

# **POSCO and Subsidiaries**

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

**(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, 2019, the condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2019 and 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

### **Auditor's review responsibility**

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

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

### **Conclusion**

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

**Other matters**

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea  
November 14, 2019

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

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

(in millions of Won)

	<b>Notes</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>			
Cash and cash equivalents	21	₩ 2,831,727	2,643,865
Trade accounts and notes receivable, net	4,21,26,27,34	9,714,312	9,282,609
Other receivables, net	5,21,34	1,646,995	1,385,629
Other short-term financial assets	6,21	7,912,020	8,081,096
Inventories	7	11,770,207	11,499,928
Current income tax assets		40,932	51,557
Assets held for sale	8	66,598	21,854
Other current assets	14	727,273	684,464
<b>Total current assets</b>		<b>34,710,064</b>	<b>33,651,002</b>
Long-term trade accounts and notes receivable, net	4,21	312,128	427,125
Other receivables, net	5,21	1,117,102	863,240
Other long-term financial assets	6,21	1,686,348	1,647,898
Investments in associates and joint ventures	9	3,879,811	3,650,003
Investment property, net	11	921,373	928,615
Property, plant and equipment, net	12	30,334,798	30,018,273
Goodwill and other intangible assets, net	13	5,020,900	5,170,825
Defined benefit assets, net	19	-	1,489
Deferred tax assets		1,321,445	1,381,031
Other non-current assets	14	315,119	508,764
<b>Total non-current assets</b>		<b>44,909,024</b>	<b>44,597,263</b>
<b>Total assets</b>		<b>₩ 79,619,088</b>	<b>78,248,265</b>

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, 2019 and December 31, 2018**  
**(Unaudited)**

<i>(in millions of Won)</i>	<b>Notes</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Liabilities</b>			
Trade accounts and notes payable	21,34	₩ 3,714,266	4,006,135
Short-term borrowings and current installments			
of long-term borrowings	4,15,21	8,358,075	10,289,619
Other payables	16,21,34	1,890,936	1,720,097
Other short-term financial liabilities	17,21	104,229	77,800
Current income tax liabilities		699,404	948,166
Liabilities directly associated with the assets held for sale	8	1,612	-
Provisions	18,35	262,085	301,280
Other current liabilities	20,26,27	1,731,359	1,594,888
<b>Total current liabilities</b>		<b>16,761,966</b>	<b>18,937,985</b>
Long-term trade accounts and notes payable	21	17,623	29,825
Long-term borrowings, excluding current installments	15,21	11,496,807	9,919,651
Other payables	16,21	618,108	148,868
Other long-term financial liabilities	17,21	18,154	64,162
Defined benefit liabilities, net	19	316,825	140,933
Deferred tax liabilities		1,666,707	1,688,893
Long-term provisions	18,35	502,744	431,036
Other non-current liabilities	20,26	91,971	127,361
<b>Total non-current liabilities</b>		<b>14,728,939</b>	<b>12,550,729</b>
<b>Total liabilities</b>		<b>31,490,905</b>	<b>31,488,714</b>
<b>Equity</b>			
Share capital	22	482,403	482,403
Capital surplus	22	1,371,230	1,410,551
Hybrid bonds	23	199,384	199,384
Reserves	24	(1,069,340)	(1,404,368)
Treasury shares	25	(1,508,303)	(1,532,728)
Retained earnings		45,280,981	44,216,018
<b>Equity attributable to owners of the controlling company</b>		<b>44,756,355</b>	<b>43,371,260</b>
<b>Non-controlling interests</b>	23	<b>3,371,828</b>	<b>3,388,291</b>
<b>Total equity</b>		<b>48,128,183</b>	<b>46,759,551</b>
<b>Total liabilities and equity</b>		<b>₩ 79,619,088</b>	<b>78,248,265</b>

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, 2019 and 2018

#### (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	
		2019	2018	2019	2018
<b>Revenue</b>	26,27,34,37	₩ 15,988,227	16,410,726	48,323,799	48,356,306
<b>Cost of sales</b>	7,27,31,34	(14,375,600)	(14,343,743)	(43,283,629)	(42,337,552)
<b>Gross profit</b>		1,612,627	2,066,984	5,040,170	6,018,752
Selling and administrative expenses	31,34				
Reversal of (impairment loss) on trade accounts and notes receivable		5,944	(1,890)	13,942	(38,864)
Other administrative expenses	28	(490,770)	(446,565)	(1,473,389)	(1,461,907)
Selling expenses	28	(88,024)	(87,426)	(269,487)	(246,886)
<b>Operating profit</b>		1,039,777	1,531,103	3,311,236	4,271,095
Share of profit of equity-accounted investees, net	9	88,668	43,800	230,197	75,451
Finance income and costs	21,29				
Finance income		602,717	173,988	1,629,594	1,264,108
Finance costs		(691,922)	(425,048)	(1,852,447)	(1,751,851)
Other non-operating income and expenses	34				
Impairment loss on other receivables		(10,695)	(15,325)	(26,112)	(18,361)
Other non-operating income	30	114,913	109,121	272,281	436,206
Other non-operating expenses	30,31	(290,207)	28,325	(594,076)	(418,240)
<b>Profit before income tax</b>		853,251	1,445,964	2,970,673	3,858,408
Income tax expense	32,37	(356,441)	(388,305)	(1,013,999)	(1,136,869)
<b>Profit</b>		496,810	1,057,659	1,956,674	2,721,539
<b>Other comprehensive income (loss)</b>					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	(7,269)	(9,731)	(28,150)	(41,666)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	(81,552)	36,687	(63,708)	(24,454)
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		32,091	(57,167)	104,929	(30,416)
Foreign currency translation differences		103,200	(119,741)	322,863	(45,912)
Gains or losses on valuation of derivatives	21	20	64	(81)	(174)
<b>Other comprehensive income (loss), net of tax</b>		46,490	(149,888)	335,853	(142,622)
<b>Total comprehensive income</b>		₩ 543,300	907,771	2,292,527	2,578,917
<b>Profit attributable to:</b>					
Owners of the controlling company		₩ 430,875	1,019,526	1,784,414	2,558,060
Non-controlling interests		65,935	38,133	172,260	163,479
<b>Profit</b>		₩ 496,810	1,057,659	1,956,674	2,721,539
<b>Total comprehensive income attributable to:</b>					
Owners of the controlling company		₩ 466,171	880,569	2,120,940	2,414,408
Non-controlling interests		77,129	27,202	171,587	164,509
<b>Total comprehensive income</b>		₩ 543,300	907,771	2,292,527	2,578,917
<b>Basic and diluted earnings per share (in Won)</b>	33	5,357	12,723	22,211	31,775

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, 2019 and 2018**  
**(Unaudited)**

(in millions of Won)

	Attributable to owners of the controlling company							Non-	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal	controlling interests	
<b>Balance as of January 1, 2018</b>	₩ 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)
<b>Adjusted balance as of January 1, 2018</b>	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
<b>Comprehensive income:</b>									
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)
<b>Total comprehensive income</b>	-	-	-	(104,268)	-	2,518,676	2,414,408	164,509	2,578,917
<b>Transactions with owners of the controlling company, recognized directly in equity:</b>									
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)
<b>Total transactions with owners of the controlling company</b>	-	(1,780)	(797,535)	1,253	326	(546,414)	(1,344,150)	(433,169)	(1,777,319)
<b>Balance as of September 30, 2018</b>	₩ 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 Changes in Equity, Continued**  
**For the nine-month periods ended September 30, 2019 and 2018**  
**(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		
<b>Balance as of January 1, 2019</b>	₩ 482,403	1,410,551	199,384	(1,404,368)	(1,532,728)	44,216,018	43,371,260	3,388,291	46,759,551
<b>Comprehensive income:</b>									
Profit	-	-	-	-	-	1,784,414	1,784,414	172,260	1,956,674
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(15,065)	(15,065)	(13,085)	(28,150)
Capital adjustment arising from investments									
in equity-accounted investees, net of tax	-	-	-	92,533	-	-	92,533	12,396	104,929
Net changes in fair value of equity investments									
at fair value through other comprehensive income, net of tax	-	-	-	(42,911)	-	(20,859)	(63,770)	62	(63,708)
Foreign currency translation differences, net of tax	-	-	-	322,905	-	-	322,905	(42)	322,863
Gains or losses on valuation of derivatives, net of tax	-	-	-	(77)	-	-	(77)	(4)	(81)
<b>Total comprehensive income</b>	-	-	-	372,450	-	1,748,490	2,120,940	171,587	2,292,527
<b>Transactions with owners of the controlling company, recognized directly in equity:</b>									
Year-end dividends	-	-	-	-	-	(400,006)	(400,006)	(60,274)	(460,280)
Interim dividends	-	-	-	-	-	(320,462)	(320,462)	-	(320,462)
Changes in subsidiaries	-	-	-	-	-	-	-	(874)	(874)
Changes in ownership interest in subsidiaries	-	(53,871)	-	-	-	-	(53,871)	(114,153)	(168,024)
Interest of hybrid bonds	-	-	-	-	-	(6,881)	(6,881)	(5,456)	(12,337)
Disposal of treasury shares	-	12,576	-	-	24,425	-	37,001	-	37,001
Others	-	1,974	-	(37,422)	-	43,822	8,374	(7,293)	1,081
<b>Total transactions with owners of the controlling company</b>	-	(39,321)	-	(37,422)	24,425	(683,527)	(735,845)	(188,050)	(923,895)
<b>Balance as of September 30, 2019</b>	₩ 482,403	1,371,230	199,384	(1,069,340)	(1,508,303)	45,280,981	44,756,355	3,371,828	48,128,183

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, 2019 and 2018**  
**(Unaudited)**

(in millions of Won)

	<b>Notes</b>	<b>September 30, 2019</b>	<b>September 30, 2018</b>
<b>Cash flows from operating activities</b>			
Profit	₩	1,956,674	2,721,539
Adjustments for:			
Depreciation		2,269,280	2,167,285
Amortization		316,947	273,674
Finance income		(842,951)	(558,899)
Finance costs		1,082,320	992,830
Income tax expense		1,013,999	1,136,869
Impairment loss on property, plant and equipment		194,688	18,890
Gain on disposal of property, plant and equipment		(21,929)	(36,811)
Loss on disposal of property, plant and equipment		61,222	78,565
Impairment loss on goodwill and intangible assets		125,696	2,075
Gain on disposal of goodwill and intangible assets		(1,346)	(110,814)
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(20,750)	(45,500)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		5,867	3,419
Share of profit of equity-accounted investees		(230,197)	(75,451)
Impairment loss on assets held for sale		40,943	47,581
Gain on disposal of assets held for sale		(8,536)	(12,123)
Expenses related to post-employment benefit		176,071	161,185
Impairment loss on trade and other receivables		12,170	57,225
Loss on valuation of inventories		80,988	38,227
Increase to provisions		98,109	272,796
Others, net		(57,305)	(9,790)
		<u>4,295,286</u>	<u>4,401,233</u>
Changes in operating assets and liabilities	36	(914,733)	(2,011,700)
Interest received		228,018	221,523
Interest paid		(547,833)	(476,728)
Dividends received		218,155	166,868
Income taxes paid		(1,295,222)	(803,294)
Net cash provided by operating activities	₩	<u>3,940,345</u>	<u>4,219,441</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, 2019 and 2018

#### (Unaudited)

(in millions of Won)

	Notes	September 30, 2019	September 30, 2018
<b>Cash flows from investing activities</b>			
Acquisitions of short-term financial instruments	₩	(27,411,573)	(23,743,067)
Proceeds from disposal of short-term financial instruments		27,842,901	22,202,267
Increase in loans		(173,717)	(421,836)
Collection of loans		282,778	513,881
Acquisitions of securities		(377,942)	(311,343)
Proceeds from disposal of securities		171,793	157,012
Acquisitions of investment in associates and joint ventures		(101,609)	(22,937)
Proceeds from disposal of investment in associates and joint ventures		11,293	88,852
Acquisitions of investment property		(18,232)	(23,467)
Proceeds from disposal of investment property		1,106	31,159
Acquisitions of property, plant and equipment		(1,609,725)	(1,354,353)
Proceeds from disposal of property, plant and equipment		27,912	61,744
Acquisitions of intangible assets		(242,000)	(83,074)
Proceeds from disposal of intangible assets		13,256	50,197
Proceeds from disposal of assets held for sale		311	15,930
Payment for acquisition of business, net of cash acquired		(33,961)	-
Cash received from disposal of business, net of cash transferred		37,776	173,838
Collection of lease receivables		29,008	-
Others, net		12,969	12,710
Net cash used in investing activities		(1,537,656)	(2,652,487)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,622,141	2,496,313
Repayment of borrowings		(2,458,779)	(1,448,400)
Repayment of short-term borrowings, net		(1,466,477)	(194,375)
Capital contribution from non-controlling interests		23,582	5,808
Payment of cash dividends		(785,551)	(570,103)
Payment of interest of hybrid bonds		(12,362)	(42,033)
Repayment of hybrid bonds		-	(1,160,000)
Repayment of lease liabilities		(107,703)	(23,697)
Others, net		(112,086)	(7,222)
Net cash used in financing activities		(2,297,235)	(943,709)
<b>Effect of exchange rate fluctuation on cash held</b>		91,767	1,601
<b>Net increase in cash and cash equivalents</b>		197,221	624,846
<b>Cash and cash equivalents at beginning of the period</b>		2,643,865	2,612,530
<b>Cash and cash equivalents at end of the period</b>	8 ₩	2,841,086	3,237,376

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, 2019

#### (Unaudited)

#### 1. General Information

General information about POSCO, its 32 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 131 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 129 associates and joint ventures are as follows:

##### (a) The controlling company

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

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

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

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

Company	Date of inclusion	Ownership (%)	Reason
GRAIN TERMINAL HOLDING PTE. LTD.	June 2019	75.00	Acquisition of control
Mykolaiv Milling Works PJSC.	June 2019	100.00	Acquisition of control
Yuzhnaya Stevedoring Company Limited LLC.	June 2019	100.00	Acquisition of control
ChargEV Inc.	September 2019	100.00	New establishment

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

Company	Date of exclusion	Reason
POSCO Processing&Service	January 2019	Merged into POSCO
DAEWOO PRECIOUS RESOURCES CO., LTD.	January 2019	Liquidation
BLUE O&M Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd.(formerly, POSMATE)
MegaAsset Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd.(formerly, POSMATE)
POSCO ES MATERIALS CO., LTD.	April 2019	Merged into POSCO CHEMICAL CO.,LTD.(formerly, POSCO CHEMTECH)
Daewoo International Guangzhou Corp.	April 2019	Merged into POSCO INTERNATIONAL(CHINA) CO., LTD.(formerly, POSCO DAEWOO CHINA)
POSCO(Guangdong) Coated Steel Co., Ltd.	June 2019	Disposal
POSCO E&C (THAILAND) CO.,Ltd.	June 2019	Liquidation
POSCO Gulf SFC LLC	June 2019	Liquidation
HOTEL LAONZENA	July 2019	Disposal
Daewoo Power and Infra (PTY) Limited	July 2019	Liquidation
POSCO SINGAPORE LNG TRADING PTE. LTD.	September 2019	Liquidation
POSCO-South Asia Co., Ltd.	September 2019	Liquidation

# **POSCO and Subsidiaries**

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

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### **2. Statement of Compliance**

#### **Statement of compliance**

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

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

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

#### **Use of estimates and judgments**

##### **(a) Judgments, assumptions and estimation uncertainties**

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

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

##### **(b) Measurement of fair value**

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

## **POSCO and Subsidiaries**

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

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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, 2018.

#### **K-IFRS No. 1116 "Leases"**

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

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

## **POSCO and Subsidiaries**

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

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The Company applied K-IFRS No. 1116 “Leases” using the modified retrospective approach by recognizing the cumulative effect of initial application as of January 1, 2019, the date of initial application. Accordingly, the comparative information presented for 2018 has not been restated.

#### **(a) Definition of a lease**

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

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

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

#### **(b) As a lessee**

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

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

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

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

(in millions of Won)

(in millions of Won)		Property, Plant and Equipment (*1)					
		Land	Buildings and structures	Machinery and equipment	Vehicles	Furniture, fixtures and others	Total
The date of initial application (January 1, 2019 )	₩	310,555	194,382	222,512	20,202	28,308	775,959
September 30, 2019		342,101	169,182	217,116	21,365	40,272	790,036

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

1) Significant accounting policies

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

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

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

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



## **POSCO and Subsidiaries**

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

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#### 2) Transition

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

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

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

#### (c) As a lessor

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

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

#### (d) Impact on financial statements

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

# POSCO and Subsidiaries

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

(in millions of Won)

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

### Consolidated statement of financial position

Right-of-use assets presented as property, plant and equipment(*1)	₩	638,395
Lease receivables		225,198
Lease liabilities		597,197

(\*1) Prepaid lease payments amounting to ₩266,396 million, classified as operating leases as of December 31, 2018, was reclassified from other assets to property, plant and equipment.

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

(in millions of Won)

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

Operating lease commitments as of December 31, 2018	₩	879,759
Operating lease commitments not recognized as lease liabilities		
- Leases of low-value assets		(50,364)
- Leases with less than 12 months of lease term at transition		(17,635)
Operating lease commitments recognized as lease liabilities		811,760
Amount discounted using the incremental borrowing rate as of January 1, 2019, the date of initial application		597,197
Finance lease liabilities recognized as of December 31, 2018		94,754
Lease liabilities as of January 1, 2019, the date of initial application		691,951

As of September 30, 2019, the Company recognized ₩667,199 million of right-of-use assets and ₩604,620 million of lease liabilities for leases that were previously classified as operating leases.

In addition, the Company recognized depreciation and interest expenses instead of operating lease expenses. The Company recognized depreciation expenses amounted to ₩79,310 million and interest expenses amounted to ₩22,971 million during the nine-month period ended September 30, 2019.

# POSCO and Subsidiaries

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

### 4. Trade Accounts and Notes Receivable

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

<i>(in millions of Won)</i>		<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Current</b>			
Trade accounts and notes receivable	₩	8,978,869	8,648,250
Finance lease receivables		227	57,487
Due from customers for contract work		1,146,386	963,060
Less: Allowance for doubtful accounts		(411,170)	(386,188)
	₩	<u>9,714,312</u>	<u>9,282,609</u>
<b>Non-current</b>			
Trade accounts and notes receivable	₩	384,393	583,797
Finance lease receivables		50,616	45,873
Less: Allowance for doubtful accounts		(122,881)	(202,545)
	₩	<u>312,128</u>	<u>427,125</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩237,888 million and ₩468,706 million as of September 30, 2019 and December 31, 2018, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and is recognized as short-term borrowings from financial institutions.

### 5. Other Receivables

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

<i>(in millions of Won)</i>		<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Current</b>			
Loans	₩	324,206	236,782
Other accounts receivable		1,128,818	954,030
Accrued income		182,799	220,066
Deposits		93,853	108,640
Others		15,712	16,201
Lease receivables		43,360	-
Less: Allowance for doubtful accounts		(141,753)	(150,090)
	₩	<u>1,646,995</u>	<u>1,385,629</u>
<b>Non-current</b>			
Loans	₩	698,564	731,344
Other accounts receivable		201,742	155,936
Accrued income		110,568	1,855
Deposits		146,549	152,072
Lease receivables		167,428	-
Less: Allowance for doubtful accounts		(207,749)	(177,967)
	₩	<u>1,117,102</u>	<u>863,240</u>

## POSCO and Subsidiaries

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

#### 6. Other Financial Assets

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

(in millions of Won)

		<u>September 30, 2019</u>	<u>December 31, 2018</u>
<b>Current</b>			
Derivatives assets	₩	34,938	47,288
Debt securities		321,568	2,987
Deposit instruments(*1,2)		1,713,669	1,931,518
Short-term financial instruments(*2)		5,841,845	6,099,303
	₩	<u>7,912,020</u>	<u>8,081,096</u>
<b>Non-current</b>			
Derivatives assets	₩	154,098	1,795
Equity securities(*3)		1,134,473	1,238,630
Debt securities		27,651	34,327
Other securities(*3)		334,717	338,106
Deposit instruments(*2)		35,409	35,040
	₩	<u>1,686,348</u>	<u>1,647,898</u>

(\*1) As of September 30, 2019 and December 31, 2018, ₩4,795 million and ₩5,715 million, respectively, are restricted for the use in a government projects.

(\*2) As of September 30, 2019 and December 31, 2018, financial instruments amounting to ₩79,054 million and ₩73,935 million, respectively, are restricted for use in financial arrangements, pledge and others.

(\*3) As of September 30, 2019 and December 31, 2018, ₩118,743 million and ₩115,431 million of equity and other securities have been provided as collateral for borrowings, construction projects and others.

#### 7. Inventories

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

(in millions of Won)

		<u>September 30, 2019</u>	<u>December 31, 2018</u>
Finished goods	₩	1,830,501	1,886,040
Merchandise		1,093,973	1,131,416
Semi-finished goods		2,150,509	1,945,567
Raw materials		2,961,395	2,821,972
Fuel and materials		1,022,788	888,941
Construction inventories		761,094	718,884
Materials-in-transit		2,066,157	2,245,740
Others		88,096	68,150
		<u>11,974,513</u>	<u>11,706,710</u>
Less: Allowance for inventories valuation		<u>(204,306)</u>	<u>(206,782)</u>
	₩	<u>11,770,207</u>	<u>11,499,928</u>

The amounts of loss on valuation of inventories recognized in cost of sales during the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were ₩80,988 million and ₩141,799 million, respectively.

# POSCO and Subsidiaries

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

### 8. Assets Held for Sale

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

(in millions of Won)

	September 30, 2019			December 31, 2018
	The controlling company(*1)	Subsidiaries (*2,3,4)	Total	Subsidiaries(*4)
<b>Asset</b>				
Cash and cash equivalents(*5)	₩ -	9,359	9,359	-
Property, plant and equipment	18,519	37,472	55,991	21,076
Other financial assets	-	225	225	778
Others	-	1,023	1,023	-
	₩ 18,519	48,079	66,598	21,854
<b>Liability</b>				
Others	₩ -	1,612	1,612	-

- (\*1) During the nine-month period ended September 30, 2019, the controlling company determined to dispose of individual assets that ceased operations including Fe-Si factory, and classified the assets as assets held for sale. During the nine-month period ended September 30, 2019, ₩659 million, the difference between the fair value less costs of disposal and the book value of the related the assets held for sale, was recognized as an impairment loss on assets held for sale.
- (\*2) During the nine-month period ended September 30, 2019, POSCO SS VINA Co., Ltd., a subsidiary of the Company, determined to dispose of steel business, and classified the assets as assets held for sale. During the nine-month period ended September 30, 2019, ₩37,547 million, the difference between the fair value less costs of disposal and the book value of the related business, was recognized as an impairment loss on assets held for sale.
- (\*3) During the nine-month period ended September 30, 2019, POSCO ICT, a subsidiary of the Company, determined to spin electric car business off into ChargeEV Inc., and classified the new Company as assets and liabilities held for sale.
- (\*4) During the year ended December 31, 2018, DAESAN (CAMBODIA) Co., Ltd., a subsidiary of the Company, determined to dispose of the land and classified the related property, plant and equipment amounting to ₩21,076 million as assets held for sale.
- (\*5) Cash and cash equivalents in the statement of cash flows include cash and cash equivalents that are classified as assets held for sale.

# POSCO and Subsidiaries

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

### 9. Investments in Associates and Joint Ventures

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

(in millions of Won)

Company	September 30, 2019			December 31, 2018	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
<b>[Domestic]</b>					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,713,975,892	31.27	₩ 178,787	₩ 173,373	174,123
POSPower Co., Ltd.( *1)	4,507,138	34.00	179,410	164,927	161,477
SNNC	18,130,000	49.00	90,650	133,108	116,922
QSONE Co.,Ltd.	200,000	50.00	84,395	85,839	85,550
Chun-cheon Energy Co., Ltd.( *1)	17,308,143	49.10	86,541	60,695	62,478
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	2,008,000	29.53	10,040	17,829	17,382
Daesung Steel( *3)	108,038	17.54	14,000	15,558	15,644
Incheon-Gimpo Expressway Co., Ltd.( *1,3)	9,032,539	18.26	45,163	9,995	13,329
Keystone NO. 1. Private Equity Fund	13,800,000	40.45	13,800	10,770	11,183
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund( *3)	6,485	12.50	6,485	5,842	5,739
KONES, Corp.	3,250,000	41.67	6,893	2,393	2,849
Others (51 companies)( *1)				130,733	123,734
				811,062	790,410
<b>[Foreign]</b>					
AES-VCM Mong Duong Power Company Limited( *2)		30.00	164,303	173,488	209,936
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	135,899	222,519	179,459
7623704 Canada Inc.( *3)	114,452,000	10.40	124,341	137,306	126,885
Eureka Moly LLC		20.00	240,123	88,539	82,447
AMCI (WA) PTY LTD	49	49.00	209,664	69,987	71,086
Nickel Mining Company SAS	3,234,698	49.00	157,585	34,144	41,712
KOREA LNG LTD.	2,400	20.00	135,205	48,328	43,554
NCR LLC		29.40	46,168	46,118	37,602
ZHEJIANG HUAYOU-POSCO ESMCO., LTD	134,400,000	40.00	22,423	22,727	-
PT. Batutua Tembaga Raya	128,285	22.00	21,824	18,722	20,479
PT. Wampu Electric Power( *1)	8,708,400	20.00	10,054	14,448	14,120
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,456	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	6,797	6,478
Others (27 companies)( *1)				123,781	99,728
				1,022,360	948,282
				₩ 1,833,422	1,738,692

(\*1) As of September 30, 2019 and December 31, 2018, investments in associates amounting to ₩284,132 million and ₩285,066 million, respectively, are provided as collateral in relation to the associates' borrowings.

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

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

# POSCO and Subsidiaries

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

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

Company	September 30, 2019				December 31, 2018
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
<b>[Domestic]</b>					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 188,166	180,192
Others (8 companies)				11,597	9,124
				<u>199,763</u>	<u>189,316</u>
<b>[Foreign]</b>					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,181,299	1,041,600
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	390,548	363,506
KOBRASCO	2,010,719,185	50.00	32,950	108,503	133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		25.00	61,961	90,168	88,391
DMSA/AMSA(*1)		4.00	341,153	32,522	26,709
CSP - Companhia Siderurgica do Pecem	1,221,586,532	20.00	594,173	-	24,832
Others (12 companies)				43,586	43,508
				<u>1,846,626</u>	<u>1,721,995</u>
				₩ <u>2,046,389</u>	<u>1,911,311</u>

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

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

1) For the nine-month period ended September 30, 2019

(in millions of Won)

	December 31, 2018						September 30, 2019
Company	Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*1)		Book value
<b>[Domestic]</b>							
EOP POSCO Global NO1 Natural Resources	₩						
Private Equity Fund	174,123	-	-	(750)	-		173,373
POSPower Co., Ltd	161,477	-	-	(3,886)	7,336		164,927
SNNC	116,922	-	(1,450)	17,636	-		133,108
QSONE Co.,Ltd.	85,550	-	(950)	1,239	-		85,839
Chun-cheon Energy Co., Ltd	62,478	6,050	-	(7,833)	-		60,695
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	17,382	-	-	447	-		17,829
Daesung Steel	15,644	-	-	(86)	-		15,558
Incheon-Gimpo Expressway Co., Ltd.	13,329	-	-	(3,334)	-		9,995
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	11,183	-	-	(413)	-		10,770
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	5,739	-	-	103	-		5,842
KONES, Corp.	2,849	-	-	(456)	-		2,393
POSCO MITSUBISHI CARBON TECHNOLOGY	180,192	-	(16,369)	24,343	-		188,166
Others (59 companies)	132,858	31,247	(1,063)	(4,098)	(16,614)		142,330
	979,726	37,297	(19,832)	22,912	(9,278)		1,010,825
<b>[Foreign]</b>							
AES-VCN Mong Duong Power Company Limited	209,936	-	(18,099)	14,247	(32,596)		173,488
South-East Asia Gas Pipeline Company Ltd.	179,459	-	(24,267)	52,032	15,295		222,519
7623704 Canada Inc.	126,885	-	(9,902)	10,642	9,681		137,306
Eureka Moly LLC	82,447	-	-	(42)	6,134		88,539
AMCI (WA) PTY LTD	71,086	-	-	(3,324)	2,225		69,987
Nickel Mining Company SAS	41,712	-	-	(8,764)	1,196		34,144
KOREA LNG LTD.	43,554	-	(10,934)	11,020	4,688		48,328
NCR LLC	37,602	6,029	-	(418)	2,905		46,118
ZHEJIANG HUAYOU-POSCO ESM CO., LTD		22,423	-	58	246		22,727
PT. Batutua Tembaga Raya	20,479	-	-	(2,583)	826		18,722
PT. Wampu Electric Power	14,120	-	-	(656)	984		14,448
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	14,796	-	-	38	622		15,456
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,478	-	-	(65)	384		6,797
Roy Hill Holdings Pty Ltd	1,041,600	-	-	109,354	30,345		1,181,299
POSCO-NPS Niobium LLC	363,506	-	(20,560)	20,204	27,398		390,548
KOBRASCO	133,449	-	(74,716)	49,426	344		108,503
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,391	-	(1,574)	393	2,958		90,168
DMSA/AMSA	26,709	18,557	-	(17,078)	4,334		32,522
CSP - Companhia Siderurgica do Pecem	24,832	35,352	-	(57,647)	(2,537)		
Others (39 companies)	143,236	507	(15,077)	30,448	8,253		167,367
	2,670,277	82,868	(175,129)	207,285	83,685		2,868,986
₩	3,650,003	120,165	(194,961)	230,197	74,407		3,879,811

# POSCO and Subsidiaries

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

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

2) For the year ended December 31, 2018

(in millions of Won)

Company	December 31, 2017 Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2018 Book value
<b>[Domestic]</b>						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,553	-	-	(1,430)	-	174,123
POSPower Co., Ltd	-	176,731	-	(3,198)	(12,056)	161,477
SNNC	110,424	-	-	6,624	(126)	116,922
OSONE Co., Ltd.	85,049	-	(550)	1,051	-	85,550
Chun-cheon Energy Co., Ltd	74,378	-	-	(11,900)	-	62,478
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	17,252	-	-	130	-	17,382
BLUE OCEAN Private Equity Fund	19,620	-	-	(17,930)	(1,690)	-
Daesung Steel	15,500	-	-	144	-	15,644
Incheon-Gimpo Expressway Co., Ltd.	31,660	-	-	(18,331)	-	13,329
Keystone NO. 1. Private Equity Fund	12,379	-	-	(1,295)	99	11,183
UITrans LRT Co., Ltd.	15,841	-	-	(15,841)	-	-
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	6,828	-	-	(1,089)	-	5,739
KONES, Corp.	2,827	-	-	29	(7)	2,849
POSCO MITSUBISHI CARBON TECHNOLOGY	110,760	-	-	69,594	(162)	180,192
Others (52 companies)	73,419	44,629	(784)	18,942	(3,348)	132,858
	751,490	221,360	(1,334)	25,500	(17,290)	979,726
<b>[Foreign]</b>						
AES-VCN Mong Duong Power Company Limited	142,348	-	(26,108)	30,096	63,600	209,936
South-East Asia Gas Pipeline Company Ltd.	197,069	-	(29,301)	17,709	(6,019)	179,459
7623704 Canada Inc.	121,702	-	(4,509)	4,373	5,319	126,885
Eureka Moly LLC	79,398	-	-	(406)	3,455	82,447
AMCI (WA) PTY LTD	63,378	-	-	(3,412)	11,120	71,086
Nickel Mining Company SAS	45,905	-	-	(4,268)	75	41,712
KOREA LNG LTD.	33,422	-	(10,544)	10,542	10,134	43,554
NCR LLC	33,738	2,505	-	(5,909)	7,268	37,602
PT. Batutua Tembaga Raya	21,823	-	-	(1,817)	473	20,479
PT. Wampu Electric Power	13,391	-	-	177	552	14,120
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	15,617	-	-	(735)	(86)	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,517	-	-	23	(62)	6,478
Roy Hill Holdings Pty Ltd	1,125,133	-	-	59,095	(142,628)	1,041,600
POSCO-NPS Niobium LLC	348,836	-	(22,254)	21,536	15,388	363,506
KOBRASCO	108,485	-	(37,710)	75,170	(12,496)	133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,305	-	-	540	(454)	88,391
DMSA/AMSA	56,735	17,973	-	(48,802)	803	26,709
CSP - Companhia Siderurgica do Pecern	146,427	-	-	(109,714)	(11,881)	24,832
Others (42 companies)	158,213	2,771	(22,588)	42,937	(38,097)	143,236
	2,806,442	23,249	(153,014)	87,135	(93,535)	2,670,277
₩	3,557,932	244,609	(154,348)	112,635	(110,825)	3,650,003

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



# POSCO and Subsidiaries

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

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

### 1) September 30, 2019

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
<b>[Domestic]</b>					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 536,062	767	535,295	-	(679)
POSPower Co., Ltd	698,286	181,166	517,120	-	(3,580)
SNNC	668,917	367,101	301,816	528,041	44,349
OSONE Co.,Ltd.	249,689	78,011	171,678	13,025	2,479
Chun-cheon Energy Co., Ltd	618,602	492,798	125,804	242,600	(16,342)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	59,416	29,352	30,064	10,788	1,513
Daesung Steel	171,618	114,307	57,311	66,564	(492)
Incheon-Gimpo Expressway Co., Ltd.	1,023,739	946,887	76,852	37,217	(22,836)
Keystone NO. 1. Private Equity Fund	177,569	145,812	31,757	12,772	(1,022)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	47,657	919	46,738	1,237	823
KONES, Corp.	1,458	1,350	108	2,376	(1,096)
POSCO MITSUBISHI CARBON TECHNOLOGY	563,195	250,323	312,872	181,866	40,579
<b>[Foreign]</b>					
South-East Asia Gas Pipeline Company Ltd.	1,862,074	973,435	888,639	409,650	207,789
7623704 Canada Inc.	1,336,112	3,703	1,332,409	-	102,327
Nickel Mining Company SAS	480,146	358,409	121,737	147,946	(18,612)
ZHEJIANG HUAYOU-POSCO ESMCO., LTD	72,546	15,780	56,766	519	144
KOREA LNG LTD.	241,783	144	241,639	56,689	55,099
PT. Batutua Tembaga Raya	412,522	362,834	49,688	89,677	(11,706)
PT. Wampu Electric Power	227,225	157,984	69,241	12,003	(3,280)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	63,583	12,478	51,105	75,278	111
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	60,536	32,810	27,726	53,189	(274)
Roy Hill Holdings Pty Ltd	11,032,873	6,194,722	4,838,151	3,377,226	1,133,019
POSCO-NPS Niobium LLC	780,893	-	780,893	-	38,842
KOBRASCO	341,121	124,115	217,006	144,703	98,853
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	1,055,458	722,402	333,056	963,076	1,256
DMSA/AMSA	5,878,517	4,375,311	1,503,206	455,396	(426,928)
CSP - Companhia Siderurgica do Pecem	4,044,214	4,318,983	(274,769)	1,294,561	(454,922)

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

2) December 31, 2018

(in millions of Won)

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

# POSCO and Subsidiaries

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

### 10. Joint Operations

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

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

### 11. Investment Property, Net

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

(a) For the nine-month period ended September 30, 2019

(in millions of Won)	Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩ 278,585	-	(247)	(562)	593	278,369
Buildings	571,335	332	(720)	(15,746)	86,684	641,885
Structures	1,408	-	-	(470)	181	1,119
Construction-in-progress	77,287	18,719	-	-	(96,006)	-
	₩ 928,615	19,051	(967)	(16,778)	(8,548)	921,373

(\*1) Includes impairment loss on investment property amounting to ₩1,004 million.

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

## POSCO and Subsidiaries

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

(b) For the year ended December 31, 2018

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

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

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

## 12. Property, Plant and Equipment, Net

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

(a) For the nine-month period ended September 30, 2019

<i>(in millions of Won)</i>		<b>Beginning</b>	<b>Acquisitions</b>	<b>Business Combination</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Impairment loss(*1)</b>	<b>Others(*2)</b>	<b>Ending</b>
Land	₩	2,548,002	8,840	-	(11,783)	-	-	17,276	2,562,335
Buildings		4,402,452	12,993	50,113	(6,320)	(235,728)	(21,499)	129,474	4,331,485
Structures		2,917,924	11,387	-	(1,040)	(170,080)	(9,615)	85,626	2,834,202
Machinery and equipment		18,518,129	96,753	3,051	(26,669)	(1,674,837)	(152,253)	775,566	17,539,740
Vehicles		31,341	4,553	100	(753)	(11,239)	29	6,340	30,371
Tools		66,164	10,322	187	(482)	(20,832)	(65)	30,182	85,476
Furniture and fixtures		136,287	24,014	7	(1,053)	(27,085)	(137)	7,642	139,675
Lease assets(*3)		137,564	93,329	-	(12,700)	(109,512)	-	681,355	790,036
Bearer plants		80,771	-	-	-	(4,193)	-	43,257	119,835
Construction-in-progress		1,179,639	1,493,867	367	(7,741)	-	(10,150)	(754,339)	1,901,643
	₩	<u>30,018,273</u>	<u>1,756,058</u>	<u>53,825</u>	<u>(68,541)</u>	<u>(2,253,506)</u>	<u>(193,690)</u>	<u>1,022,379</u>	<u>30,334,798</u>

(\*1) The controlling company estimated recoverable amount for individual assets such as CEM and Fe-Si factories that ceased operations due to the disposal plan and others by calculating net fair value based on the appraisal value or scrap value and recognized an impairment loss of ₩194,004 million for assets since recoverable amounts are less than their carrying amounts for the nine-month period ended September 30, 2019.

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

(\*3) On the date of initial application of K-IFRS No. 1116 "Leases" (January 1, 2019), recognition of ₩638,395 million of right-of-use assets is included in others.

# POSCO and Subsidiaries

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

(b) For the year ended December 31, 2018

(in millions of Won)

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

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

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

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

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

(\*2) As of December 31, 2018, POSCO ENERGY CO., LTD., a subsidiary, performed the impairment test due to the consecutive operating losses of the fuel cell business, and recognized impairment losses amounting to ₩54,250 million.

## POSCO and Subsidiaries

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

(\*3) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

### 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, 2019 and the year ended December 31, 2018 were as follows:

(a) For the nine-month period ended September 30, 2019

(in millions of Won)

	Beginning	Acquisitions	Business Combination	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,125,149	-	31,557	-	-	-	(721)	1,155,985
Intellectual property rights	2,399,525	96,484	-	(827)	(192,769)	(2,558)	42,705	2,342,560
Premium in rental(*1)	134,793	11,389	-	(7,155)	(1,139)	101	6,379	144,368
Development expense	99,163	2,128	-	-	(32,967)	-	19,026	87,350
Port facilities usage rights	305,081	-	-	-	(17,320)	-	1	287,762
Exploration and evaluation assets	192,130	5,005	-	-	-	(118,143)	(480)	78,512
Customer relationships	421,773	-	-	-	(41,379)	-	5,635	386,029
Other intangible assets	493,211	102,374	117	(4,858)	(31,373)	(4,189)	(16,948)	538,334
	₩ 5,170,825	217,380	31,674	(12,840)	(316,947)	(124,789)	55,597	5,020,900

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

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

(b) For the year ended December 31, 2018

(in millions of Won)

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

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

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

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

# POSCO and Subsidiaries

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

### 14. Other Assets

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

(in millions of Won)

		<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Current</b>			
Advance payments	₩	509,472	539,894
Prepaid expenses		173,747	123,770
Firm commitment asset		17,728	11,246
Emission rights		18,840	-
Others		7,487	9,554
	₩	<u>727,274</u>	<u>684,464</u>
<b>Non-current</b>			
Long-term advance payments	₩	22,009	24,280
Long-term prepaid expenses		43,800	334,918
Others(*1)		249,310	149,566
	₩	<u>315,119</u>	<u>508,764</u>

(\*1) As of September 30, 2019 and December 31, 2018, the Company recognized tax assets amounting to ₩187,197 million and ₩116,693 million based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years tax audits and claim for rectification are finalized.

### 15. Borrowings

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

(in millions of Won)

	<b>Lenders</b>	<b>Interest rate (%)</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Short-term borrowings</b>				
Bank overdrafts	JP Morgan and others	0.7~9.1	₩ 158,227	294,364
Short-term borrowings	HSBC and others	0.2~10.0	6,250,805	7,193,416
			<u>6,409,032</u>	<u>7,487,780</u>
<b>Current portion of long-term liabilities</b>				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.8~8.5	1,079,603	1,234,915
Current portion of debentures	Korea Development Bank and others	2.0~7.7	869,907	1,568,108
Less: Current portion of discount on debentures issued			(467)	(1,184)
			<u>1,949,043</u>	<u>2,801,839</u>
			₩ <u>8,358,075</u>	<u>10,289,619</u>

# POSCO and Subsidiaries

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

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

(in millions of Won)

	Lenders	Interest rate (%)		September 30, 2019	December 31, 2018
Long-term borrowings	Export-Import Bank of Korea and others	0.2~8.8	₩	4,449,764	4,499,199
Less: Present value discount				(27,400)	(30,526)
Debentures	Mirae Asset Daewoo Co., Ltd. and others	1.7~4.3		7,100,440	5,469,580
Less: Discount on debentures issued				(25,997)	(18,602)
			₩	<u>11,496,807</u>	<u>9,919,651</u>

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

(in millions of Won)

	Lenders	Book value	Pledged amount
Cash and cash equivalents	Sinhan Bank and others	₩ 6,612	6,612
Property, plant and equipment and Investment property	Korea Development Bank and others	4,518,179	5,127,519
Trade accounts and notes receivable	Korea Development Bank and others	113,771	113,771
Inventories	Export-Import Bank of Korea and others	188,142	78,591
Financial instruments	Woori Bank and others	45,784	45,784
		₩ <u>4,872,488</u>	<u>5,372,277</u>

## 16. Other Payables

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

(in millions of Won)

		September 30, 2019	December 31, 2018
<b>Current</b>			
Accounts payable	₩	867,098	783,562
Accrued expenses		722,060	720,773
Dividend payable		3,513	8,673
Lease liabilities(*1)		139,989	10,152
Withholdings		158,276	196,937
	₩	<u>1,890,936</u>	<u>1,720,097</u>
<b>Non-current</b>			
Accounts payable	₩	2,890	1,624
Accrued expenses		3,583	19,021
Lease liabilities(*1)		558,237	84,602
Long-term withholdings		53,398	43,621
	₩	<u>618,108</u>	<u>148,868</u>

(\*1) As of September 30, 2019, the Company recognized lease liabilities of ₩604,620 million on initial application of K-IFRS No.1116 "Leases".



## POSCO and Subsidiaries

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

#### 17. Other Financial Liabilities

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

(in millions of Won)

		<u>September 30, 2019</u>	<u>December 31, 2018</u>
<b>Current</b>			
Derivative liabilities	₩	56,276	27,328
Financial guarantee liabilities		47,953	50,472
	₩	<u>104,229</u>	<u>77,800</u>
<b>Non-current</b>			
Derivative liabilities	₩	8,541	46,429
Financial guarantee liabilities		9,613	17,733
	₩	<u>18,154</u>	<u>64,162</u>

#### 18. Provisions

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

(in millions of Won)

		<u>September 30, 2019</u>		<u>December 31, 2018</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Provision for bonus payments	₩	49,210	47,325	46,514	26,964
Provision for construction warranties		9,460	155,309	11,842	130,391
Provision for legal contingencies and claims(*1)		10,085	67,267	16,981	94,169
Provision for the restoration(*2)		5,447	96,517	9,379	79,789
Others(*3)		<u>187,883</u>	<u>136,326</u>	<u>216,564</u>	<u>99,723</u>
	₩	<u>262,085</u>	<u>502,744</u>	<u>301,280</u>	<u>431,036</u>

(\*1) The Company recognized probable outflow of resources amounting to ₩46,816 million and ₩50,888 million as provisions in relation to lawsuits against the Company as of September 30, 2019 and December 31, 2018, respectively.

(\*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩24,840 million as provisions for restoration as of September 30, 2019. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 1.67~1.73% to measure present value of these costs.

(\*3) As of September 30, 2019 and December 31, 2018, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩212,344 million and ₩200,407 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

## POSCO and Subsidiaries

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

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

1) For the nine-month period ended September 30, 2019

<i>(in millions of Won)</i>		<b>Beginning</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Others(*1)</b>	<b>Ending</b>
Provision for bonus payments	₩	73,478	60,151	(51,199)	(3,408)	17,513	96,535
Provision for construction warranties		142,233	41,198	(17,194)	(1,385)	(83)	164,769
Provision for legal contingencies and claims		111,150	11,445	(32,872)	(16,060)	3,689	77,352
Provision for the restoration		89,168	23,532	(11,369)	(2,240)	2,873	101,964
Others		316,287	102,355	(32,659)	(60,737)	(1,037)	324,209
	₩	<u>732,316</u>	<u>238,681</u>	<u>(145,293)</u>	<u>(83,830)</u>	<u>22,955</u>	<u>764,829</u>

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

2) For the year ended December 31, 2018

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

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

## 19. Employee Benefits

(a) Defined contribution plans

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

<i>(in millions of Won)</i>		<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Expense related to post-employment benefit plans under defined contribution plans	₩	11,469	12,198	35,527	32,783

# POSCO and Subsidiaries

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

### (b) Defined benefit plan

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

<i>(in millions of Won)</i>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Present value of funded obligations	₩ 2,253,831	2,117,829
Fair value of plan assets(*1)	(1,960,174)	(1,997,717)
Present value of non-funded obligations	23,168	19,332
Net defined benefit liabilities	₩ <u>316,825</u>	<u>139,444</u>

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

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

<i>(in millions of Won)</i>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Defined benefit obligation		
at the beginning of period	₩ 2,137,161	1,843,135
Current service costs	173,669	212,323
Interest costs	38,700	54,950
Remeasurements	33,381	212,678
Benefits paid	(113,214)	(189,165)
Others	7,302	3,240
Defined benefit obligation at the end of period	₩ <u>2,276,999</u>	<u>2,137,161</u>

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

<i>(in millions of Won)</i>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Fair value of plan assets		
at the beginning of period	₩ 1,997,717	1,714,166
Interest on plan assets	36,297	50,784
Remeasurement of plan assets	(7,127)	(19,761)
Contributions to plan assets	18,687	408,326
Benefits paid	(90,378)	(163,112)
Others	4,978	7,314
Fair value of plan assets at the end of period	₩ <u>1,960,174</u>	<u>1,997,717</u>

# POSCO and Subsidiaries

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

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
(in millions of Won)				
Current service costs	₩ 58,679	51,625	173,669	158,462
Net interest costs	168	938	2,403	2,723
	₩ 58,847	52,563	176,072	161,185

## 20. Other Liabilities

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

	September 30, 2019	December 31, 2018
(in millions of Won)		
<b>Current</b>		
Due to customers for contract work	₩ 587,391	709,180
Advances received	762,865	567,375
Unearned revenue	59,873	49,805
Withholdings	291,200	233,981
Firm commitment liability	15,103	24,373
Others	14,927	10,174
	₩ 1,731,359	1,594,888
<b>Non-current</b>		
Unearned revenue	₩ 32,993	42,992
Others	58,978	84,369
	₩ 91,971	127,361

# POSCO and Subsidiaries

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

### 21. Financial Instruments

#### (a) Classification and fair value of financial instruments

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

#### ① September 30, 2019

		Fair value			
(in millions of Won)	Book value	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Fair value through profit or loss					
Derivative assets	₩ 179,741	-	179,741	-	179,741
Short-term financial instruments	5,841,845	-	5,841,845	-	5,841,845
Debt securities	28,939	-	-	28,939	28,939
Other securities	334,717	4,139	73	330,505	334,717
Other receivables	2,000	-	-	2,000	2,000
Derivative hedging instruments(*2)	9,295	-	9,295	-	9,295
Fair value through other comprehensive income					
Equity securities	1,134,473	770,003	-	364,470	1,134,473
Debt securities	5,728	-	-	5,728	5,728
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	2,831,727	-	-	-	-
Trade accounts and notes receivable	8,954,884	-	-	-	-
Other receivables	2,167,500	-	-	-	-
Debt securities	314,552	-	-	-	-
Deposit instruments	1,749,078	-	-	-	-
	₩ 23,554,479	774,142	6,030,954	731,642	7,536,738
<b>Financial liabilities</b>					
Fair value through profit or loss					
Derivative liabilities	₩ 56,038	-	56,038	-	56,038
Derivative hedging instruments(*2)	8,779	-	8,779	-	8,779
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	3,731,888	-	-	-	-
Borrowings	19,854,882	-	20,151,073	-	20,151,073
Financial guarantee liabilities	57,566	-	-	-	-
Others	2,094,078	-	-	-	-
	₩ 25,803,231	-	20,215,890	-	20,215,890

- (\*1) Fair value of financial assets and liabilities measured at amortized cost except borrowings approximates carrying amounts.
- (\*2) The Company applies hedge accounting which uses forward contracts as hedging instrument in order to hedge the risk of changes in fair value of product prices regarding firm commitments or purchase commitments. Also, the Company applies cash flow accounting which uses currency swap as hedging instrument in order to hedge the risk of changes in foreign currency which influences cash flow from borrowings.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued

### As of September 30, 2019

#### (Unaudited)

#### ② December 31, 2018

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

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

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

#### ① For the nine-month period ended September 30, 2019

(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	₩	105,893	(8,395)	-	9,931	630	108,059	-
Derivatives assets		-	203,729	-	143,072	-	346,801	-
Financial assets at fair value through other comprehensive income		-	-	-	-	66,041	66,041	(63,708)
Financial assets measured at amortized cost		122,398	-	528,105	(29,504)	(309)	620,690	-
Derivatives liabilities		-	(24,038)	-	(180,061)	-	(204,099)	(81)
Financial liabilities measured at amortized cost		(571,024)	-	(569,715)	(2,431)	(17,175)	(1,160,345)	-
	₩	(342,733)	171,296	(41,610)	(58,993)	49,187	(222,853)	(63,789)

#### ② 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)	41,586	(487,743)	(24,628)

# POSCO and Subsidiaries

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

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

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

(in millions of Won)

		Finance income and costs					Other comprehensive income(loss)
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	
Financial assets at fair value through profit or loss	₩	37,796	(7,023)	-	3,507	-	-
Derivatives assets		-	95,751	-	60,483	-	-
Financial assets at fair value through other comprehensive income		-	-	-	-	15,293	(81,552)
Financial assets measured at amortized cost		36,518	-	242,400	(10,264)	(94)	-
Derivatives liabilities		-	(21,193)	-	(69,027)	-	19
Financial liabilities measured at amortized cost		(179,820)	-	(285,364)	-	(8,167)	-
	₩	(105,506)	67,535	(42,964)	(15,301)	7,032	(81,533)

② 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	
Financial assets at fair value through profit or loss	₩	36,393	(326)	-	(80)	-	-
Derivatives assets		-	(23,933)	-	73,656	-	-
Financial assets at fair value through other comprehensive income		-	-	-	-	5,931	36,687
Financial assets measured at amortized cost		43,988	-	(112,913)	(8,881)	(90)	-
Derivatives liabilities		-	(14,084)	-	(54,253)	-	64
Financial liabilities measured at amortized cost		(195,894)	-	10,019	-	(10,593)	-
	₩	(115,513)	(38,343)	(102,894)	10,442	(4,752)	36,751

### (b) Financial risk management

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

# POSCO and Subsidiaries

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

### 22. Share Capital and Capital Surplus

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

<i>(Share, in Won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
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, 2019, total number of ADRs of 35,339,236 outstanding in overseas stock market are equivalent to 8,834,809 shares of common stock.

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

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

<i>(in millions of Won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	796,623	784,047
Other capital surplus	110,782	162,679
	₩ 1,371,230	1,410,551

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

<i>(Share, in Won)</i>	<b>Redeemable Convertible Preferred Shares</b>
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 equity because the issuer has a redemption right and can control the circumstances in which the entity can settle a variable quantity of equity instruments.



## POSCO and Subsidiaries

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

#### 23. Hybrid Bonds

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

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

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

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

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

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

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

## POSCO and Subsidiaries

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

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

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

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

## 24. Reserves

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

(in millions of Won)		September 30, 2019	December 31, 2018
Accumulated comprehensive loss of investments in associates and joint ventures	₩	(619,285)	(670,435)
Changes in fair value of equity investments at fair value through other comprehensive income		(338,211)	(295,300)
Foreign currency translation differences		(94,911)	(417,817)
Gains or losses on valuation of derivatives		(429)	(352)
Others		(16,504)	(20,464)
	₩	<u>(1,069,340)</u>	<u>(1,404,368)</u>

## 25. Treasury Shares

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued

### As of September 30, 2019

#### (Unaudited)

## 26. Revenue

### (a) Disaggregation of revenue

- Details of revenue disaggregated by types of revenue and timing of revenue recognition for the nine-month periods ended September 30, 2019 and 2018 were as follows:

#### ① For the nine-month period ended September 30, 2019

(in millions of Won)

		Steel	Trading	Construction	Others	Total
<b>Types of revenue</b>						
Revenue from sales of goods	₩	23,988,855	16,121,940		517,833	40,628,628
Revenue from services		451,076	288,736	37,055	1,718,722	2,495,589
Revenue from construction contract				4,859,983	22,602	4,882,585
Others		37,705	105,798	4,427	169,067	316,997
	₩	24,477,636	16,516,474	4,901,465	2,428,224	48,323,799
<b>Timing of revenue recognition</b>						
Revenue recognized at a point in time	₩	24,026,560	16,227,738	15,859	692,162	40,962,319
Revenue recognized over time		451,076	288,736	4,885,606	1,736,062	7,361,480
	₩	24,477,636	16,516,474	4,901,465	2,428,224	48,323,799

#### ② For the nine-month period ended September 30, 2018

(in millions of Won)

		Steel	Trading	Construction	Others	Total
<b>Types of revenue</b>						
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
	₩	24,443,754	16,697,282	4,932,367	2,282,903	48,356,306
<b>Timing of revenue recognition</b>						
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
	₩	24,443,754	16,697,282	4,932,367	2,282,903	48,356,306

# POSCO and Subsidiaries

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

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

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

(in millions of Won)

	Steel	Trading	Construction	Others	Total
<b>Types of revenue</b>					
Revenue from sales of goods	₩ 8,068,894	5,184,949		176,097	13,429,940
Revenue from services	139,345	92,265	12,487	563,946	808,043
Revenue from construction contract			1,637,441	5,505	1,642,946
Others	14,767	36,896	975	54,659	107,297
	₩ 8,223,006	5,314,110	1,650,903	800,207	15,988,226
<b>Timing of revenue recognition</b>					
Revenue recognized at a point in time	₩ 8,083,661	5,221,845	10,131	230,756	13,546,393
Revenue recognized over time	139,345	92,265	1,640,772	569,451	2,441,833
	₩ 8,223,006	5,314,110	1,650,903	800,207	15,988,226

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

(in millions of Won)

	Steel	Trading	Construction	Others	Total
<b>Types of revenue</b>					
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	14,345	40,025	2,703	73,478	130,551
	₩ 8,165,911	5,741,423	1,757,187	746,205	16,410,726
<b>Timing of revenue recognition</b>					
Revenue recognized at a point in time	₩ 8,010,481	5,572,908	3,870	234,293	13,821,552
Revenue recognized over time	155,430	168,515	1,753,317	511,912	2,589,174
	₩ 8,165,911	5,741,423	1,757,187	746,205	16,410,726

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

(in millions of Won)

	September 30, 2019	December 31, 2018
<b>Receivables</b>		
Account receivables	₩ 8,954,884	8,819,617
<b>Contract assets</b>		
Due from customers for contract work	1,071,556	890,117
<b>Contract liabilities</b>		
Advance received	762,341	592,125
Due to customers for contract work	587,391	709,180
Unearned revenue	92,636	91,872

# POSCO and Subsidiaries

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

### 27. Revenue – Contract Balances

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

(in millions of Won)

		September 30, 2019		December 31, 2018	
		Construction segment	Others	Construction segment	Others
Accumulated cost	₩	27,782,574	251,507	27,860,778	234,092
Accumulated contract profit		2,647,024	44,967	2,266,897	34,815
Accumulated contract loss		(1,120,766)	(2,061)	(792,496)	(12,042)
Accumulated contract revenue		29,308,832	294,413	29,335,179	256,865

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

(in millions of Won)

		September 30, 2019		December 31, 2018	
		Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩	1,105,075	41,311	914,489	48,571
Due to customers for contract work		(556,970)	(30,421)	(676,990)	(32,190)
	₩	548,105	10,890	237,499	16,381

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

(in millions of Won)

		September 30, 2019	December 31, 2018
Construction segment	₩	35,443	31,067
Others		540	1,203
	₩	35,983	32,270

## POSCO and Subsidiaries

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

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

(in millions of Won)

	Changes in estimated total contract costs	Changes in profit (loss) of contract		
		Net income (loss)	Future income (loss)	Total
Construction segment	₩ 443,237	(126,141)	24,911	(101,230)
Others	2,158	13,320	(4,799)	8,521
	₩ 445,395	(112,821)	20,112	(92,709)

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

- (e) Uncertainty of estimates

#### 1) Total contract revenues

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

#### 2) Total contract costs

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

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

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

# POSCO and Subsidiaries

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

### 28. Selling and Administrative Expenses

#### (a) Other administrative expenses

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

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
Wages and salaries	₩ 210,590	191,939	616,453	599,478
Expenses related to post-employment benefits	24,774	15,609	64,844	52,767
Other employee benefits	42,701	40,707	131,822	136,794
Travel	10,250	9,778	31,431	29,872
Depreciation	33,761	22,909	99,381	74,512
Amortization	28,110	28,200	84,912	83,636
Communication	2,517	2,367	7,546	7,310
Electricity expenses	2,480	2,191	6,511	6,372
Taxes and public dues	15,574	13,268	47,430	52,265
Rental	9,420	18,527	30,097	52,907
Repairs	3,107	2,123	9,731	9,990
Entertainment	2,738	2,886	8,379	8,518
Advertising	21,276	21,384	63,241	81,184
Research & development	26,839	32,359	83,521	84,130
Service fees	37,417	36,102	125,005	115,360
Vehicles maintenance	1,685	2,305	5,932	6,487
Industry association fee	1,738	1,288	7,155	7,198
Conference	3,462	3,135	11,272	10,141
Increase to (reversal of) provisions	2,126	(11,267)	4,608	10,679
Others	10,205	10,755	34,118	32,307
	₩ 490,770	446,565	1,473,389	1,461,907

# POSCO and Subsidiaries

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

### (b) Selling expenses

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

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30		
	2019	2018	2019	2018	
Freight and custody expenses(*1)	₩	42,775	43,576	130,312	127,925
Operating expenses for distribution center		2,201	2,673	7,452	7,851
Sales commissions		18,565	17,214	57,164	47,352
Sales advertising		341	1,006	945	2,049
Sales promotion		2,202	3,555	7,217	9,930
Sample		503	458	1,631	1,928
Sales insurance premium		8,208	9,127	24,133	28,307
Contract cost		8,605	6,057	24,684	11,052
Others		4,624	3,760	15,949	10,492
	₩	88,024	87,426	269,487	246,886

(\*1) The Company identified the shipping services included in the contract with customers as a separate performance obligations, and as of December 31, 2018, expenses incurred for the delivery of shipping services had been reclassified from selling expenses to cost of sales. Meanwhile, in order to compare financial statements ended September 30, 2019 to those for the same period ended September 30, 2018, the company reclassified ₩922,276 million of expense of shipping service to cost of sales for the nine-month period ended September 30, 2018. This reclassification does not affect the amount of net assets for the year ended December 31, 2018, and net income for the nine-month period ended September 30, 2018.



# POSCO and Subsidiaries

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

### 29. Finance Income and Costs

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

(in millions of Won)

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2019	2018	2019	2018
<b>Finance income</b>					
Interest income(*1)	₩	74,314	80,381	228,291	237,336
Dividend income		15,293	5,931	66,671	50,167
Gain on foreign currency transactions		258,433	206,390	638,199	531,848
Gain on foreign currency translations		77,820	(156,026)	277,437	177,432
Gain on derivatives transactions		63,843	74,780	148,443	173,231
Gain on valuations of derivatives		97,054	(35,751)	243,923	79,230
Gain on disposals of financial assets at fair value through profit or loss		5,318	71	12,298	6,461
Gain on valuations of financial assets at fair value through profit or loss		9,673	110	11,120	4,377
Others		969	(1,898)	3,212	4,026
	₩	602,717	173,988	1,629,594	1,264,108
<b>Finance costs</b>					
Interest expenses	₩	179,820	195,894	571,024	533,550
Loss on foreign currency transactions		219,368	237,961	534,666	562,853
Loss on foreign currency translations		159,849	(84,703)	422,580	388,186
Loss on derivatives transactions		72,387	55,377	185,432	152,884
Loss on valuation of derivatives		22,496	2,266	64,232	65,160
Loss on disposal of trade accounts and notes receivable		10,264	8,881	29,504	30,677
Loss on disposals of financial assets at fair value through profit or loss		1,810	151	2,367	1,125
Loss on valuations of financial assets at fair value through profit or loss		16,697	436	19,515	4,809
Others		9,231	8,785	23,127	12,607
	₩	691,922	425,048	1,852,447	1,751,851

(\*1) Interest income calculated using the effective interest method for the nine-month periods ended September 30, 2019 and 2018 were ₩122,398 million and ₩131,709 million, respectively.

# POSCO and Subsidiaries

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

### 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, 2019 and 2018 were as follows:

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
<b>Other non-operating income</b>				
Gain on disposals of assets held for sale	₩ -	12,019	8,536	12,123
Gain on disposals of investments				
in subsidiaries, associates and joint ventures	4,929	1,101	20,750	45,500
Gain on disposals of property, plant and equipment	5,567	15,721	21,929	36,811
Gain on disposals of intangible assets	820	9,431	1,346	110,814
Gain on valuation of firm commitment	22,952	12,229	51,920	39,190
Gain on valuation of emission rights	-	-	25,440	-
Gain on disposals of emission rights	11,141	-	11,141	-
Reversal of other provisions	29,120	72	35,291	2,946
Others(*1)	40,384	58,548	95,928	188,822
	₩ 114,913	109,121	272,281	436,206
<b>Other non-operating expenses</b>				
Impairment loss on assets held for sale	₩ 37,597	685	40,943	47,581
Loss on disposals of investments				
in subsidiaries, associates and joint ventures	281	14	5,867	3,419
Loss on disposals of property, plant and equipment	23,826	19,493	61,222	78,565
Impairment losses on property, plant and equipment	45,029	20	194,688	18,890
Impairment losses on intangible assets	124,525	312	125,696	2,075
Loss on valuation of firm commitment	11,704	17,422	30,276	36,117
Idle tangible assets expenses	8,192	2,073	26,619	6,475
Increase to provisions	5,801	7,593	13,172	82,234
Donations	12,935	743	24,129	25,726
Others(*2)	20,317	(76,680)	71,463	117,158
	₩ 290,207	(28,325)	594,075	418,240

(\*1) During the nine-month period ended September 30, 2018, the Company recognized ₩55,306 million of tax refund other than corporate income tax due to the consequences of appeal to tax tribunal and claim for rectification 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.

# POSCO and Subsidiaries

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

### 31. Expenses by Nature

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

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2019	2018	2019	2018
Raw material used, changes in inventories and others	₩	9,417,705	9,648,661	28,674,400	28,327,941
Employee benefits expenses		942,398	806,757	2,688,563	2,572,037
Outsourced processing cost		2,067,057	1,840,462	5,829,808	5,323,868
Electricity expenses		247,474	220,731	726,188	684,153
Depreciation(*1)		746,172	730,641	2,269,280	2,167,285
Amortization		113,214	69,239	316,947	273,674
Freight and custody expenses		353,335	367,035	1,084,969	1,050,201
Sales commissions		18,565	17,214	57,164	47,352
Loss on disposal of property, plant and equipment		23,826	19,493	61,222	78,565
Impairment loss on property, plant and equipment		45,029	20	194,688	18,890
Impairment loss on intangible assets		124,525	312	125,696	2,075
Donations		12,935	743	24,129	25,726
Other expenses		1,142,350	1,145,863	3,586,881	3,961,405
	₩	<u>15,254,585</u>	<u>14,867,171</u>	<u>45,639,935</u>	<u>44,533,172</u>

(\*1) Includes depreciation expense of investment property.

### 32. Income Taxes

The effective tax rates of the Company for the nine-month periods ended September 30, 2019 and 2018 were 34.13% and 29.46%, respectively.

# POSCO and Subsidiaries

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

### 33. Earnings per Share

Basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2019 and 2018 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	
		2019	2018	2019	2018
Profit attribute to controlling interest	₩	430,875,315,211	1,019,525,874,393	1,784,414,381,573	2,558,060,147,314
Interests of hybrid bonds		(1,681,205,479)	(1,681,205,479)	(4,988,794,519)	(16,039,780,819)
Weighted-average number of common shares outstanding (*1)		80,115,641	80,000,982	80,113,124	80,000,428
Basic and diluted earnings per share	₩	5,357	12,723	22,211	31,775

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

(Share)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,071,194)	(7,185,853)	(7,073,711)	(7,186,407)
Weighted-average number of common shares outstanding	80,115,641	80,000,982	80,113,124	80,000,428

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

# POSCO and Subsidiaries

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

### 34. Related Party Transactions

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

1) For the nine-month period ended September 30, 2019

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
<b>Subsidiaries(*3)</b>						
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	5,151	11,110	-	226,604	25	12,064
POSCO COATED & COLOR STEEL Co., Ltd.	354,046	1,942	95	-	13,595	586
POSCO ICT(*4)	2,213	4,990	-	226,456	26,235	131,522
eNtoB Corporation	11	66	231,896	28,678	72	18,443
POSCO CHEMICAL CO., LTD. (Formerly, POSCO CHEMTECH)	289,090	30,298	389,598	12,396	236,114	3,084
POSCO ENERGY CO., LTD.(*5)	147,124	1,252	1,090	-	-	1,672
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	4,426,067	46,572	459,705	-	38,067	4,516
POSCO Thainox Public Company Limited	188,527	13,795	6,706	-	-	3
POSCO America Corporation	232,724	-	-	-	-	1,682
POSCO Canada Ltd.	340	751	245,123	-	-	-
POSCO Asia Co., Ltd.	1,300,580	975	323,203	72	1,484	5,093
Qingdao Pohang Stainless Steel Co., Ltd.	99,757	-	-	-	-	-
POSCO JAPAN Co., Ltd.	1,134,448	36	29,843	3,685	-	2,898
POSCO-VIETNAM Co., Ltd.	222,692	263	-	-	-	37
POSCO MEXICO S.A. DE C.V.	238,357	89	-	-	-	246
POSCO Maharashtra Steel Private Limited	513,467	266	-	-	-	256
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	81,829	1	2,189	-	-	-
POSCO VST CO., LTD.	217,034	-	-	-	-	62
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	285	514,751	-	-	-
Others	685,845	17,396	106,193	19,147	182,202	119,078
	<u>10,139,302</u>	<u>130,087</u>	<u>2,310,392</u>	<u>517,038</u>	<u>497,794</u>	<u>301,242</u>
<b>Associates and joint ventures(*3)</b>						
POSCO PLANTEC Co., Ltd.	412	70	2,009	183,351	12,994	16,430
SNNC	4,121	3,910	420,720	-	-	10
POSCO-SAMSUNG-Slovakia Processing Center	50,894	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	841,866	-	-	-
Others	11,830	107,865	43,088	-	-	-
	<u>67,257</u>	<u>111,845</u>	<u>1,307,683</u>	<u>183,351</u>	<u>12,994</u>	<u>16,440</u>
₩	<u>10,206,559</u>	<u>241,932</u>	<u>3,618,075</u>	<u>700,389</u>	<u>510,788</u>	<u>317,682</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, 2019, the Company provided guarantees to related parties (Note 35).

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

(\*5) During the nine-month period ended September 30, 2019, POSCO ENERGY CO., LTD, subsidiary of the Company, spun off Off-gas power station business sector and it was merged into the Controlling Company. The Controlling Company disposed of LNG terminal business to POSCO ENERGY CO., LTD.

# POSCO and Subsidiaries

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

2) For the nine-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
<b>Subsidiaries</b>						
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	1,972	7,475	-	204,736	24,754	139,216
eNtoB Corporation	9	60	264,079	18,832	217	20,548
POSCO CHEMCAL CO., LTD (Formerly, POSCO CHEMTECH)	302,031	28,457	395,063	17,218	234,193	1,271
POSCO ENERGY CO., LTD.	146,878	1,060	-	-	-	-
POSCO INTERNATIONAL Corporation (Formerly, 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
POSCO-VIETNAMCO., 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
POSCO VST CO., LTD.	225,298	1	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	136	170,716	-	-	-
Others	671,217	36,323	115,059	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>
<b>Associates and joint ventures</b>						
POSCO PLANTEC Co., Ltd.	9,275	144	2,340	119,442	17,299	5,397
SNNC	3,784	799	384,903	-	-	5
POSCO-SAMSUNG-Slovakia 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>

# POSCO and Subsidiaries

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

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

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

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
<b>Subsidiaries</b>						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1,543	21	-	87,255	4	6,831
POSCO COATED & COLOR STEEL Co., Ltd.	120,638	235	95	-	5,911	95
POSCO ICT	704	1	-	77,639	9,180	42,684
eNtoB Corporation	4	6	72,320	11,742	13	5,012
POSCO CHEMICAL CO., LTD. (Formerly, POSCO CHEMTECH)	91,297	5,169	134,299	4,818	79,731	1,074
POSCO ENERGY CO., LTD.	40,522	628	1,090	-	-	1,610
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	1,584,691	-	129,661	-	12,030	1,947
POSCO Thainox Public Company Limited	68,495	120	2,973	-	-	-
POSCO America Corporation	48,207	-	-	-	-	1,643
POSCO Canada Ltd.	-	147	93,231	-	-	-
POSCO Asia Co., Ltd.	438,809	390	74,772	72	497	2,297
Qingdao Pohang Stainless Steel Co., Ltd.	40,347	-	-	-	-	-
POSCO JAPAN Co., Ltd.	378,091	36	8,290	664	-	1,411
POSCO-VIETNAM Co., Ltd.	81,157	82	-	-	-	-
POSCO MEXICO S.A. DE C.V.	84,591	58	-	-	-	241
POSCO Maharashtra Steel Private Limited	179,859	79	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	38,516	1	708	-	-	-
POSCO VST CO., LTD.	80,009	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	105	192,541	-	-	-
Others	260,530	2,836	25,138	8,575	48,620	58,287
	<u>3,538,010</u>	<u>9,914</u>	<u>735,118</u>	<u>190,765</u>	<u>155,986</u>	<u>123,132</u>
<b>Associates and joint ventures</b>						
POSCO PLANTEC Co., Ltd.	229	5	610	72,737	3,668	7,068
SNNC	1,374	530	176,094	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	19,130	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	359,018	-	-	-
Others	4,845	21,828	15,961	-	-	-
	<u>25,578</u>	<u>22,363</u>	<u>551,683</u>	<u>72,737</u>	<u>3,668</u>	<u>7,068</u>
₩	<u>3,563,588</u>	<u>32,277</u>	<u>1,286,801</u>	<u>263,502</u>	<u>159,654</u>	<u>130,200</u>

# POSCO and Subsidiaries

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

2) 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
<b>Subsidiaries</b>						
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 CHEMICAL CO., LTD.						
(Formerly, POSCO CHEMTECH)	101,449	5,376	135,439	1,240	78,643	670
POSCO ENERGY CO., LTD.	50,970	358	-	-	-	-
POSCO INTERNATIONAL Corporation						
(Formerly, 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	-	-	-
POSCO VST CO., LTD.	75,222	1	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	93	70,474	-	-	-
Others	242,439	15,826	69,675	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>
<b>Associates and joint ventures</b>						
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>

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

1) September 30, 2019

(in millions of Won)

	Receivables			Payables		
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others
<b>Subsidiaries</b>						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1	4,813	4,814	-	43,963	437
POSCO COATED & COLOR STEEL Co., Ltd.	62,960	275	63,235	10	-	2,809
POSCO ICT	-	167	167	1,306	62,134	39,846
eNtoB Corporation	-	-	-	4,316	36,982	5
POSCO CHEMICAL CO., LTD.						
(Formerly, POSCO CHEMTECH)	31,109	4,036	35,145	17,932	53,854	19,180
POSCO ENERGY CO., LTD.	1,221	8,792	10,013	-	124,169	4,324
POSCO INTERNATIONAL Corporation						
(Formerly, POSCO DAEWOO Corporation)	593,425	197	593,622	249	2,418	3,949
POSCO Thainox Public Company Limited	41,333	2	41,335	-	-	-
POSCO America Corporation	7,170	-	7,170	-	285	-
POSCO Asia Co., Ltd.	463,308	1,333	464,641	11,811	-	11,811
Qingdao Pohang Stainless Steel Co., Ltd.	30,935	-	30,935	-	-	-
POSCO MEXICO S.A. DE C.V.	115,927	1,260	117,187	-	99	99
POSCO Maharashtra Steel Private Limited	277,304	1,523	278,827	-	-	-
Others(*1)	454,764	48,169	502,933	69,851	35,317	88,212
	<u>2,079,457</u>	<u>70,567</u>	<u>2,150,024</u>	<u>105,475</u>	<u>359,221</u>	<u>158,762</u>
<b>Associates and joint ventures</b>						
POSCO PLANTEC Co., Ltd.	-	2	2	1,299	23,884	-
SNNC	271	71	342	37,679	-	-
Roy Hill Holdings Pty Ltd	-	-	-	53,017	-	-
Others	959	38,350	39,309	355	76	-
	<u>1,230</u>	<u>38,423</u>	<u>39,653</u>	<u>92,350</u>	<u>23,960</u>	<u>-</u>
₩	<u>2,080,687</u>	<u>108,990</u>	<u>2,189,677</u>	<u>197,825</u>	<u>383,181</u>	<u>158,762</u>

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



# POSCO and Subsidiaries

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

### 2) December 31, 2018

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
<b>Subsidiaries</b>							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	57	5,181	5,238	-	52,775	438	53,213
POSCO COATED & COLOR STEEL Co., Ltd.	55,598	317	55,915	-	25	1,194	1,219
POSCO ICT	-	229	229	1,572	112,960	8,717	123,249
eNtoB Corporation	-	-	-	10,860	22,072	11	32,943
POSCO CHEMICAL CO., LTD. (Formerly, POSCO CHEMTECH)	40,258	3,883	44,141	19,911	58,725	19,012	97,648
POSCO ENERGY CO., LTD.	22,163	1,700	23,863	-	-	1,425	1,425
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	437,554	1,056	438,610	161	1,881	5,304	7,346
POSCO Thainox Public Company Limited	71,189	-	71,189	467	71	-	538
POSCO America Corporation	14,338	-	14,338	-	221	-	221
POSCO Asia Co., Ltd.	480,205	1,047	481,252	7,839	-	-	7,839
Qingdao Pohang Stainless Steel Co., Ltd.	52,037	-	52,037	-	-	-	-
POSCO MEXICO S.A. DE C.V.	101,179	218	101,397	-	-	-	-
POSCO Maharashtra Steel Private Limited	390,413	1,428	391,841	-	-	-	-
Others	379,950	54,407	434,357	33,183	36,591	85,745	155,519
	2,044,941	69,466	2,114,407	73,993	285,321	121,846	481,160
<b>Associates and joint ventures</b>							
POSCO PLANTEC Co., Ltd.	249	10	259	3,275	34,803	-	38,078
SNNC	541	61	602	22,188	-	-	22,188
Roy Hill Holdings Pty Ltd	-	-	-	22,997	-	-	22,997
Others	918	910	1,828	217	76	-	293
	1,708	981	2,689	48,677	34,879	-	83,556
₩	2,046,649	70,447	2,117,096	122,670	320,200	121,846	564,716

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

### 1) For the nine-month period ended September 30, 2019

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
<b>Associates and joint ventures</b>				
POSCO PLANTEC Co., Ltd. ₩	10,134	-	34	12,206
New Songdo International City Development, LLC	5,276	4,471	-	18
SNNC	58,663	-	26,910	51,967
Chuncheon Energy Co., Ltd.	1,227	-	-	-
Noeul Green Energy Co., Ltd.	4,906	-	-	1,217
USS-POSCO Industries	2	-	1,710	-
CSP - Companhia Siderurgica do Pecem	90,310	7,419	324,947	26,755
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	25,543	-	32,731	-
LLP POSUK Titanium	-	-	272	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	7	-	2,948	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	8,035	-	-	-
PT. Batutua Tembaga Raya	-	631	31,980	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	22,264	-	263	-
Sebang Steel	-	-	4,862	-
DMSA/AMSA	-	-	50,723	-
South-East Asia Gas Pipeline Company Ltd.	49	37,984	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	67,073	16,369	3,714	1,629
POSPower Co., Ltd.	117,851	-	-	-
TK CHEMICAL CORPORATION	131,016	-	50,766	-
Others	168,928	46,136	22,256	22,151
₩	711,284	113,010	554,116	115,943

# POSCO and Subsidiaries

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

2) 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
<b>Associates and joint ventures</b>				
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, 2019 (Unaudited)

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

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

(in millions of Won)

(in millions of Won)

	Sales and others		Purchase and others		
	Sales	Others	Purchase of material	Others	
<b>Associates and joint ventures</b>					
POSCO PLANTEC Co., Ltd.	₩	4,475	-	13	4,449
New Songdo International City Development, LLC		4,525	-	-	5
SNNC		14,638	-	7,949	20,811
Chuncheon Energy Co., Ltd.		82	-	-	-
Noeul Green Energy Co., Ltd.		1,545	-	-	-
USS-POSCO Industries		-	-	394	-
CSP - Companhia Siderurgica do Pecem		5,712	-	104,405	16,169
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		8,998	-	10,576	
LLP POSUK Titanium		-	-	-	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		4	-	1,140	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd		2,737	-	-	-
PT. Batutua Tembaga Raya		-	136	10,346	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		8,513	-	90	-
Sebang Steel		-	-	-	-
DMSA/AMSA		-	-	20,110	-
South-East Asia Gas Pipeline Company Ltd.		22	28,597	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY		22,424	-	1,094	509
POSPower Co., Ltd.		38,579	-	-	-
TK CHEMICAL CORPORATION		44,029	-	11,312	-
Others		65,503		10,606	13,105
	₩	221,786	36,845	178,035	55,048

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

(in millions of Won)

(in millions of Won)

	Sales and others		Purchase and others		
	Sales	Others	Purchase of material	Others	
<b>Associates and joint ventures</b>					
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, 2019

#### (Unaudited)

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

#### 1) September 30, 2019

(in millions of Won)

(in millions of Won)		Receivables				Payables		
		Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
<b>Associates and joint ventures</b>								
POSCO PLANTEC Co., Ltd.	₩	4,646	-	5	4,651	4,521	341	4,862
New Songdo International City Development, LLC		69,494	-	20,592	90,086	-	-	-
Chuncheon Energy Co., Ltd.		-	4,008	-	4,008	586	-	586
POSPower Co., Ltd.		27,021	-	-	27,021	-	115,836	115,836
Nickel Mining Company SAS		-	61,319	119	61,438	2,456	-	2,456
CSP - Companhia Siderurgica do Pecem		318,709	-	43,387	362,096	27,922	-	27,922
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.		8,489	-	-	8,489	1,470	-	1,470
PT. Batutua Tembaga Raya		-	36,846	592	37,438	9	-	9
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		7,335	1,201	9	8,545	127	-	127
DMSA/AMSA		-	61,457	1,735	63,192	315	-	315
South-East Asia Gas Pipeline Company Ltd.		7	166,009	-	166,016	-	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY		8,094	-	-	8,094	1,024	-	1,024
TK CHEMICAL CORPORATION		39,927	-	-	39,927	2,565	-	2,565
Others		92,491	157,114	13,296	262,901	7,341	4,645	11,986
	₩	576,213	487,954	79,735	1,143,902	48,336	120,822	169,158

#### 2) December 31, 2018

(in millions of Won)

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

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

#### 1) September 30, 2019

(in millions of Won)

		Beginning	Lend	Collect	Others(*2)	Ending
<b>Associates and joint ventures</b>						
UITrans LRT Co., Ltd.	₩	5,695	3,389	-	-	9,084
DMSA/AMSA(*1)		64,297	11,504	-	(14,344)	61,457
South-East Asia Gas Pipeline Company Ltd.		191,107	-	(35,767)	10,669	166,009
PT. Batutua Tembaga Raya		35,100	-	-	1,746	36,846
PT. Tanggamus Electric Power		4,423	-	-	329	4,752
PT. Wampu Electric Power		5,330	-	-	397	5,727
PT. POSMI Steel Indonesia		2,236	-	-	167	2,403
Nickel Mining Company SAS		59,664	-	-	1,655	61,319
KRAKATAU POS-CHEM DONG-SUH CHEMICAL		6,709	-	-	499	7,208
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		3,354	-	(2,236)	83	1,201
POS-SeAH Steel Wire (Thailand) Co., Ltd.		6,709	-	-	499	7,208
AMCI (WA) PTY LTD		90,480	3,408	-	2,838	96,726
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD		5,590	-	-	417	6,007
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD		8,945	-	-	665	9,610
Hyo-chun Co., Ltd.(*3)		-	-	-	2,382	2,382
Chun-cheon Energy Co., Ltd.		-	4,008	-	-	4,008
POS-AUSTEM Suzhou Automotive Co., Ltd		-	5,808	-	199	6,007
	₩	489,639	28,117	(38,003)	8,201	487,954

## POSCO and Subsidiaries

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

(\*1) During the nine-month period ended September 30, 2019, loans amounting to ₩18,557 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

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

#### 2) December 31, 2018

(in millions of Won)

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

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

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

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

(in millions of Won)

	September 30, 2019	September 30, 2018
Short-term benefits	₩ 86,850	86,256
Long-term benefits	11,365	10,922
Retirement benefits	14,031	15,814
	₩ 112,246	112,992

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, 2019

#### (Unaudited)

## 35. Commitments and Contingencies

### (a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2019 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 and others	USD	100,000,000	120,130	100,000,000	120,130
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	176,023	131,874,750	158,421
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	215,694	5,501,000,000	215,694
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	506,853,000	608,883	126,090,900	151,473
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	120,000,000	144,156	120,000,000	144,156
	POSCO SS VINA CO., LTD.	Export-Import Bank of Korea and others	USD	299,941,250	360,319	299,663,928	359,986
	POSCO-VIETNAM Co., Ltd.	SMBC and others	USD	156,000,000	187,403	156,000,000	187,403
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,622,115	1,018,862,376	1,223,961
	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	199,884,500	240,121	196,017,000	235,475
	POSCO INTERNATIONAL POWER (PNG)LAE LIMITED (Formerly, Daewoo Power PNG Ltd.)	Export-Import Bank of Korea	USD	44,200,000	53,097	44,200,000	53,097
	GOLDEN LACE POSCO INTERNATIONAL CO., LTD. (Formerly, GOLDEN LACE DAEWOO COMPANY LIMITED.)	Shinhan Bank and others	USD	11,000,000	13,214	11,000,000	13,214
	POSCO ASSAN TST STEEL INDUSTRY PT. Bio Inti Agrindo	ING and others	USD	14,652,750	17,602	14,652,750	17,602
		Export-Import Bank of Korea and others	USD	135,000,000	162,176	134,072,252	161,061
		KEB Hana bank	IDR	150,000,000,000	12,720	150,000,000,000	12,720
	POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO INTERNATIONAL AMERICA Corp.				10,000,000	12,013
POSCO INTERNATIONAL SINGAPOLE Pte. Ltd..					5,169,948	6,211	
POSCO INTERNATIONAL MEXICO S.A. de C.V.					13,000,000	15,617	
POSCO INTERNATIONAL Japan Corp.		Bank Mendes Gans	USD	50,000,000	60,065	-	-
POSCO INTERNATIONAL Malaysia SDN BHD					-	-	
POSCO INTERNATIONAL Deutschland GmbH					-	-	
POSCO INTERNATIONAL Italia S.R.L.					-	-	
SPH Co., Ltd.		Shinyoung securities	KRW	10,000	10,000	-	-
POSCO E&C Vietnam Co., Ltd.		POSCO Asia Co., Ltd. and others	USD	47,000,000	56,461	47,000,000	56,461
POSCO Engineering and Construction India Private Limited		KEB Hana bank	INR	221,000,000	3,766	157,200,000	2,679
PT.POSCO E&C INDONESIA		POSCO Asia Co., Ltd. and others	USD	10,900,000	13,094	10,900,000	13,094
Daewoo Global Development. Pte., Ltd		SMBC and others	USD	163,633,000	196,572	163,633,000	196,572
HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.		Woori Bank and others	USD	148,000,000	177,792	148,000,000	177,792
SPH Co., Ltd.		Shinyoung securities	KRW	10,000	10,000	-	-
POSCO ICT INDONESIA		POSCO Asia Co., Ltd.	USD	2,700,000	3,244	1,500,000	1,802
PT.Krakatau Posco Chemtech Calcination	POSCO Asia Co., Ltd.	USD	15,200,000	18,260	12,800,000	15,377	
POSCO COATED & COLOR STEEL Co., Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd.	USD	13,986,947	16,803	13,986,947	
POSCO ENERGY CO., LTD	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	232,932	113,149,791	135,927
POSCO Asia Co., Ltd.	POSCO America Corporation	SMBC	USD	70,000,000	84,091	70,000,000	84,091
[Associates and joint ventures]							
POSCO	CSP - Compania Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	392,956,955	472,061	374,990,594	450,476
		BNDES	BRL	464,060,000	134,002	464,060,000	134,002
	LLP POSUK Titanium	SMBC	USD	15,000,000	18,020	15,000,000	18,020
	Nickel Mining Company SAS	SMBC	EUR	46,000,000	60,473	46,000,000	60,473
	GLOBAL KOMSCO Daewoo LLC	KEB Hana Bank	USD	8,225,000	9,881	8,050,000	9,670
	New Songdo International City Development, LLC	Others	KRW	440,000	440,000	438,000	438,000
	UITrans LRT Co., Ltd.	Kookmin Bank and others	KRW	20,740	20,740	6,686	6,686
	Chuncheon Energy Co., Ltd.	Kookmin Bank and others	KRW	12,430	12,430	4,008	4,008
	Pohang E&E Co., Ltd.	Heungkuk Life Insurance Co., Ltd.	KRW	6,500	6,500	-	-
	Incheon-Gimpo Expressway Co, Ltd.	Kookmin Bank and others	KRW	28,940	28,940	-	-
	JB CLARK HILLS	KOREA INVESTMENT&SECURITIES Co., Ltd.	KRW	40,000	40,000	30,000	30,000
	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
	Hyochun Co., Ltd.	Kyobo Securities	KRW	39,575	39,575	39,575	39,575
	KRAKATAU POS-CHEM	KEB Hana Bank	USD	1,140,000	1,369	601,667	723
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	DONG-SUH CHEMICAL						
POSCO(Suzhou) Automotive Processing Center Co.,Ltd.	POS-InfraAuto (Suzhou) Co., Ltd	KDB Bank and others	USD	769,500	924	769,500	924
[Others]							
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	21,818,182	26,210	3,451,287	4,146
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Ecocity CO.,LTD and others	Others	KRW	1,970,478	1,970,478	874,196	874,196
POSCO ICT	BLT Enterprise and others	KEB Hana Bank and others	KRW	1,225,412	1,225,412	1,225,412	1,225,412
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government) and others	Woori Bank and others	AUD	26,525,154	21,551	26,525,154	21,551
			USD	4,239,588,584	5,093,019	3,346,266,742	4,019,870
			INR	221,000,000	3,766	157,200,000	2,679
			IDR	150,000,000,000	12,720	150,000,000,000	12,720
			THB	5,501,000,000	215,694	5,501,000,000	215,694
			KRW	3,980,075	3,980,075	2,793,877	2,793,877
			BRL	464,060,000	134,002	464,060,000	134,002
			EUR	46,000,000	60,473	46,000,000	60,473
			AUD	26,525,154	21,551	26,525,154	21,551

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued

### As of September 30, 2019

#### (Unaudited)

#### (b) Other commitments

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

Company	Description
POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of September 30, 2019, 93 million tons of iron ore and 12 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>The Company has a long-term service contract for the transportation of raw material. As of September 30, 2019, there are 39 vessels under contract, and the average remaining contract period is about 10 years.</p> <p>As of September 30, 2019, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of September 30, 2019, the ending balance of the borrowing amounts to USD 1.02 million.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd., a subsidiary of the Company, under construction of new power plant.</p> <p>POSCO provides a supplementary fund of up to ₩9.8 billion to the Company's subsidiary, Busan E&amp;E Co., Ltd., a subsidiary of the Company, at the request of creditors such as the Korea Development Bank.</p> <p>POSCO has provided a supplemental funding agreement, as requested from the creditors, to push forward Suncheon Bay PRT Business of Suncheon Eco Trans Co., Ltd., subsidiary of the Company. On November 2018, creditors sued the company for subrogation based on a supplemental funding agreement. POSCO recognized the provision based on the estimate of the amount and the possibility of any outflows of resources due to the litigation</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of September 30, 2019, POSCO ENGINEERING &amp; CONSTRUCTION CO., LTD. has foreign currency guarantees of up to USD 2,409 million provided by financial institutions and uses USD 703 million with Woori Bank and others.</p> <p>The Company is responsible for 3 projects, including the development of ParkOne in Yeouido-dong. As of September 30, 2019, the outstanding amount of loans related to the responsible payment arrangement is ₩2,274 billion. If the responsibility is not fulfilled, there are duties such as debt acquisition and liability leases.</p>
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	<p>The company operates a ship-to-ship business in which the ship's owner is elected to the ship's owner. The company has entered into a ship purchase agreement with the shipper, which obliges the shipper to pay the agreed amount at the end of the term of the vessel's contract with the ship's owner and to take over the ownership of the vessel from the ship's owner. In the event that the shipper fails to fulfill its obligation to purchase the vessel, such as payment of the proceeds from the acquisition of the vessel, it is obliged to take over the ship by transferring the ship's contractual obligations and rights. As of September 30, 2019, the amount of the ship purchase agreement signed is USD 208 million.</p>
POSCO ICT	<p>As of September 30, 2019, in relation to contract enforcement, POSCO ICT was provided with ₩92,461 million, ₩3,620 million and ₩305 million guarantees from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively.</p> <p>The Company is responsible for 15 projects, including the construction of Bundang Center. As of September 30, 2019, the outstanding amount of loans related to the responsible completion arrangements is ₩802.7 billion. If the responsibility is not fulfilled, there are duties such as compensation for principal</p>

## POSCO and Subsidiaries

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

#### (c) Litigation in progress

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

The Company is involved in 348 lawsuits, including claim for employee right aggregating to ~~₩~~896.5 billion as defendant as of September 30, 2019, which arise from ordinary course of business. The Company has recognized provisions amounting to ~~₩~~46.8 billion for 87 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for other lawsuits and claims since the Company believes that it does not have a present obligation as of September 30, 2019.

#### (d) Other contingencies

Company	Description
POSCO	POSCO has provided 3 blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings.
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	As of September 30, 2019, POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation) has provided 33 blank promissory notes and 20 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, 2019, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 29 blank checks and 4 blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of <del>₩</del> 10,728,185 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
POSCO ICT	As of September 30, 2019, POSCO ICT has provided 2 blank promissory notes and 6 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.



# POSCO and Subsidiaries

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

### 36. Cash Flows from Operating Activities

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

<i>(in millions of Won)</i>		<b>September 30, 2019</b>	<b>September 30, 2018</b>
Trade accounts and notes receivable	₩	(59,239)	(621,704)
Other receivables		(313,908)	(283,836)
Inventories		20,276	(903,282)
Other current assets		(6,444)	(4,254)
Other non-current assets		40,745	(1,998)
Trade accounts and notes payable		(673,278)	84,133
Other payables		(41,756)	(95,688)
Other current liabilities		254,770	46,774
Provisions		(61,304)	(149,974)
Payments of severance benefits		(113,214)	(166,450)
Plan assets		71,691	54,820
Other non-current liabilities		(33,072)	29,759
	₩	<u>(914,733)</u>	<u>(2,011,700)</u>

### 37. Operating Segments

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

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

## POSCO and Subsidiaries

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

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

1) For the nine-month period ended September 30, 2019

<i>(in millions of Won)</i>		<b>Steel</b>	<b>Trading</b>	<b>Construction</b>	<b>Others</b>	<b>Total</b>
External revenues	₩	24,477,636	16,516,474	4,901,465	2,428,224	48,323,799
Internal revenues		13,312,742	11,876,420	496,770	2,004,097	27,690,029
Inter segment revenue		9,103,854	6,397,294	452,377	1,903,252	17,856,777
Total revenues		37,790,378	28,392,894	5,398,235	4,432,321	76,013,828
Segment profits		1,549,538	169,160	91,376	419,889	2,229,963

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

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

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

<i>(in millions of Won)</i>		<b>September 30, 2019</b>	<b>September 30, 2018</b>
Total profit for reportable segments	₩	2,229,963	2,865,497
Corporate fair value adjustments		(60,575)	(58,545)
Elimination of inter-segment profits		(212,714)	(85,413)
Income tax expense		1,013,999	1,136,869
Profit before income tax expense	₩	2,970,673	3,858,408

### 38. Events after the Reporting Period

- (a) Pursuant to the resolution of the Board of Directors on November 1, 2019, the Company decided to pay interim cash dividends of ₩2,000 per common share (total dividend: ₩160.2 billion).
- (b) On October 16, 2019, the Company issued unguaranteed Korea won bond 310-1, 310-2 and 310-3 with par value of ₩610,000 million, ₩190,000 million and ₩200,000 million, respectively. Maturity of the bonds is October 14, 2022 and October 16, 2024 and October 16, 2029, respectively. Also, the Company issued a non-guaranteed senior dollar bond with par value of USD 500 million on November 12, 2019. Maturity of the bond is November 12, 2022.