounts and notes receivable		Loans	Others	Total	Trade accounts and notes receivable		
	notes receivable	Loans				Others	notes receivable	Others
Associates and joint ventures								
POSCO PLANTEC Co., Ltd.	₩	2,287	-	5	2,292	3,442	5,595	9,037
New Songdo International City Development, LLC		484,038	282,775	1,696	768,509	-	7,146	7,146
Chuncheon Energy Co., Ltd.		-	-	21	21	-	9,617	9,617
VSC POSCO Steel Corporation		16	-	-	16	17	-	17
USS-POSCO Industries		-	-	4	4	-	-	-
Nickel Mining Company SAS		-	59,668	118	59,786	-	-	-
CSP - Companhia Siderurgica do Pecem		380,180	-	13,443	393,623	-	29,700	29,700
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.		2,108	5,357	6	7,471	2,449	-	2,449
PT. Batutua Tembaga Raya		24	29,048	-	29,072	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		8,067	5,357	32	13,456	107	-	107
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOOD INL TRADING CO., LTD.		715	-	-	715	-	526	526
DMSA/AMSA		-	69,713	4,443	74,156	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	229,880	-	229,880	-	-	-
Others		134,397	134,506	6,885	275,788	1,856	2,005	3,861
	₩	<u>1,011,832</u>	<u>816,304</u>	<u>26,653</u>	<u>1,854,789</u>	<u>7,871</u>	<u>54,589</u>	<u>62,460</u>

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

1) September 30, 2018

(in millions of Won)

	Beginning	Lend	Collect	Others(*2)	Ending	
Associates and joint ventures						
New Songdo International City Development, LLC	₩	282,775	150	(3,714)	(149)	279,062
Gail International Korea, LLC		2,000	8,500	(4,500)	-	6,000
UITrans LRT Co., Ltd.		-	4,048	-	-	4,048
DMSA/AMSA(*1)		69,713	9,039	(342)	(7,103)	71,307
South-East Asia Gas Pipeline Company Ltd.		229,880	-	(35,808)	8,251	202,323
PT. Batutua Tembaga Raya		29,048	4,678	-	1,926	35,652
PT. Tanggamus Electric Power		3,197	1,042	-	163	4,402
PT. Wampu Electric Power		5,107	-	-	197	5,304
PT. POSM Steel Indonesia		4,286	-	(1,482)	(22)	2,782
Nickel Mining Company SAS		59,668	-	-	715	60,383
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.		5,357	-	(5,357)	-	-
KRAKATAU POS-CHEMDONG-SUH CHEMCAL		6,428	-	-	248	6,676
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		5,357	4,451	(5,357)	-	4,451
POS-SeaAH Steel Wire (Thailand) Co., Ltd.		6,428	-	-	248	6,676
AMCI (WA) PTY LTD		92,061	2,747	-	(3,802)	91,006
POS-AUSTEMYANTAI AUTOMOTIVE CO.,LTD		5,357	5,564	(5,357)	-	5,564
POS-AUSTEMWUHAN AUTOMOTIVE CO.,LTD		8,571	8,902	(8,571)	-	8,902
SAMHWAN VINA CO., LTD		1,071	-	(1,071)	-	-
	₩	<u>816,304</u>	<u>49,121</u>	<u>(71,559)</u>	<u>672</u>	<u>794,538</u>

(*1) During the nine-month period ended September 30, 2018, loans amounting to ₩9,820 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2018
(Unaudited)

2) December 31, 2017

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

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

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

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

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

(h) For the 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>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Short-term benefits	₩ 86,256	88,640
Long-term benefits	10,922	7,504
Retirement benefits	15,814	16,681
	₩ <u>112,992</u>	<u>112,825</u>

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2018

(Unaudited)

35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2018 are as follows:

(in millions of Won)		Guarantor	Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount	
					Foreign currency	Won equivalent	Foreign currency	Won equivalent
[The Company]								
POSCO		POSCO Asia Co., Ltd.	BOC	USD	50,000,000	55,635	50,000,000	55,635
		POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	163,041	131,874,750	146,737
		POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co., Ltd.(SPC)	THB	5,501,000,000	188,684	5,501,000,000	188,684
		POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	506,853,000	563,975	295,318,500	328,601
		POSCO MEXCO S.A. DE C.V.	BOA and others	USD	160,000,000	176,032	160,000,000	178,032
		POSCO SS VINA CO., LTD.	Export-Import Bank of Korea and others	USD	354,351,050	394,287	294,584,651	327,784
		POSCO-VIETNAM Co., Ltd.	SMBC and others	USD	156,000,000	173,581	156,000,000	173,581
		PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,502,480	1,175,610,434	1,308,101
		Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMU and others	CNY	760,500,000	123,034	608,400,000	98,427
POSCO DAEWOO Corporation		Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	196,017,000	218,108	196,017,000	218,108
		Daewoo Power PNG Ltd.	Export-Import Bank of Korea	USD	51,000,000	56,748	51,000,000	56,748
		Daewoo Textile LLC	Export-Import Bank of Korea	USD	2,000,000	2,225	2,000,000	2,225
		POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	14,652,750	16,304	14,652,750	16,304
		POSCO DAEWOO INDIA PVT., LTD.	Shinhan Bank and others	USD	149,400,000	166,237	68,055,120	75,726
		PT. Bio Inti Agrindo	Export-Import Bank of Korea and others	USD	128,000,000	142,426	128,000,000	142,426
		Golden Lace DAEWOO Company Limited	Shinhan Bank	USD	9,000,000	10,014	6,000,000	6,676
		Songdo Posco family Housing	SAMSUNG SECURITIES CO.,LTD and others	KRW	70,000	70,000	-	-
		POSCO DAEWOO CHINA CO., LTD	Mizuho	USD	8,000,000	8,901	5,666,440	6,305
POSCO ENGINEERING & CONSTRUCTION CO., LTD.		POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	27,000,000	30,043	27,000,000	30,043
		HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori bank and others	USD	148,000,000	164,680	140,500,000	156,334
		POSCO Engineering and Construction India Private Limited	Woori bank	USD	2,100,000	2,337	2,100,000	2,337
		PT.POSCO E&C INDONESIA	POSCO Asia Co., Ltd.	USD	10,900,000	12,128	10,900,000	12,128
		Songdo Posco family Housing	SAMSUNG SECURITIES CO.,LTD and others	KRW	70,000	70,000	-	-
POSCO ICT		Daewoo Global Development. Pte., Ltd	SMBC and others	USD	163,633,000	182,074	163,633,000	182,074
		PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	1,500,000	1,669	1,500,000	1,669
POSCO CHEMTECH		PT.Krakatau Posco Chemtech Calcination	KEB Hana Bank	USD	15,200,000	16,913	15,200,000	16,913
POSCO COATED & COLOR STEEL Co., Ltd.		Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd. and others	USD	13,986,947	15,563	13,986,947	15,563
POSCO ENERGY CO., LTD		PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	215,752	129,314,046	143,888
[Associates and joint ventures]								
POSCO		CSP - Compania Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	467,336	409,052,408	455,151
			BNDSE	BRL	464,060,000	128,670	464,060,000	128,670
		LLP POSUK Titanium	SMBC	USD	15,000,000	16,691	15,000,000	16,691
		Nickel Mining Company SAS	SMBC	EUR	46,000,000	59,550	46,000,000	59,550
POSCO DAEWOO Corporation		GLOBAL KOMSCO Daewoo LLC	ICBC	USD	8,225,000	9,152	8,225,000	9,152
POSCO ENGINEERING & CONSTRUCTION CO., LTD.		New Songdo International City Development, LLC	Others	KRW	340,000	340,000	322,400	322,400
		Uitrans LRT Co., Ltd.	Kookmin Bank and others	KRW	20,740	20,740	2,893	2,893
		Chuncheon Energy Co., Ltd.	Kookmin Bank and others	KRW	11,600	11,600	-	-
		Pohang E&E Co., Ltd.	Heungkuk Life Insurance Co., Ltd.	KRW	6,500	6,500	-	-
		JB CLARK HILLS	KOREA INVESTMENT&SECURITIES	KRW	40,000	40,000	30,700	30,700
POSCO ICT		Incheon-Gimpo Expressway Co. Ltd.	KDB Bank	KRW	100,000	100,000	100,000	100,000
		Uitrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000	76,000
POSCO CHEMTECH		KRAKATAU POS-CHEM	KEB Hana Bank	USD	1,140,000	1,268	886,667	987
		DONG-SUH CHEMICAL						
POSCO(Suzhou)		POS-InfraAuto (Suzhou) Co., Ltd	KDB Bank	USD	780,000	868	780,000	868
Automotive Processing Center Co.,Ltd.								
[Others]								
POSCO DAEWOO Corporation		Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	87,272,727	97,108	19,746,111	21,971
POSCO ENGINEERING & CONSTRUCTION CO., LTD.		Ecocity CO.,LTD and others	Others	KRW	1,232,660	1,232,660	464,895	464,895
POSCO ICT		SMS Energy and others	KEB Hana Bank and others	KRW	88,329	88,329	67,112	67,112
		Hyochun CO., LTD	Daegu Bank and others	KRW	39,575	39,575	39,575	39,575
		BLT Enterprise and others	Kyobo Life Insurance Co.,Ltd. and others	KRW	1,165,352	1,165,352	1,165,352	1,165,352
POSCO AUSTRALIA PTY LTD		Department of Trade and Investment (NSW Government)	Woori Bank and others	AUD	26,147,711	20,955	26,147,711	20,955
				USD	4,390,738,974	4,885,576	3,692,603,824	4,108,758
				KRW	3,260,756	3,260,756	2,268,927	2,268,927
				CNY	760,500,000	123,034	608,400,000	98,427
				THB	5,501,000,000	188,684	5,501,000,000	188,684
				EUR	46,000,000	59,550	46,000,000	59,550
				AUD	26,147,711	20,955	26,147,711	20,955
				BRL	464,060,000	128,670	464,060,000	128,670

POSCO and Subsidiaries

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

(b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩395,792 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION CO., LTD. amounting to ₩268,851 million as of September 30, 2018.

(c) Other commitments

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

POSCO

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

POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

As of September 30, 2018, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 6.49 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of September 30, 2018, the ending balance of the borrowing amounts to USD 1.02 million.

POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd. under construction of new power plant.

POSCO provides a supplementary fund of up to ₩9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., at the request of creditors such as the Korea Development Bank.

POSCO provides a supplementary funding for the purpose of promoting the Suncheon Bay PRT business of Suncheon Eco Trans Co., Ltd., a subsidiary of the Company, at the request of creditors.

POSCO ENGINEERING & CONSTRUCTION CO., LTD.

As of September 30, 2018, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantee of up to USD 1,808 million and uses USD 837 million with Woori Bank and others.

POSCO and Subsidiaries

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

POSCO ICT As of September 30, 2018, in relation to contract enforcement, POSCO ICT was provided with ₩132,271 million, ₩9,589 million and ₩457 million guaranties from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively.

(d) Litigation in progress

The Company is involved in 372 lawsuits and claims for alleged damages aggregating to ₩804 billion as defendant as of September 30, 2018, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩35.1 billion for 132 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for other lawsuits and claims since the Company does not believe it has a present obligation as of September 30, 2018.

(e) Other contingencies

POSCO POSCO has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.

POSCO DAEWOO Corporation As of September 30, 2018, POSCO DAEWOO Corporation has provided 33 blank promissory notes and 24 blank checks to KOREA ENERGY AGENCY and others as collateral for the guarantee on performance for contracts and others.

POSCO ENGINEERING & CONSTRUCTION CO., LTD. As of September 30, 2018, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 27 blank checks and 4 blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩10,394,147 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.

POSCO ICT As of September 30, 2018, POSCO ICT has provided 2 blank promissory notes and 4 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

POSCO and Subsidiaries

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

36. 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	₩	(621,704)	(251,204)
Other receivables		(283,836)	(19,159)
Inventories		(903,282)	(692,170)
Other current assets		(4,254)	(15,771)
Other non-current assets		(1,998)	(9,516)
Trade accounts and notes payable		84,133	(663,676)
Other payables		(95,688)	(317,835)
Other current liabilities		46,774	(270,326)
Provisions		(149,974)	(55,931)
Payments of severance benefits		(166,450)	(144,510)
Plan assets		54,820	97,452
Other non-current liabilities		29,759	(9,101)
	₩	<u>(2,011,700)</u>	<u>(2,351,747)</u>

37. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2017.

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

POSCO and Subsidiaries

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

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

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

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	24,443,753	16,697,282	4,932,367	2,282,904	48,356,306
Internal revenues		13,780,144	12,152,833	370,179	2,032,300	28,335,456
Inter segment revenue		9,609,548	6,696,177	313,068	1,950,404	18,569,197
Total revenues		38,223,897	28,850,115	5,302,546	4,315,204	76,691,762
Segment profits		2,457,674	132,887	123,891	151,045	2,865,497

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

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	22,389,467	15,583,799	5,066,419	2,018,020	45,057,705
Internal revenues		13,386,557	10,758,217	300,495	1,857,012	26,302,281
Inter segment revenue		9,187,101	6,108,273	249,776	1,782,096	17,327,246
Total revenues		35,776,024	26,342,016	5,366,914	3,875,032	71,359,986
Segment profits		2,298,643	106,448	115,839	231,539	2,752,469

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items 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>
Total profit for reportable segments	₩	2,865,497	2,752,469
Corporate fair value adjustments		(58,545)	(60,863)
Elimination of inter-segment profits		(85,413)	(278,045)
Income tax expense		1,136,869	916,334
Profit before income tax expense	₩	<u>3,858,408</u>	<u>3,329,895</u>

38. 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).