

POSCO
and Subsidiaries
Consolidated Financial Statements
December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Opinion

We have audited the consolidated financial statements of POSCO and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Assessment of goodwill impairment in the POSCO INTERNATIONAL Corporation cash generating unit

As described in note 15 to the consolidated financial statements, goodwill amounted to ₩903,893 million as of December 31, 2020, which includes goodwill allocated to the cash generating unit ("CGU") of POSCO INTERNATIONAL Corporation in the amount of ₩762,816 million. The Company recognized impairment loss on goodwill allocated to the CGU of POSCO INTERNATIONAL Corporation of ₩188,619 million during the year ended December 31, 2020.

As described in note 15(c) to the consolidated financial statements, the Company performed goodwill impairment test for POSCO INTERNATIONAL Corporation CGU by estimating its value-in-use. In estimating the value-in-use, management's judgment is involved in determining the key assumptions such as discount rate, terminal growth rate and estimated sales that have significant impacts on the estimated value-in-use. Considering significant degree of judgment in estimating value-in-use and the likelihood of existence of management bias, we identified assessment of goodwill impairment related to POSCO INTERNATIONAL Corporation CGU as a key audit matter.

The primary procedures we performed to address this key audit matter included the following:

- Testing certain internal controls over the Company's goodwill impairment assessment process;
- Evaluating the key assumptions (including estimated sales) used to determine the value-in-use by comparison with the latest financial budgets approved by the Board of Directors, historical performance and industry reports;
- Comparing the future cash flows forecasts prepared in prior year with the current year's performance to assess the Company's ability to accurately forecast;
- Performing sensitivity analysis on the discount rate, terminal growth rate and estimated sales applied to assess the impact of changes in these key assumptions on the results of management's impairment assessment;
- Assessing the qualification and objectivity of the external institution engaged by the Company to assess the value-in-use of the POSCO INTERNATIONAL Corporation CGU;
- Engaging our valuation specialists to assist us in evaluating the discount rate used in the valuation by comparing it against a discount rate that was independently developed using observable information for comparable entities; and
- Engaging our valuation specialists to assist us in evaluating estimated sales and terminal growth rate by comparing them with observable information for comparable entities.

(b) Estimation of percentage-of-completion by the input method

As described in notes 3 (“Construction work in progress” and “Revenue from contracts with customers”), 28 and 29 to the consolidated financial statements, revenue from construction contract amounted to ₩6,551,564 million, which was approximately 11% of consolidated sales for the year ended December 31, 2020. In connection with the Company’s production-to-order revenue transactions, when the outcome of a construction contract can be estimated reliably, the Company recognizes contract revenues and contract costs over time based on the percentage-of-completion method. The percentage-of-completion is calculated based on the ratio of contract costs incurred for work performed to date excluding costs incurred that do not contribute to the progress in satisfying the Company’s performance obligation.

Construction contracts generally have a long-term duration, and the total contract costs are estimated based on estimated future expenditures for materials, labor, outsourced services and others which are expected to be incurred during the construction period. Considering the impact on revenue recognition from the uncertainty in connection with the long-term contracts and changes in estimated costs, we identified estimation of percentage-of-completion by the input method as a key audit matter.

The primary procedures we performed to address this key audit matter included the following:

- Inspecting the documents prepared by the person in charge of construction field regarding rationale, reliability and the results of the estimated total contract costs for major construction projects;
- Inquiring the person in charge of construction field and inspecting documents as to the cause of significant changes in total contract cost for contracts with such changes;
- Inquiring the person in charge of construction field and inspecting documents as to the cause of significant differences between estimated total cost and the actual total cost for completed projects;
- For selected samples, assessing the timing and whether contract costs incurred that are used for calculation of percentage-of-completion have excluded costs incurred that do not contribute to the progress in satisfying the Company’s performance obligation through inspection of supporting documentation; and
- Inspecting documents as to the cause of slow progress in the percentage-of-completion compared to the time elapsed of the major construction projects.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either

intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Se Hong Choi.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 4, 2021

This report is effective as of March 4, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any

POSCO and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

| <i>(in millions of Won)</i> | <u>Notes</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|---------------|--------------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | 4,5,23 | ₩ 4,754,644 | 3,514,872 |
| Trade accounts and notes receivable, net | 6,17,23,29,37 | 8,120,619 | 9,078,351 |
| Other receivables, net | 7,23,37 | 1,494,239 | 1,581,517 |
| Other short-term financial assets | 8,23 | 11,709,209 | 8,996,049 |
| Inventories | 9 | 9,051,790 | 10,920,320 |
| Current income tax assets | 35 | 49,481 | 45,930 |
| Assets held for sale | 10 | 34,210 | 74,158 |
| Other current assets | 16 | <u>616,623</u> | <u>631,177</u> |
| Total current assets | | <u>35,830,815</u> | <u>34,842,374</u> |
| Long-term trade accounts and notes receivable, net | 6,23 | 86,423 | 198,785 |
| Other receivables, net | 7,23,37 | 1,195,962 | 1,140,879 |
| Other long-term financial assets | 8,23 | 1,561,807 | 1,669,389 |
| Investments in associates and joint ventures | 11 | 3,876,249 | 3,927,755 |
| Investment property, net | 13 | 994,781 | 878,227 |
| Property, plant and equipment, net | 14,33 | 29,400,141 | 29,925,973 |
| Goodwill and other Intangible assets, net | 15,33 | 4,449,432 | 4,908,473 |
| Defined benefit assets, net | 21 | 86,149 | 4,280 |
| Deferred tax assets | 35 | 1,335,154 | 1,237,285 |
| Other non-current assets | 16 | <u>270,060</u> | <u>325,241</u> |
| Total non-current assets | | <u>43,256,158</u> | <u>44,216,287</u> |
| Total assets | | <u>₩ 79,086,973</u> | <u>79,058,661</u> |

See accompanying notes to the consolidated financial statements

POSCO and Subsidiaries
Consolidated Statements of Financial Position, Continued
As of December 31, 2020 and 2019

| <i>(in millions of Won)</i> | Notes | December 31, 2020 | December 31, 2019 |
|---|--------------|------------------------------|------------------------------|
| Liabilities | | | |
| Trade accounts and notes payable | 23,37 | ₩ 3,755,513 | 3,422,922 |
| Short-term borrowings and current installments of long-term borrowings | 4,17,23 | 8,677,529 | 8,548,212 |
| Other payables | 18,23 | 1,845,266 | 1,879,508 |
| Other short-term financial liabilities | 19,23,37 | 141,404 | 77,827 |
| Current income tax liabilities | 35 | 366,476 | 396,616 |
| Liabilities directly associated with the assets held for sale | | 25 | 8 |
| Provisions | 20 | 443,273 | 360,495 |
| Other current liabilities | 22,29 | <u>1,625,482</u> | <u>1,638,102</u> |
| Total current liabilities | | <u>16,854,968</u> | <u>16,323,690</u> |
| Long-term trade accounts and notes payable | 23,37 | 22,323 | 20,067 |
| Long-term borrowings, excluding current installments | 4,17,23 | 11,820,078 | 11,893,401 |
| Other payables | 18,23 | 558,924 | 585,129 |
| Other long-term financial liabilities | 19,23 | 133,588 | 31,494 |
| Defined benefit liabilities, net | 21 | 141,785 | 181,011 |
| Deferred tax liabilities | 35 | 1,320,726 | 1,691,498 |
| Long-term provisions | 20 | 522,969 | 458,154 |
| Other non-current liabilities | 22 | <u>37,020</u> | <u>79,510</u> |
| Total non-current liabilities | | <u>14,557,413</u> | <u>14,940,264</u> |
| Total liabilities | | <u>31,412,381</u> | <u>31,263,954</u> |
| Equity | | | |
| Share capital | 24 | 482,403 | 482,403 |
| Capital surplus | 24 | 1,310,547 | 1,376,251 |
| Hybrid bonds | 25 | 199,384 | 199,384 |
| Reserves | 26 | (1,380,918) | (1,157,980) |
| Treasury shares | 27 | (2,391,523) | (1,508,303) |
| Retained earnings | | <u>46,111,457</u> | <u>45,080,117</u> |
| Equity attributable to owners of the controlling company | | 44,331,350 | 44,471,872 |
| Non-controlling interests | 25 | <u>3,343,242</u> | <u>3,322,835</u> |
| Total equity | | <u>47,674,592</u> | <u>47,794,707</u> |
| Total liabilities and equity | | <u>₩ 79,086,973</u> | <u>79,058,661</u> |

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019

| <i>(in millions of Won, except per share information)</i> | Notes | 2020 | 2019 |
|--|--------------|--------------|--------------|
| Revenue | 28,29,37 | ₩ 57,792,796 | 64,366,848 |
| Cost of sales | 29,31,34,37 | (53,072,390) | (58,116,495) |
| Gross profit | | 4,720,406 | 6,250,353 |
| Selling and administrative expenses | 30,34 | | |
| Reversal of (impairment loss) on trade accounts and notes receivable | 23 | (829) | 28,105 |
| Other administrative expenses | 31 | (1,939,602) | (2,041,286) |
| Selling expenses | | (376,940) | (368,318) |
| Operating profit | | 2,403,035 | 3,868,854 |
| Share of profit of equity-accounted investees, net | 11 | 133,297 | 273,741 |
| Finance income and costs | 23,32 | | |
| Finance income | | 2,677,499 | 1,872,143 |
| Finance costs | | (2,892,402) | (2,242,063) |
| Other non-operating income and expenses | 33 | | |
| Impairment loss on other receivables | 23 | (53,105) | (80,323) |
| Other non-operating income | | 402,336 | 450,891 |
| Other non-operating expenses | 34 | (645,574) | (1,089,965) |
| Profit before income tax | | 2,025,086 | 3,053,278 |
| Income tax expense | 35 | (236,934) | (1,070,641) |
| Profit | | 1,788,152 | 1,982,637 |
| Other comprehensive income (loss) | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of defined benefit plans | 21 | 36,575 | (117,152) |
| Net changes in fair value of equity investments at fair value through other comprehensive income | 23 | (77,627) | (10,541) |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Capital adjustment arising from investments in equity-accounted investees | | (28,609) | 66,134 |
| Foreign currency translation differences | | (147,956) | 208,117 |
| Gains or losses on valuation of derivatives | 23 | (331) | (90) |
| Other comprehensive income (loss), net of tax | | (217,948) | 146,468 |
| Total comprehensive income | | ₩ 1,570,204 | 2,129,105 |
| Profit attributable to: | | | |
| Owners of the controlling company | | ₩ 1,602,148 | 1,835,087 |
| Non-controlling interests | | 186,004 | 147,550 |
| Profit | | ₩ 1,788,152 | 1,982,637 |
| Total comprehensive income attributable to: | | | |
| Owners of the controlling company | | ₩ 1,415,132 | 1,997,731 |
| Non-controlling interests | | 155,072 | 131,374 |
| Total comprehensive income | | ₩ 1,570,204 | 2,129,105 |
| Basic and diluted earnings per share (in Won) | 36 | 20,165 | 22,823 |

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(in millions of Won)

| | Attributable to owners of the controlling company | | | | | | Subtotal | Non-controlling interests | Total |
|--|---|-----------------|--------------|-------------|-----------------|-------------------|------------|---------------------------|-------------|
| | Share capital | Capital surplus | Hybrid bonds | Reserves | Treasury shares | Retained earnings | | | |
| Balance as of January 1, 2019 | ₩ 482,403 | 1,410,551 | 199,384 | (1,404,368) | (1,532,728) | 44,216,018 | 43,371,260 | 3,388,291 | 46,759,551 |
| Comprehensive income: | | | | | | | | | |
| Profit | - | - | - | - | - | 1,835,087 | 1,835,087 | 147,550 | 1,982,637 |
| Other comprehensive income (loss) | | | | | | | | | |
| Remeasurements of defined benefit plans, net of tax | - | - | - | - | - | (100,218) | (100,218) | (16,934) | (117,152) |
| Capital adjustment arising from investments in equity-accounted investees, net of tax | - | - | - | 58,308 | - | - | 58,308 | 7,826 | 66,134 |
| Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax | - | - | - | 10,228 | - | (20,769) | (10,541) | - | (10,541) |
| Foreign currency translation differences, net of tax | - | - | - | 215,181 | - | - | 215,181 | (7,064) | 208,117 |
| Gain or losses on valuation of derivatives, net of tax | - | - | - | (86) | - | - | (86) | (4) | (90) |
| Total comprehensive income | - | - | - | 283,631 | - | 1,714,100 | 1,997,731 | 131,374 | 2,129,105 |
| Transactions with owners of the controlling company, recognized directly in equity: | | | | | | | | | |
| Year-end dividends | - | - | - | - | - | (400,006) | (400,006) | (60,274) | (460,280) |
| Interim dividends | - | - | - | - | - | (480,694) | (480,694) | - | (480,694) |
| Changes in subsidiaries | - | - | - | - | - | - | - | 1,281 | 1,281 |
| Changes in ownership interests in subsidiaries | - | (48,538) | - | - | - | - | (48,538) | (128,587) | (177,125) |
| Interest of hybrid bonds | - | - | - | - | - | (9,200) | (9,200) | (7,294) | (16,494) |
| Disposal of treasury shares | - | 12,576 | - | - | 24,425 | - | 37,001 | - | 37,001 |
| Others | - | 1,662 | - | (37,243) | - | 39,899 | 4,318 | (1,956) | 2,362 |
| Total transactions with owners of the controlling company | - | (34,300) | - | (37,243) | 24,425 | (850,001) | (897,119) | (196,830) | (1,093,949) |
| Balance as of December 31, 2019 | ₩ 482,403 | 1,376,251 | 199,384 | (1,157,980) | (1,508,303) | 45,080,117 | 44,471,872 | 3,322,835 | 47,794,707 |

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Changes in Equity, Continued
For the years ended December 31, 2020 and 2019

(in millions of Won)

| | Attributable to owners of the controlling company | | | | | | | Non-controlling interests | Total |
|--|---|-----------------|--------------|-------------|-----------------|-------------------|-------------|---------------------------|-------------|
| | Share capital | Capital surplus | Hybrid bonds | Reserves | Treasury shares | Retained earnings | Subtotal | | |
| Balance as of January 1, 2020 | ₩ 482,403 | 1,376,251 | 199,384 | (1,157,980) | (1,508,303) | 45,080,117 | 44,471,872 | 3,322,835 | 47,794,707 |
| Comprehensive income: | | | | | | | | | |
| Profit | - | - | - | - | - | 1,602,147 | 1,602,147 | 186,005 | 1,788,152 |
| Other comprehensive income (loss) | | | | | | | | | |
| Remeasurements of defined benefit plans, net of tax | - | - | - | - | - | 44,704 | 44,704 | (8,129) | 36,575 |
| Capital adjustment arising from investments in equity-accounted investees, net of tax | - | - | - | (16,760) | - | - | (16,760) | (11,849) | (28,609) |
| Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax | - | - | - | (74,210) | - | (3,417) | (77,627) | - | (77,627) |
| Foreign currency translation differences, net of tax | - | - | - | (137,071) | - | - | (137,071) | (10,885) | (147,956) |
| Gain or losses on valuation of derivatives, net of tax | - | - | - | (261) | - | - | (261) | (70) | (331) |
| Total comprehensive income | - | - | - | (228,302) | - | 1,643,434 | 1,415,132 | 155,072 | 1,570,204 |
| Transactions with owners of the controlling company, recognized directly in equity: | | | | | | | | | |
| Year-end dividends | - | - | - | - | - | (320,462) | (320,462) | (60,517) | (380,979) |
| Interim dividends | - | - | - | - | - | (277,723) | (277,723) | - | (277,723) |
| Changes in subsidiaries | - | - | - | - | - | - | - | 22,303 | 22,303 |
| Changes in ownership interests in subsidiaries | - | (27,716) | - | - | - | - | (27,716) | 162,674 | 134,958 |
| Repayment of redeemable convertible preferred shares | - | (33,581) | - | - | - | - | - | (245,000) | (278,581) |
| Interest of hybrid bonds | - | - | - | - | - | (9,225) | (9,225) | (7,354) | (16,579) |
| Acquisition of treasury shares | - | - | - | - | (883,220) | - | (883,220) | - | (883,220) |
| Others | - | (4,407) | - | 5,364 | - | (4,684) | (3,727) | (6,771) | (10,498) |
| Total transactions with owners of the controlling company | - | (65,704) | - | 5,364 | (883,220) | (612,094) | (1,555,654) | (134,665) | (1,690,319) |
| Balance as of December 31, 2020 | ₩ 482,403 | 1,310,547 | 199,384 | (1,380,918) | (2,391,523) | 46,111,457 | 44,331,350 | 3,343,242 | 47,674,592 |

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

| <i>(in millions of Won)</i> | <u>Notes</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit | ₩ | 1,788,152 | 1,982,637 |
| Adjustments for: | | | |
| Depreciation | | 3,156,181 | 3,029,868 |
| Amortization | | 465,558 | 431,247 |
| Finance income | | (1,185,934) | (855,382) |
| Finance costs | | 1,390,983 | 1,197,705 |
| Income tax expense | | 236,934 | 1,070,641 |
| Impairment loss on property, plant and equipment | | 27,040 | 442,700 |
| Gain on disposal of property, plant and equipment | | (15,548) | (49,367) |
| Loss on disposal of property, plant and equipment | | 142,126 | 120,227 |
| Impairment loss on goodwill and other intangible assets | | 197,776 | 191,021 |
| Gain on disposal of investments in subsidiaries, associates and joint ventures | | (88,836) | (27,836) |
| Loss on disposal of investments in subsidiaries, associates and joint ventures | | 14,632 | 6,539 |
| Share of profit of equity-accounted investees | | (133,297) | (273,741) |
| Impairment loss on assets held for sale | | 5,030 | 38,328 |
| Expenses related to post-employment benefit | | 248,324 | 240,425 |
| Impairment loss on trade and other receivables | | 53,934 | 52,218 |
| Loss on valuation of inventories | | 54,014 | 96,201 |
| Increase to provisions | | 184,984 | 76,538 |
| Others, net | | (21,076) | (38,463) |
| | | <u>4,732,825</u> | <u>5,748,869</u> |
| Changes in operating assets and liabilities | 39 | 2,803,586 | (40,789) |
| Interest received | | 368,539 | 320,336 |
| Interest paid | | (624,399) | (760,175) |
| Dividends received | | 267,923 | 266,774 |
| Income taxes paid | | (650,889) | (1,512,997) |
| Net cash provided by operating activities | ₩ | <u>8,685,737</u> | <u>6,004,655</u> |

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2020 and 2019

(in millions of Won)

| | Notes | 2020 | 2019 |
|---|-------|--------------------|--------------------|
| Cash flows from investing activities | | | |
| Acquisitions of short-term financial instruments | ₩ | (43,307,727) | (36,063,406) |
| Proceeds from disposal of short-term financial instruments | | 40,500,759 | 35,415,822 |
| Increase in loans | | (329,236) | (450,638) |
| Collection of loans | | 138,270 | 398,838 |
| Acquisitions of securities | | (338,063) | (296,827) |
| Proceeds from disposal of securities | | 448,125 | 62,492 |
| Acquisitions of investment in associates and joint ventures | | (141,785) | (160,404) |
| Proceeds from disposal of investment in associates and joint ventures | | 18,401 | 16,458 |
| Acquisitions of investment property | | (976) | (19,344) |
| Proceeds from disposal of investment property | | 250 | 12,057 |
| Acquisitions of property, plant and equipment | | (3,154,412) | (2,519,219) |
| Proceeds from disposal of property, plant and equipment | | (42,530) | 51,800 |
| Acquisitions of intangible assets | | (300,645) | (299,587) |
| Proceeds from disposal of intangible assets | | 79,011 | 24,161 |
| Proceeds from disposal of assets held for sale | | 37,680 | 67,246 |
| Collection of lease receivables | | 61,567 | 56,889 |
| Payment for acquisition of business, net of cash acquired | | - | (37,345) |
| Cash received from disposal of business, net of cash transferred | | 77,488 | 45,360 |
| Others, net | | (5,442) | 12,788 |
| Net cash used in investing activities | | <u>(6,259,265)</u> | <u>(3,682,859)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 39 | 4,410,387 | 5,646,977 |
| Repayment of borrowings | | (3,644,057) | (3,746,845) |
| Proceeds from (repayment of) short-term borrowings, net | | 35,525 | (2,194,727) |
| Capital contribution from non-controlling interests | | 176,062 | 29,475 |
| Payment of cash dividends | | (659,145) | (946,218) |
| Acquisition of treasury shares | | (883,219) | - |
| Payment of interest of hybrid bonds | | (16,539) | (16,494) |
| Repayment of lease liabilities | | (217,312) | (167,427) |
| Repayment of redeemable convertible preferred shares | | (278,581) | - |
| Others, net | | (13,989) | (116,920) |
| Net cash used in financing activities | | <u>(1,090,868)</u> | <u>(1,512,179)</u> |
| Effect of exchange rate fluctuation on cash held | | <u>(95,272)</u> | <u>61,764</u> |
| Net increase in cash and cash equivalents | | 1,240,332 | 871,381 |
| Cash and cash equivalents at beginning of the period | 5 | <u>3,515,246</u> | <u>2,643,865</u> |
| Cash and cash equivalents at end of the period | 5,10 | <u>₩ 4,755,578</u> | <u>3,515,246</u> |

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019

1. General Information

General information about POSCO, its 34 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 132 foreign subsidiaries including POSCO America Corporation (collectively “the Company”) and its 132 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 five of its overseas liaison offices.

As of December 31, 2020, POSCO’s shareholders are as follows:

| Shareholder's name | Number of shares | Ownership (%) |
|--|-------------------------|----------------------|
| National Pension Service | 10,247,183 | 11.75 |
| BlackRock Fund Advisors(*1,2,3) | 4,555,963 | 5.23 |
| Nippon Steel Corporation(*1) | 2,894,712 | 3.32 |
| KB Financial Group Inc. and subsidiaries(*2) | 1,817,635 | 2.08 |
| GIC Private Limited | 1,718,369 | 1.97 |
| Others | 65,952,973 | 75.65 |
| | <u>87,186,835</u> | <u>100</u> |

(*1) Includes American Depository Receipts (ADRs) of POSCO, each of which represents 0.25 share of POSCO’s common share which has par value of ₩5,000 per share.

(*2) Includes shares held by subsidiaries and others.

(*3) The number of shares held by the shareholder based on the information in the status report of large-scale shareholders filed with Korea Exchange on June 1, 2020.

As of December 31, 2020, the shares of POSCO are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchange.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

(b) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2020 and 2019 are as follows:

| Principal operations | Ownership (%) | | | | | | Region | |
|--|---|--------------|--------|-------------------|--------------|--------|--------|-----------|
| | December 31, 2020 | | | December 31, 2019 | | | | |
| | POSCO | Subsidiaries | Total | POSCO | Subsidiaries | Total | | |
| [Domestic] | | | | | | | | |
| POSCO ENGINEERING & CONSTRUCTION, CO., LTD. | Engineering and construction | 52.80 | - | 52.80 | 52.80 | - | 52.80 | Pohang |
| POSCO COATED & COLOR STEEL Co., Ltd. | Coated steel manufacturing | 56.87 | - | 56.87 | 56.87 | - | 56.87 | Pohang |
| POSCO ICT | Computer hardware and software distribution | 65.38 | - | 65.38 | 65.38 | - | 65.38 | Pohang |
| POSCO Research Institute | Economic research and consulting | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Seoul |
| POSCO O&MCO, Ltd. (formerly, POSMATE) | Business facility maintenance | 47.17 | 52.83 | 100.00 | 47.17 | 52.83 | 100.00 | Seoul |
| POSCO A&C | Architecture and consulting | 45.66 | 54.34 | 100.00 | 45.66 | 54.34 | 100.00 | Seoul |
| POSCO Venture Capital Co., Ltd. eNtoB Corporation | Investment in venture companies | 95.00 | - | 95.00 | 95.00 | - | 95.00 | Pohang |
| POSCO CHEMICAL CO., LTD. (formerly, POSCO CHEMTECH) | Electronic commerce | 7.50 | 59.94 | 67.44 | 7.50 | 53.63 | 61.13 | Seoul |
| POSCO Terminal Co., Ltd. | Refractories manufacturing and sales | 61.26 | - | 61.26 | 61.26 | - | 61.26 | Pohang |
| POSCO MTECH | Transporting and warehousing | 51.00 | - | 51.00 | 51.00 | - | 51.00 | Gwangyang |
| POSCO ENERGY CO., LTD. PNR | Packing materials manufacturing and sales | 48.85 | - | 48.85 | 48.85 | - | 48.85 | Pohang |
| Future Creation Fund Postech Early Stage account | Generation of electricity | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Seoul |
| POSCO WOMAN'S FUND | Steel by product manufacturing and sales | 70.00 | - | 70.00 | 70.00 | - | 70.00 | Pohang |
| SPH Co. LTD. | Investment in venture companies | - | 40.00 | 40.00 | - | 40.00 | 40.00 | Seoul |
| POSCO Group University | Investment in venture companies | - | 40.00 | 40.00 | - | 40.00 | 40.00 | Seoul |
| Growth Ladder POSCO K-Growth Global Fund | House manufacturing and management | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Incheon |
| 2015 POSCO New technology II Fund | Education service and real estate business | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Incheon |
| POSCO Research & Technology | Investment in venture companies | - | 50.00 | 50.00 | - | 50.00 | 50.00 | Pohang |
| TANCHEON E&E (formerly, POSCO E&E) | Investment in venture companies | - | 25.00 | 25.00 | - | 25.00 | 25.00 | Pohang |
| POSCO Humans | Intellectual Property Services and consulting | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Seoul |
| Mpo Hibroad Parking Co., Ltd. | Refuse derived fuel and power generation | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Seoul |
| Busan E&E Co., Ltd. | Construction | 75.49 | 24.51 | 100.00 | 75.49 | 24.51 | 100.00 | Pohang |
| POSCO INTERNATIONAL Corporation (formerly, POSCO DAEWOO Corporation) | Construction | - | 71.00 | 71.00 | - | 71.00 | 71.00 | Seoul |
| Pohang Scrap Recycling Distribution Center Co., Ltd. | Refuse derived fuel and power generation | 70.00 | - | 70.00 | 70.00 | - | 70.00 | Busan |
| Suncheon Eco Trans Co. LTD | Trading, energy & resource development and others | 62.91 | 0.03 | 62.94 | 62.91 | 0.03 | 62.94 | Incheon |
| Songdo Development PMC (Project Management Company) LLC. | Steel processing and sales | - | 51.00 | 51.00 | - | 51.00 | 51.00 | Pohang |
| Korea Fuel Cell | Train manufacturing and management | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Suncheon |
| POSCO GEMfund no1 | Housing business agency | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Incheon |
| POSCO SPS CORPORATION | Fuel cell | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Pohang |
| P&O Chemical Co., Ltd. | Investment in venture companies | 98.81 | 1.19 | 100.00 | 98.81 | 1.19 | 100.00 | Pohang |
| Posco New Growth | STC, TMC, Plate manufacturing and sales | - | 100.00 | 100.00 | - | - | - | Cheonan |
| IMP Fund I | Chemical production | - | 51.00 | 51.00 | - | - | - | Gwangyang |
| POSCO Family Strategy Fund | Investment in venture companies | 88.89 | 11.11 | 100.00 | - | - | - | Seoul |
| PSC Energy Global Co., Ltd. | Investment in venture companies | 98.04 | - | 98.04 | - | - | - | Pohang |
| | Investment in venture companies | - | - | - | 69.91 | 30.09 | 100.00 | Pohang |
| | Investment in energy industry | - | - | - | - | 100.00 | 100.00 | Pohang |

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

| Principal operations | Ownership (%) | | | | | | Region | |
|---|---|--------------|--------|-------------------|--------------|--------|--------|--------------|
| | December 31, 2020 | | | December 31, 2019 | | | | |
| | POSCO | Subsidiaries | Total | POSCO | Subsidiaries | Total | | |
| [Foreign] | | | | | | | | |
| POSCO America Corporation | Steel trading | 99.45 | 0.55 | 100.00 | 99.45 | 0.55 | 100.00 | USA |
| POSCO AUSTRALIA PTY LTD | Raw material sales & mine development | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Australia |
| POSCO Canada Ltd. | Coal sales | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Canada |
| POSCAN Elkview | Coal sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Canada |
| POSCO Asia Co., Ltd. | Steel and raw material trading | 100.00 | - | 100.00 | 100.00 | - | 100.00 | China |
| POSCO-CTPC Co., Ltd. | Steel manufacturing and sales | 100.00 | - | 100.00 | 100.00 | - | 100.00 | China |
| POSCO E&C Vietnam Co., Ltd. | Steel structure manufacturing and sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Vietnam |
| POSCO (ZHANGJIAGANG) STAINLESS STEEL CO., LTD. | Stainless steel manufacturing and sales | 58.60 | 23.88 | 82.48 | 58.60 | 23.88 | 82.48 | China |
| POSCO (Thailand) Company Limited | Steel manufacturing and sales | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Thailand |
| POSCO-MKPC SDN BHD | Steel manufacturing and sales | 70.00 | - | 70.00 | 70.00 | - | 70.00 | Malaysia |
| Qingdao Pohang Stainless Steel Co., Ltd. | Stainless steel manufacturing and sales | 70.00 | 30.00 | 100.00 | 70.00 | 30.00 | 100.00 | China |
| POSCO(Suzhou) Automotive Processing Center Co., Ltd. | Steel manufacturing and sales | 90.00 | 10.00 | 100.00 | 90.00 | 10.00 | 100.00 | China |
| POSCO-China Qingdao Processing Center Co., Ltd. | Steel manufacturing and sales | 100.00 | - | 100.00 | 100.00 | - | 100.00 | China |
| POS-ORE PTY LTD | Iron ore sales and sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POSCO-China Holding Corp. | Holding company | 100.00 | - | 100.00 | 100.00 | - | 100.00 | China |
| POSCO JAPAN Co., Ltd. | Steel trading | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Japan |
| POS-CD PTY LTD | Coal sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POS-GC PTY LTD | Coal sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POSCO-India Private Limited | Steel manufacturing and sales | 100.00 | - | 100.00 | 100.00 | - | 100.00 | India |
| POSCO-India Pune Processing Center. Pvt. Ltd. | Steel manufacturing and sales | 65.00 | - | 65.00 | 65.00 | - | 65.00 | India |
| POSCO Japan PC CO.,LTD | Steel manufacturing and sales | - | 86.12 | 86.12 | - | 86.12 | 86.12 | Japan |
| POSCO-CFPC Co., Ltd. | Steel manufacturing and sales | 39.60 | 60.40 | 100.00 | 39.60 | 60.40 | 100.00 | China |
| POSCO E&C CHINA Co., Ltd. | Civil engineering and construction | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO MPPC S.A. de C.V. | Steel manufacturing and sales | 21.02 | 75.29 | 96.31 | 21.02 | 75.29 | 96.31 | Mexico |
| Zhangjiagang Pohang Port Co., Ltd. | Loading and unloading service | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO-VIETNAM Co., Ltd. | Steel manufacturing and sales | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Vietnam |
| POSCO MEXICO S.A. DE C.V. | Automotive steel sheet manufacturing and sales | 83.28 | 14.88 | 98.16 | 83.28 | 14.88 | 98.16 | Mexico |
| POSCO-Poland Wroclaw Processing Center Sp. z o. o. | Steel manufacturing and sales | 60.00 | - | 60.00 | 60.00 | - | 60.00 | Poland |
| POS-IP PTY LTD | Coal sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POSCO DAEWOO WAIGAOQIAO SHANGHAI CO., LTD | Intermediary trade & bonded warehouse operation | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| PT. Bio Inti Agrindo | Forest resources development | - | 85.00 | 85.00 | - | 85.00 | 85.00 | Indonesia |
| POSCO ENGINEERING AND CONSTRUCTION AUSTRALIA (POSCO E&C AUSTRALIA) PTY LTD | Construction and engineering service | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POSCO-TISCO (JILIN) PROCESSING CENTER Co., Ltd. | Steel manufacturing and sales | 50.00 | 10.00 | 60.00 | 50.00 | 10.00 | 60.00 | China |
| POSCO Thainox Public Company Limited | STS cold-rolled steel manufacturing and sales | 74.56 | - | 74.56 | 84.39 | - | 84.39 | Thailand |
| Hunchun Posco Hyundai Logistics | Logistics | - | 80.00 | 80.00 | - | 80.00 | 80.00 | China |
| POSCO INTERNATIONAL VIETNAM CO., LTD. | Trading business | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Vietnam |
| POSCO(Chongqing) Automotive Processing Center Co., Ltd. | Steel manufacturing and sales | 90.00 | 10.00 | 100.00 | 90.00 | 10.00 | 100.00 | China |
| SUZHOU POSCO-CORE TECHNOLOGY CO., LTD. | Component manufacturing and sales | 84.85 | 15.15 | 100.00 | 84.85 | 15.15 | 100.00 | China |
| PT.KRAKATAU POSCO CHEMICAL CALCIATION (formerly, PT Krakatau Posco Chemtech Calcination) | Quicklime manufacturing and sales | - | 80.00 | 80.00 | - | 80.00 | 80.00 | Indonesia |
| POSCO AFRICA (PROPRIETARY) LIMITED | Mine development | 100.00 | - | 100.00 | 100.00 | - | 100.00 | South Africa |
| POSCO ICT BRASIL | IT service and engineering | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Brazil |
| POSCO Center Beijing | Real estate development, rental and management | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO AMERICA COMERCIALIZADORA S DE RL DE CV | Steel sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Mexico |
| POSCO(Guangdong) Automotive Steel Co., Ltd. | Steel manufacturing and sales | 83.64 | 10.00 | 93.64 | 83.64 | 10.00 | 93.64 | China |
| POSCO-Malaysia SDN. BHD. | Steel manufacturing and sales | 81.79 | 13.63 | 95.42 | 81.79 | 13.63 | 95.42 | Malaysia |
| PT KRAKATAU BLUE WATER | Wastewater treatment facilities operation and maintenance | - | 67.00 | 67.00 | - | 67.00 | 67.00 | Indonesia |
| POSCO INTERNATIONAL MYANMAR CO., LTD. | Trading business | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Myanmar |
| POSCO-Italy Processing Center | Stainless steel sheet manufacturing and sales | 88.89 | 11.11 | 100.00 | 88.89 | 11.11 | 100.00 | Italy |
| Myanmar POSCO C&C Company, Limited. | Steel manufacturing and sales | - | 70.00 | 70.00 | - | 70.00 | 70.00 | Myanmar |
| POSCO ICT VIETNAM | IT service and electric control engineering | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Vietnam |
| POSCO INTERNATIONAL GLOBAL DEVELOPMENT PTE.LTD. (formerly, Daewoo Global Development Pte., Ltd) | Real estate development | - | 75.00 | 75.00 | - | 81.51 | 81.51 | Singapore |
| Myanmar POSCO Engineering & Construction Company, Limited. | Construction and engineering service | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Myanmar |
| POS-Minerals Corporation | Mine development management and sales | - | 100.00 | 100.00 | - | 100.00 | 100.00 | USA |
| POSCO(Wuhu) Automotive Processing Center Co., Ltd. | Steel manufacturing and sales | 68.57 | 31.43 | 100.00 | 68.57 | 31.43 | 100.00 | China |
| POSCO Engineering and Construction India Private Limited | Civil engineering and construction | - | 100.00 | 100.00 | - | 100.00 | 100.00 | India |
| POSCO COATED STEEL (THAILAND) CO., LTD. | Automotive steel sheet manufacturing and sales | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Thailand |

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

| Principal operations | Ownership (%) | | | | | | Region |
|---|-------------------|--------------|--------|-------------------|--------------|--------|------------------|
| | December 31, 2020 | | | December 31, 2019 | | | |
| | POSCO | Subsidiaries | Total | POSCO | Subsidiaries | Total | |
| [Foreign] | | | | | | | |
| POSCO INTERNATIONAL AMARA Co., Ltd. | - | 85.00 | 85.00 | - | 85.00 | 85.00 | Myanmar |
| POSMATE-CHINA CO., LTD | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO-Mexico Villagrán Wire-rod Processing Center | 56.75 | 10.00 | 66.75 | 56.75 | 10.00 | 66.75 | Mexico |
| POSCO ChengDu Processing Center | 33.00 | 10.00 | 43.00 | 33.00 | 10.00 | 43.00 | China |
| POSCO SUZHOU PROCESSING CENTER CO., LTD. | 30.00 | 70.00 | 100.00 | 30.00 | 70.00 | 100.00 | China |
| POSCO E&C SMART S DE RL DE CV | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Mexico |
| POSCO Philippine Manila Processing Center, Inc. | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Philippines |
| POSCO E&C HOLDINGS CO., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Thailand |
| POSCO INTERNATIONAL POWER (PNG) LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Papua New Guinea |
| PT. Krakatau Posco Social Enterprise | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Indonesia |
| Ventanas Philippines Construction Inc | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Philippines |
| POSCO E&C Mongolia | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Mongolia |
| SANPU TRADING Co., Ltd. | - | 70.04 | 70.04 | - | 70.04 | 70.04 | China |
| Zhangjiagang BLZ Pohang International Trading | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO RU Limited Liability Company | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Russia |
| GOLDEN LACE POSCO INTERNATIONAL CO., LTD. | - | 60.00 | 60.00 | - | 60.00 | 60.00 | Myanmar |
| POSCO ICT-China Co., Ltd | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| Poo-Sai Pte Ltd | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Singapore |
| POSCO Europe Steel Distribution Center | 50.00 | 20.00 | 70.00 | 50.00 | 20.00 | 70.00 | Slovenia |
| POSCO ENGINEERING (THAILAND) CO., LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Thailand |
| POSCO VST CO., LTD. | 95.65 | - | 95.65 | 95.65 | - | 95.65 | Vietnam |
| POSCO INTERNATIONAL UKRAINE, LLC. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Ukraine |
| Zhangjiagang Pohang Refractories Co., Ltd. | - | 51.00 | 51.00 | - | 51.00 | 51.00 | China |
| POSCO Maharashtra Steel Private Limited | 100.00 | - | 100.00 | 100.00 | - | 100.00 | India |
| POSCO INDIA PROCESSING CENTER PRIVATE LIMITED | 93.34 | 1.98 | 95.32 | 93.34 | 1.98 | 95.32 | India |
| POSCO TNPC Otomotiv Celik San. Ve Tic. A.S | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Turkey |
| POSCO Vietnam Processing Center, Co., Ltd | 83.54 | 5.29 | 88.83 | 83.54 | 5.29 | 88.83 | Vietnam |
| POSCO (Isanring) Automotive Processing Center Co., Ltd. | 90.00 | 10.00 | 100.00 | 90.00 | 10.00 | 100.00 | China |
| POSCO-Indonesia Jakarta Processing Center | 70.51 | 21.69 | 92.20 | 65.00 | 20.00 | 85.00 | Indonesia |
| PT.MRI | 65.00 | - | 65.00 | 65.00 | - | 65.00 | Indonesia |
| POSCO TMC INDIA PRIVATE LIMITED | - | 100.00 | 100.00 | - | 100.00 | 100.00 | India |
| POSCO AMERICA ALABAMA PROCESSING CENTER CO., LTD. | - | 97.80 | 97.80 | - | 97.80 | 97.80 | USA |
| POSCO(Yantai) Automotive Processing Center Co., Ltd. | 90.00 | 10.00 | 100.00 | 90.00 | 10.00 | 100.00 | China |
| POSCO India Steel Distribution Center Private Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | India |
| POSCO YAMATO VINA STEEL JOINT STOCK COMPANY (Formerly, POSCO SS VINA JOINT STOCK COMPANY) | 51.00 | - | 51.00 | 100.00 | - | 100.00 | Vietnam |
| PT.POSCO ICT INDONESIA | - | 66.99 | 66.99 | - | 66.99 | 66.99 | Indonesia |
| POSCO NCR Coal Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Canada |
| POSCO WA PTY LTD | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Australia |
| POSCO AUSTRALIA GP PTY LIMITED | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POSCO INTERNATIONAL POWER(PNGPOM) LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Papua New Guinea |
| PT. KRACKATAU POSCO ENERGY | - | 90.00 | 90.00 | - | 90.00 | 90.00 | Indonesia |
| POSCO INTERNATIONAL AMERICA CORP. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | USA |
| POSCO INTERNATIONAL Deutschland GMBH | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Germany |
| POSCO INTERNATIONAL JAPAN CORP. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Japan |
| POSCO INTERNATIONAL SINGAPORE PTE. LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Singapore |
| POSCO INTERNATIONAL ITALIA S.R.L. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Italy |
| POSCO INTERNATIONAL (CHINA) CO., LTD | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| POSCO INTERNATIONAL TEXTILE LLC. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Uzbekistan |
| POSCO INTERNATIONAL AUSTRALIA HOLDINGS PTY. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| POSCO MAURITIUS LIMITED | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Mauritius |
| PT. KRACKATAU POSCO | 70.00 | - | 70.00 | 70.00 | - | 70.00 | Indonesia |
| POSCO INTERNATIONAL MEXICO S.A DE C.V. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Mexico |
| POSCO INTERNATIONAL MALAYSIA SDN BHD | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Malaysia |

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

| Principal operations | Ownership (%) | | | | | | Region |
|--|-------------------|--------------|--------|-------------------|--------------|--------|--------------|
| | December 31, 2020 | | | December 31, 2019 | | | |
| | POSCO | Subsidiaries | Total | POSCO | Subsidiaries | Total | |
| [Foreign] | | | | | | | |
| PT.POSCO INDONESIA INTI | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Indonesia |
| POSCO INTERNATIONAL SHANGHAI CO., LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| PGSF, L.P. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | USA |
| POSCO INTERNATIONAL INDIA PVT. LTD. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | India |
| POSCO(Dalian) IT Center Development Co., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | China |
| PT. POSCO E&C INDONESIA | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Indonesia |
| HUME COAL PTY LTD | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| Brazil Sao Paulo Steel Processing Center | - | 76.00 | 76.00 | - | 76.00 | 76.00 | Brazil |
| DAESAN (CAMBODIA) Co., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Cambodia |
| POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Brazil |
| POSCO ASSAN TST STEEL INDUSTRY | 60.00 | 10.00 | 70.00 | 60.00 | 10.00 | 70.00 | Turkey |
| HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Hongkong |
| JB CLARK HILLS | - | 70.00 | 70.00 | - | 70.00 | 70.00 | Philippines |
| POS-LT Pty Ltd | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Australia |
| ZHEJIANG POSCO-HUAYOU ESM CO., LTD | 60.00 | - | 60.00 | 60.00 | - | 60.00 | China |
| POSCO Argentina S.A.U. | 100.00 | - | 100.00 | 100.00 | - | 100.00 | Argentina |
| GRAIN TERMINAL HOLDING PTE. LTD. | - | 75.00 | 75.00 | - | 75.00 | 75.00 | Singapore |
| Mykolaiiv Milling Works PJSC. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Ukraine |
| Yuzhnoaya Stevedoring Company Limited LLC. | - | 100.00 | 100.00 | - | 100.00 | 100.00 | Ukraine |
| Pesco International (Thailand) Co., Ltd. | - | 100.00 | 100.00 | - | - | - | Singapore |
| PT POSCO INTERNATIONAL INDONESIA | - | 100.00 | 100.00 | - | - | - | Canada |
| PEC POWERCON SDN. BHD. | - | 100.00 | 100.00 | - | - | - | South Africa |
| POSCO CHEMICAL Free Zone Enterprise | - | 100.00 | 100.00 | - | - | - | Myanmar |
| Myanmar POSCO Steel Co., Ltd | - | - | - | - | 70.00 | 70.00 | Myanmar |
| LA-SRDC | - | - | - | - | 100.00 | 100.00 | USA |
| POSCO China Dalian Plate Processing Center Co., Ltd. | - | - | - | 79.52 | 11.70 | 91.22 | China |

The controlling company's investment in the subsidiaries decreased by ₩27,716 million (POSCO Thainox Public Company Limited and others) and ₩48,538 million (POSCO CHEMICAL CO., LTD. and others) in 2020 and 2019, respectively, as a result of changes in the Company's ownership interests in subsidiaries that did not result in a loss of control.

POSCO received dividends of ₩93,674 million and ₩100,582 million from its subsidiaries in aggregate in 2020 and 2019, respectively.

As of December 31, 2020, there are no restrictions on the ability of subsidiaries to transfer funds to the controlling company, such as in the form of cash dividends, repayment of loans or payment of advances.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(c) Summarized financial information of principal subsidiaries as of and for the years ended December 31, 2020 and 2019 are as follows:

1) December 31, 2020

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|---|-----------|-------------|-----------|------------|-------------------|
| [Domestic] | | | | | |
| POSCO ENGINEERING & CONSTRUCTION., CO., LTD. | 6,153,939 | 3,272,409 | 2,881,530 | 7,268,310 | 242,298 |
| POSCO COATED & COLOR STEEL Co., Ltd. | 463,458 | 238,481 | 224,977 | 870,212 | 4,503 |
| POSCO ICT | 673,669 | 304,016 | 369,653 | 942,950 | 13,289 |
| POSCO A&C | 87,422 | 56,353 | 31,069 | 153,605 | 4,816 |
| eNtoB Corporation | 111,897 | 64,745 | 47,152 | 606,432 | 1,246 |
| POSCO CHEMICAL CO., LTD. | 1,992,168 | 1,032,785 | 959,383 | 1,524,146 | 54,225 |
| POSCO M-TECH | 130,303 | 33,903 | 96,400 | 255,400 | 9,410 |
| POSCO ENERGY CO., LTD. | 3,815,748 | 2,522,350 | 1,293,398 | 1,446,576 | 128,986 |
| POSCO INTERNATIONAL | 7,205,951 | 4,184,237 | 3,021,714 | 19,224,845 | 203,975 |
| POSCO SPS CORPORATION | 680,006 | 118,357 | 561,649 | 673,694 | 8,389 |
| [Foreign] | | | | | |
| POSCO America Corporation | 117,803 | 35,091 | 82,712 | 380,400 | 3,759 |
| POSCO AUSTRALIA PTY LTD(*1) | 611,146 | 27,217 | 583,929 | 94,357 | 25,769 |
| POSCO Asia Co., Ltd. | 2,005,836 | 1,806,421 | 199,415 | 3,397,863 | (2,528) |
| POSCO-CTPC Co., Ltd. | 96,217 | 48,052 | 48,165 | 233,512 | 3,998 |
| POSCO (Zhangjiagang) Stainless Steel Co., Ltd. (formerly, Zhangjiagang Pohang Stainless Steel Co., LTD) | 974,572 | 429,295 | 545,277 | 3,033,552 | 11,226 |
| POSCO(Thailand) Company Limited | 148,558 | 66,585 | 81,973 | 304,381 | 1,520 |
| Qingdao Pohang Stainless Steel Co., Ltd. | 159,973 | 50,499 | 109,474 | 339,284 | 2,170 |
| POSCO(Suzhou) Automotive Processing Center Co., Ltd. | 343,038 | 197,279 | 145,759 | 786,412 | 5,621 |
| POSCO-China Holding Corp. | 756,300 | 272,061 | 484,239 | 275,069 | (28,936) |
| POSCO JAPAN Co., Ltd. | 560,796 | 385,749 | 175,047 | 1,320,360 | 8,945 |
| POSCO-India Pune Processing Center. Pvt. Ltd. | 112,679 | 86,539 | 26,140 | 267,423 | 2,608 |
| POSCO Japan PC CO.,LTD | 290,835 | 227,603 | 63,232 | 460,653 | 2,185 |
| POSCO-CFPC Co., Ltd. | 230,643 | 177,323 | 53,320 | 970,333 | 2,365 |
| POSCO MPCC S.A. de C.V. | 344,621 | 268,419 | 76,202 | 503,688 | (331) |
| POSCO-VIETNAM Co., Ltd. | 332,237 | 325,429 | 6,808 | 631,348 | 3,102 |
| POSCO MEXICO S.A. DE C.V. | 591,513 | 389,906 | 201,607 | 383,933 | (11,292) |
| POSCO Thainox Public Company Limited | 394,696 | 71,935 | 322,761 | 516,368 | (1,049) |
| POSCO Center Beijing | 414,377 | 270,997 | 143,380 | 36,974 | 2,962 |
| POSCO COATED STEEL (THAILAND) CO., LTD. | 349,932 | 269,367 | 80,565 | 284,450 | (5,440) |
| POSCO INTERNATIONAL AMARA Co., Ltd. | 297,229 | 322,196 | (24,967) | 25,851 | (19,531) |
| POSCO VST CO., LTD. | 248,677 | 212,482 | 36,195 | 472,181 | (150) |
| POSCO Maharashtra Steel Private Limited | 1,068,777 | 723,441 | 345,336 | 874,914 | (25,464) |
| POSCO INDIA PROCESSING CENTER PRIVATE LIMITED | 205,357 | 161,540 | 43,817 | 463,550 | (369) |
| POSCO VIETNAM HOLDINGS CO., LTD | 168,543 | 112,326 | 56,217 | 497,626 | 4,442 |
| POSCO(Liaoning) Automotive Processing Center Co., Ltd. | 97,827 | 59,437 | 38,390 | 232,309 | 1,508 |
| POSCO SS VINA JOINT STOCK COMPANY (Formerly, POSCO SS VINA Co., Ltd.) | 395,583 | 179,871 | 215,712 | 323,801 | (17,515) |
| PT. KRAKATAU POSCO ENERGY | 262,752 | 113,696 | 149,056 | 35,400 | 14,294 |
| POSCO INTERNATIONAL AMERICA CORP. | 312,286 | 241,556 | 70,730 | 1,224,752 | 5,592 |
| POSCO INTERNATIONAL Deutschland GMBH | 203,112 | 199,086 | 4,026 | 466,391 | (6,994) |
| POSCO INTERNATIONAL JAPAN CORP. | 158,083 | 153,844 | 4,239 | 663,297 | (109) |
| POSCO INTERNATIONAL SINGAPORE PTE. LTD. | 379,777 | 374,228 | 5,549 | 2,886,275 | 1,516 |
| POSCO INTERNATIONAL ITALIA S.R.L. | 131,484 | 122,135 | 9,349 | 515,133 | (358) |
| POSCO INTERNATIONAL (CHINA) CO., LTD | 47,311 | 31,453 | 15,858 | 218,521 | 38 |
| PT. KRAKATAU POSCO | 2,709,506 | 2,958,075 | (248,569) | 1,690,249 | (204,617) |
| POSCO INTERNATIONAL MALAYSIA SDN BHD | 58,015 | 55,497 | 2,518 | 246,135 | (577) |
| POSCO INTERNATIONAL INDIA PVT. LTD | 21,866 | 20,575 | 1,291 | 212,579 | (3,436) |
| POSCO ASSAN TST STEEL INDUSTRY | 512,360 | 573,495 | (61,135) | 475,749 | 124 |
| POSCO AMERICA ALABAMA PROCESSING CENTER CO., LTD. | 117,291 | 97,635 | 19,656 | 179,081 | (5,975) |
| POSCO Argentina S.A.U. | 351,318 | 2,607 | 348,711 | 76 | (5,832) |
| POSCO-MKPC SDN BHD | 101,862 | 58,909 | 42,953 | 165,752 | 1,781 |
| POSCO INTERNATIONAL VIETNAM CO.,LTD. | 26,248 | 23,480 | 2,768 | 221,603 | 118 |
| POSCO INTERNATIONAL SHANGHAI CO.,LTD. | 38,850 | 31,078 | 7,772 | 181,736 | (1,046) |

(*1) Summarized financial information of POSCO AUSTRALIA PTY LTD, a subsidiary of POSCO, is based on its consolidated financial information. The financial information of the other entities is based on separate financial statements of each entity.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

2) December 31, 2019

(in millions of Won)

| Company | Assets | Liabilities | Equity | Sales | Net income (loss) |
|---|---------------|--------------------|---------------|--------------|--------------------------|
| [Domestic] | | | | | |
| POSCO ENGINEERING & CONSTRUCTION, CO., LTD. | 5,958,693 | 3,281,726 | 2,676,967 | 7,208,988 | 140,671 |
| POSCO COATED & COLOR STEEL Co., Ltd. | 473,495 | 253,073 | 220,422 | 889,445 | 2,914 |
| POSCO ICT | 663,898 | 300,681 | 363,217 | 936,990 | 38,093 |
| POSCO A&C | 93,312 | 65,404 | 27,908 | 138,970 | (7,023) |
| eNtoB Corporation | 137,719 | 91,008 | 46,711 | 730,138 | 3,525 |
| POSCO CHEMICAL CO., LTD. | 1,620,828 | 691,425 | 929,403 | 1,434,507 | 89,609 |
| POSCO M-TECH | 129,017 | 39,057 | 89,960 | 288,698 | 10,577 |
| POSCO ENERGY CO., LTD. | 3,727,698 | 2,315,695 | 1,412,003 | 1,801,518 | 344,591 |
| POSCO INTERNATIONAL | 7,721,111 | 4,811,992 | 2,909,119 | 22,743,722 | 191,704 |
| [Foreign] | | | | | |
| POSCO America Corporation | 270,260 | 185,949 | 84,311 | 681,237 | 7,695 |
| POSCO AUSTRALIA PTY LTD(*1) | 525,674 | 30,233 | 495,441 | 132,777 | 48,739 |
| POSCO Asia Co., Ltd. | 2,306,971 | 2,092,353 | 214,618 | 3,919,012 | 11,841 |
| POSCO-CTPC Co., Ltd. | 121,611 | 77,675 | 43,936 | 266,850 | (163) |
| Zhangjiagang Pohang Stainless Steel Co., Ltd. | 954,443 | 424,039 | 530,404 | 3,179,627 | (5,990) |
| POSCO(Thailand) Company Limited | 137,645 | 51,996 | 85,649 | 365,442 | 4,219 |
| Qingdao Pohang Stainless Steel Co., Ltd. | 163,408 | 56,839 | 106,569 | 343,200 | 1,058 |
| POSCO(Suzhou) Automotive Processing Center Co., Ltd. | 385,615 | 246,372 | 139,243 | 673,615 | (2,478) |
| POSCO-China Holding Corp. | 744,392 | 235,628 | 508,764 | 349,949 | (6,818) |
| POSCO JAPAN Co., Ltd. | 638,404 | 467,906 | 170,498 | 1,628,409 | 10,377 |
| POSCO-India Pune Processing Center. Pvt. Ltd. | 153,725 | 127,832 | 25,893 | 430,024 | (830) |
| POSCO Japan PC CO.,LTD | 318,364 | 256,682 | 61,682 | 536,541 | 4,985 |
| POSCO-CFPC Co., Ltd. | 266,715 | 216,078 | 50,637 | 837,034 | 521 |
| POSCO MPPC S.A. de C.V. | 391,266 | 309,850 | 81,416 | 672,946 | (3,472) |
| POSCO-VIETNAM Co., Ltd. | 394,873 | 390,671 | 4,202 | 716,375 | (24,643) |
| POSCO MEXICO S.A. DE C.V. | 632,575 | 406,958 | 225,617 | 519,211 | (2,937) |
| POSCO Thainox Public Company Limited | 448,344 | 103,903 | 344,441 | 570,702 | (1,376) |
| POSCO Center Beijing | 427,328 | 287,868 | 139,460 | 40,642 | 1,281 |
| POSCO COATED STEEL (THAILAND) CO., LTD. | 366,762 | 275,478 | 91,284 | 273,073 | (10,899) |
| Daewoo Amara Company Limited | 328,813 | 336,225 | (7,412) | 36,118 | (20,692) |
| POSCO VST CO., LTD. | 292,252 | 253,589 | 38,663 | 519,658 | (601) |
| POSCO Maharashtra Steel Private Limited | 1,274,997 | 871,876 | 403,121 | 1,386,699 | (54,386) |
| POSCO INDIA PROCESSING CENTER PRIVATE LIMITED | 291,373 | 243,140 | 48,233 | 694,976 | (8,348) |
| POSCO VIETNAM HOLDINGS CO., LTD | 167,952 | 112,485 | 55,467 | 425,051 | 3,244 |
| POSCO(Liaoning) Automotive Processing Center Co., Ltd. | 89,872 | 53,460 | 36,412 | 225,932 | 177 |
| POSCO SS VINA JOINT STOCK COMPANY (Formerly, POSCO SS VINA Co., Ltd.) | 793,954 | 783,510 | 10,444 | 536,175 | (345,594) |
| PT. KRAKATAU POSCO ENERGY | 292,028 | 143,349 | 148,679 | 36,660 | 11,840 |
| POSCO INTERNATIONAL AMERICA CORP. | 362,004 | 292,222 | 69,782 | 1,339,020 | 4,332 |
| POSCO INTERNATIONAL Deutschland GMBH | 260,141 | 249,494 | 10,647 | 596,700 | (3,479) |
| POSCO INTERNATIONAL JAPAN CORP. | 261,124 | 256,743 | 4,381 | 724,997 | (4,512) |
| POSCO INTERNATIONAL SINGAPORE PTE. LTD. | 352,191 | 347,773 | 4,418 | 2,283,058 | 388 |
| POSCO INTERNATIONAL ITALIA S.R.L. | 169,467 | 160,058 | 9,409 | 605,911 | (1,394) |
| POSCO INTERNATIONAL (CHINA) CO., LTD | 29,655 | 13,950 | 15,705 | 234,393 | (22,274) |
| PT. KRAKATAU POSCO | 3,044,553 | 3,101,386 | (56,833) | 1,894,694 | (167,515) |
| POSCO DAEWOO MALAYSIA SDN. BHD. | 27,898 | 24,685 | 3,213 | 443,328 | (368) |
| POSCO INTERNATIONAL INDIA PVT. LTD | 95,809 | 90,898 | 4,911 | 536,397 | (3,327) |
| POSCO ASSAN TST STEEL INDUSTRY | 558,027 | 623,205 | (65,178) | 505,673 | (13,188) |
| POSCO AMERICA ALABAMA PROCESSING CENTER CO., LTD. | 129,419 | 102,641 | 26,778 | 211,646 | (6,130) |
| POSCO Argentina S.A.U. | 375,838 | 2,277 | 373,561 | - | (5,209) |
| POSCO-MKPC SDN BHD | 121,985 | 78,619 | 43,366 | 197,453 | 1,474 |
| POSCO INTERNATIONAL VIETNAM CO.,LTD. | 24,610 | 21,843 | 2,767 | 275,569 | (663) |
| POSCO INTERNATIONAL SHANGHAI CO.,LTD. | 96,118 | 87,389 | 8,729 | 382,848 | 775 |

(*1) Summarized financial information of POSCO AUSTRALIA PTY LTD, a subsidiary of POSCO, is based on its consolidated financial information. The financial information of the other entities is based on separate financial statements of each entity.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

(d) Details of non-controlling interests by entity as of and for the years ended December 31, 2020 and 2019 are as follows:

1) December 31, 2020

(in millions of Won)

| | POSCO INTERNATIONAL Corporation | PT. KRAKATAU POSCO | POSCO CHEMICAL CO., LTD | POSCO ENGINEERING & CONSTRUCTION CO., LTD. | POSCO ICT | Others | Total |
|--|---------------------------------------|-----------------------|-------------------------------|---|-----------|-------------|--------------|
| Current assets | 3,992,996 | 503,633 | 774,817 | 4,040,470 | 465,158 | 7,207,141 | 16,984,215 |
| Non-current assets | 3,410,528 | 2,366,359 | 1,229,349 | 1,800,539 | 187,415 | 4,789,484 | 13,783,674 |
| Current liabilities | (2,649,187) | (1,722,805) | (203,443) | (2,577,173) | (278,335) | (6,354,111) | (13,785,054) |
| Non-current liabilities | (1,816,160) | (1,235,948) | (833,857) | (667,395) | (24,132) | (1,727,139) | (6,304,631) |
| Equity | 2,938,177 | (88,761) | 966,866 | 2,596,441 | 350,106 | 3,915,375 | 10,678,204 |
| Non-controlling interests | 1,089,082 | (26,628) | 374,582 | 1,225,543 | 121,200 | 1,330,280 | 4,114,059 |
| Sales | 19,230,652 | 1,691,310 | 1,524,146 | 7,269,843 | 935,958 | 21,059,978 | 51,711,887 |
| Profit (loss) for the period | 173,155 | (179,403) | 29,720 | 354,799 | 8,961 | (44,660) | 342,572 |
| Profit (loss) attributable | | | | | | | |
| to non-controlling interests | 64,183 | (53,821) | 11,514 | 167,468 | 3,102 | (19,899) | 172,547 |
| Cash flows from operating activities | 324,822 | 62,276 | 11,021 | 451,803 | 21,403 | 123,108 | 994,433 |
| Cash flows from investing activities | (38,535) | 212 | (162,861) | (398,937) | (4,841) | (93,565) | (698,527) |
| Cash flows from financing activities | | | | | | | |
| (before dividends to non-controlling interest) | (99,765) | (45,207) | 122,736 | 9,475 | (302) | (192,311) | (205,374) |
| Dividends to non-controlling interest | (32,004) | - | (9,451) | (9,867) | (2,628) | (6,102) | (60,052) |
| Effect of exchange rate fluctuation | | | | | | | |
| on cash held | (2,425) | (1,421) | (398) | (2,220) | (74) | 702 | (5,836) |
| Net increase (decrease) | | | | | | | |
| in cash and cash equivalents | 152,093 | 15,860 | (38,953) | 50,254 | 13,558 | (168,168) | 24,644 |

2) December 31, 2019

(in millions of Won)

| | POSCO INTERNATIONAL Corporation | PT. KRAKATAU POSCO | POSCO CHEMICAL CO., LTD | POSCO ENGINEERING & CONSTRUCTION CO., LTD. | POSCO ICT | Others | Total |
|--|---------------------------------------|-----------------------|-------------------------------|---|-----------|-------------|--------------|
| Current assets | 4,396,683 | 520,057 | 624,017 | 3,940,835 | 441,208 | 8,062,428 | 17,985,228 |
| Non-current assets | 4,186,197 | 2,723,254 | 1,050,406 | 1,798,891 | 210,037 | 4,740,887 | 14,709,672 |
| Current liabilities | (3,013,269) | (1,570,204) | (236,968) | (2,506,927) | (262,265) | (7,672,691) | (15,262,324) |
| Non-current liabilities | (2,087,769) | (1,590,810) | (462,361) | (670,013) | (38,836) | (2,095,797) | (6,945,586) |
| Equity | 3,481,842 | 82,297 | 975,094 | 2,562,786 | 350,144 | 3,034,827 | 10,486,990 |
| Non-controlling interests | 1,290,600 | 24,689 | 377,770 | 1,209,658 | 121,213 | 1,124,381 | 4,148,311 |
| Sales | 22,745,239 | 1,906,302 | 1,434,507 | 7,206,528 | 925,551 | 22,975,605 | 57,193,732 |
| Profit (loss) for the period | 199,721 | (146,975) | 94,481 | 274,770 | 32,954 | (587,146) | (132,195) |
| Profit (loss) attributable | | | | | | | |
| to non-controlling interests | 74,030 | (44,093) | 36,604 | 129,694 | 11,408 | (89,676) | 117,967 |
| Cash flows from operating activities | 580,372 | 61,398 | 22,794 | 24,636 | 21,571 | (16,324) | 694,447 |
| Cash flows from investing activities | (40,264) | (7,173) | (111,996) | (6,620) | (2,129) | 31,057 | (137,125) |
| Cash flows from financing activities | | | | | | | |
| (before dividends to non-controlling interest) | (502,801) | (53,890) | 134,609 | (25,448) | (336) | (4,295) | (452,161) |
| Dividends to non-controlling interest | (27,432) | - | (9,451) | (9,867) | (2,628) | (11,079) | (60,457) |
| Effect of exchange rate fluctuation | | | | | | | |
| on cash held | 1,736 | 25 | (7) | 1,401 | (47) | 3,931 | 7,039 |
| Net increase (decrease) | | | | | | | |
| in cash and cash equivalents | 11,611 | 360 | 35,949 | (15,898) | 16,431 | 3,290 | 51,743 |

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

(e) Details of associates and joint ventures

1) Associates

Details of associates as of December 31, 2020 and 2019 are as follows:

| Investee | Category of business | Ownership (%) | | Region |
|---|--|---------------|-------|-----------|
| | | 2020 | 2019 | |
| [Domestic] | | | | |
| New Songdo International City Development, LLC | Real estate rental | 29.90 | 29.90 | Seoul |
| Gale International Korea, LLC | Real estate rental | 29.90 | 29.90 | Seoul |
| SNNC | Raw material manufacturing and sales | 49.00 | 49.00 | Gwangyang |
| KONES, Corp. | Technical service | 26.72 | 41.67 | Gyeongju |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | Real estate development | 29.53 | 29.53 | Chungju |
| DAEHO GLOBAL MANAGEMENT CO., LTD. | Investment advisory service | 35.82 | 35.82 | Pohang |
| Mokpo Deayang Industrial Corporation | Real estate development and rental | 27.40 | 27.40 | Mokpo |
| Gunggi Green Energy(*1) | Electricity generation | 19.00 | 19.00 | Hwaseong |
| Pohang Special Welding Co.,Ltd. | Welding material and tools manufacturing and sales | 50.00 | 50.00 | Pohang |
| KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*1) | Investment in new technologies | 12.50 | 12.50 | Seoul |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | Investment in new technologies | 36.34 | 33.41 | Seoul |
| KC Chemicals CORP.(*1) | Machinery manufacturing | 19.00 | 19.00 | Hwaseong |
| POSTECH Social Enterprise Fund(*1) | Investment in new technologies | 9.17 | 9.17 | Seoul |
| QSONE Co.,Ltd. | Real estate rental and facility management | 50.00 | 50.00 | Seoul |
| Chun-cheon Energy Co., Ltd | Electricity generation | 49.10 | 49.10 | Chuncheon |
| Keystone NO.1 Private Equity Fund | Private equity financial | 52.58 | 52.58 | Seoul |
| Noeul Green Energy(*1) | Electricity generation | 10.00 | 10.00 | Seoul |
| Posco-IDV Growth Ladder IP Fund(*1) | Investment in new technologies | 17.86 | 17.86 | Seoul |
| Daesung Steel(*1) | Steel sales | 17.54 | 17.54 | Busan |
| Pohang E&E Co., LTD | Investment in waste energy | 30.00 | 30.00 | Pohang |
| POSCO Energy Valley Fund | Investment in new technologies | 20.00 | 20.00 | Pohang |
| Hyundai Invest Guggenheim CLO | | | | |
| Qualified Private Special Asset Trust No.2 | Investment in new technologies | 38.45 | 35.44 | Seoul |
| Posco Agri-Food Export Fund | Investment in new technologies | 30.00 | 30.00 | Seoul |
| Posco Culture Contents Fund | Investment in new technologies | 31.67 | 31.67 | Seoul |
| PCC_Centroid 1st Fund | Investment in new technologies | 24.10 | 24.10 | Seoul |
| PCC Amberstone Private Equity Fund 1(*1) | Investment in new technologies | 8.80 | 8.80 | Seoul |
| UITrans LRT Co., Ltd. | Transporting | 38.19 | 38.19 | Seoul |
| POSCO Advanced Technical Staff Fund(*1) | Investment in new technologies | 15.87 | 15.87 | Seoul |
| POSCO 4th Industrial Revolution Fund | Investment in new technologies | 20.00 | 19.05 | Seoul |
| Pureun Tongyeong Enviro Co., Ltd. | Sewerage treatment | 20.40 | 20.40 | Tongyeong |
| Pure Gimpo Co., Ltd. | Construction | 28.79 | 28.79 | Gimpo |
| Posgreen Co., Ltd.(*1) | Lime and plaster manufacturing | 19.00 | 19.00 | Gwangyang |
| Clean Iksan Co., Ltd. | Construction | 23.50 | 23.50 | Iksan |
| Innovalley Co., Ltd. | Real estate development | 28.77 | 28.77 | Yongin |
| BLUE OCEAN Private Equity Fund | Private equity financial | 27.52 | 27.52 | Seoul |
| Western Inland highway CO.,LTD. | Construction | 29.82 | 30.00 | Incheon |
| Metropolitan Outer Ring Expressway co., ltd. | Investment in Expressway | 21.27 | 21.27 | Incheon |
| INNOPOLIS Job Creation Fund II(*1) | Investment in new technologies | 6.13 | 6.21 | Seoul |
| Samcheok Blue Power Co.,Ltd. | | | | |
| (Formerly, POSPOWER CO., Ltd.)(*2) | Generation of electricity | 34.00 | 34.00 | Samcheok |
| INKOTECH, INC.(*1) | Electricity generation and sales | 10.00 | 10.00 | Seoul |
| PCC Social Enterprise Fund II (*1) | Investment in new technologies business | 16.67 | 16.67 | Seoul |
| PCC Amberstone Private Equity Fund II (*1) | Private equity trust | 19.91 | 19.91 | Seoul |
| NEXTRAIN Co.,Ltd | Service maintenance and management | 21.26 | 32.00 | Incheon |
| TK CHEMICAL CORPORATION(*1) | Chemical | 5.01 | 5.01 | Daegu |
| PCC-Conar No.1 Fund(*1) | Investment in new technologies business | 13.64 | 13.64 | Pohang |
| HYOCHUN Co., Ltd(*1) | Screen door operation and other | 18.00 | 18.00 | Seoul |
| RPSD Project Co., Ltd | Real estate development | 29.00 | 29.00 | Incheon |
| PCC EV Fund(*1) | Investment in new technologies business | 18.18 | 18.18 | Pohang |
| IBKC-PCC 1st Fund(*1) | Investment in new technologies business | 18.18 | 18.18 | Pohang |
| 2019 PCC Materials and Parts Fund(*1) | Investment in new technologies business | 8.70 | 8.70 | Pohang |
| Shinahn wind Power generation(*1) | Electric, gas, steam | 19.00 | 19.00 | Suwon |
| 2019 PCC New technology Fund(*1) | Investment in new technologies business | 4.76 | 4.76 | Pohang |
| PCC-Woori LP secondary Fund(*1) | Investment in new technologies business | 18.85 | 18.85 | Pohang |
| KPGE Inc.(*3) | Wholesales and retail, generator material, trade | 25.00 | - | Busan |
| CURO CO.,LTD.(*1,3) | Manufacturing, construction | 0.54 | - | Ulsan |
| The Blue Gimpo Co., Ltd.(*3) | Construction and engineering service | 33.33 | - | Incheon |
| Link City PFV Inc.(*3) | Construction, housing construction and sales | 44.00 | - | Uijeongbu |
| BNH-POSCO Bio Healthcare Fund(*1,3) | Investment in new technologies business | 18.14 | - | Pohang |
| PCC-BM Project Fund(*1,3) | Investment in new technologies business | 8.77 | - | Pohang |
| Energy Innovation Fund I(*1,3) | Investment in new technologies business | 10.11 | - | Pohang |
| ConsusPSdevelopment Professional Private Real Estate Fund(*3) | Real estate development | 50.00 | - | Seoul |
| POSTECH Holdings 4th Fund(*3) | Private Investment Association | 40.00 | - | Pohang |
| SNU STH IP Fund(*3) | Private Investment Association | 33.33 | - | Seoul |
| PCC-BM Project Fund 2(*1,3) | Investment in new technologies business | 13.70 | - | Pohang |
| G&G Technology Innovation Fund No.1(*1,3) | Investment in new technologies business | 13.97 | - | Seongnam |
| NPX-PCC Edutech Fund(*1,3) | Investment in new technologies business | 19.96 | - | Pohang |
| C&-PCC I Fund(*1,3) | Investment in new technologies business | 0.68 | - | Pohang |
| 2020 POSCO-MOORIM Bio New Technology Fund(*1,3) | Investment in new technologies business | 5.00 | - | Pohang |
| PCC-KAI Secondary I Fund(*1,3) | Investment in new technologies business | 19.12 | - | Seoul |
| Garolim Tidal Power Plant Co.,Ltd(*4) | Tidal power plant construction and management | - | 32.13 | Seosan |
| PoscoPlutus Bio Fund(*4) | Investment in new technologies | - | 11.97 | Seoul |
| PoscoPlutus Project Fund(*4) | Investment in new technologies | - | 11.91 | Seoul |
| PoscoPlutus Project 2nd Project Fund(*4) | Investment in new technologies | - | 0.61 | Seoul |
| Incheon-Gimpo Expressway Co., Ltd.(*5) | Road construction | - | 18.26 | Anyang |
| POSCO PLANTEC Co., Ltd.(*5) | Construction of industrial plant | - | 73.94 | Ulsan |
| Pohang Techno Valley PFV Corporation(*4) | Real estate development, supply and rental | - | 57.39 | Pohang |
| IT ENGINEERING CO., LTD.(*5) | Vehicle engineering | - | 4.99 | Seoul |
| PCC Bio 1ST Fund(*4) | Investment in new technologies | - | 13.46 | Seoul |
| Synapse Fund(*4) | Investment in new technologies | - | 16.26 | Seoul |
| Hanil-Daewoo Cement Co., Ltd.(*5) | Cement, slag distribution | - | 15.00 | Incheon |
| PCC S/W 2nd Fund(*4) | Investment in new technologies business | - | 12.81 | Pohang |

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

| Investee | Category of business | Ownership (%) | | Region |
|--|---|---------------|-------|---------------|
| | | 2020 | 2019 | |
| [Foreign] | | | | |
| VSC POSCO Steel Corporation | Steel processing and sales | 50.00 | 50.00 | Vietnam |
| POSCHROME (PROPRIETARY) LIMITED | Raw material manufacturing and sales | 50.00 | 50.00 | South Africa |
| CAML RESOURCES PTY LTD | Raw material manufacturing and sales | 33.34 | 33.34 | Australia |
| Nickel Mining Company SAS | Raw material manufacturing and sales | 49.00 | 49.00 | New Caledonia |
| PT. Wampu Electric Power | Construction and civil engineering | 20.00 | 20.00 | Indonesia |
| POSK(Pinghu) Steel Processing Center Co., Ltd. | Steel processing and sales | 20.00 | 20.00 | China |
| PT.INDONESIA POS CHEMTECH CHOSUN Ref | Refractory manufacturing and sales | 30.19 | 30.19 | Indonesia |
| NS-Thainox Auto Co., Ltd. | Steel manufacturing and sales | 49.00 | 49.00 | Thailand |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | Tinplate manufacturing and sales | 34.00 | 34.00 | China |
| PT. Tanggamus Electric Power(*1) | Construction and civil engineering | 17.50 | 17.50 | Indonesia |
| LLP POSUK Titanium | Titanium manufacturing and sales | 35.30 | 35.30 | Kazakhstan |
| LI3 ENERGY INC | Resource development | 26.06 | 26.06 | Peru |
| IMFA ALLOYS FINLEASE LTD | Raw material manufacturing and sales | 24.00 | 24.00 | India |
| KRAKATAU POS-CHEM DONG-SUH CHEMICAL(*1) 9404-5515 Quebec Inc. | Chemical by-product manufacturing and sales | 19.00 | 19.00 | Indonesia |
| (Formerly, 7623704 Canada Inc.)(*1,6) | Investments management | 10.40 | 10.40 | Canada |
| Hamparan Mulya | Resource development | 45.00 | 45.00 | Indonesia |
| POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd. | Steel manufacturing and sales | 25.00 | 25.00 | China |
| Eureka Moly LLC | Raw material manufacturing and sales | 20.00 | 20.00 | USA |
| PT. Batutua Tembaga Raya | Raw material manufacturing and sales | 22.00 | 22.00 | Indonesia |
| KIRIN VIETNAM CO., LTD(*1) | Panel manufacturing | 19.00 | 19.00 | Vietnam |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | Steel processing and sales | 25.00 | 25.00 | China |
| POS-SeAH Steel Wire (Thailand) Co., Ltd. | Steel manufacturing and sales | 25.00 | 25.00 | Thailand |
| Jupiter Mines Limited(*1) | Resource development | 6.89 | 6.93 | Australia |
| SAMHWAN VINA CO., LTD(*1) | Steel manufacturing and sales | 19.00 | 19.00 | Vietnam |
| Saudi-Korean Company for Maintenance Properties Management LLC(*1) | Building management | 19.00 | 19.00 | Saudi Arabia |
| NCR LLC | Coal sales | 29.40 | 29.40 | Canada |
| AMCI (WA) PTY LTD | Iron ore sales & mine development | 49.00 | 49.00 | Australia |
| SHANGHAI LANSHENG DAEWOO CORP. | Trading | 49.00 | 49.00 | China |
| SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD. | Trading | 49.00 | 49.00 | China |
| General Medicines Company Ltd. | Medicine manufacturing and sales | 33.00 | 33.00 | Sudan |
| KOREA LNG LTD. | Gas production and sales | 20.00 | 20.00 | England |
| AES-VCM Mong Duong Power Company Limited | Electricity generation | 30.00 | 30.00 | Vietnam |
| South-East Asia Gas Pipeline Company Ltd. | Pipeline construction and management | 25.04 | 25.04 | Myanmar |
| GLOBAL KOMSCO Daewoo LLC | Cotton celluloid manufacturing and sales | 35.00 | 35.00 | Uzbekistan |
| POSCO-Poggenamp Electrical Steel Pvt. Ltd. | Steel processing and sales | 26.00 | 26.00 | India |
| Qingdao Pohang DGENX Stainless SteelPipeCo., Ltd | Exhaust meter manufacturing | 40.00 | 40.00 | China |
| SHINPOONG DAEWOO PHARMA VIETNAM CO.,LTD(*1) | Medicine production | 3.42 | 3.42 | Vietnam |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | Cathode material Production | 40.00 | 40.00 | China |
| MONG DUONG FINANCE HOLDINGS B.V.(*3) | Financial Holdings | 30.00 | - | Netherlands |
| KG Power(M) SDN. BHD(*5) | Resource development | - | 20.00 | Malaysia |

(*1) The Company has less than 20% of the voting rights; however, the Company has determined that it has significant influence because it has meaningful representation on the board of the investee.

(*2) During the year ended December 31, 2020, POSPOWER CO., Ltd. changed its name to Samcheek Blue Power Co.,Ltd.

(*3) During the year ended December 31, 2020, the entity was newly classified to associates.

(*4) During the year ended December 31, 2020, the entity was excluded from associates due to liquidation.

(*5) During the year ended December 31, 2020, the entity was excluded from associates due to sale of interest, etc.

(*6) During the year ended December 31, 2020, 7623704 Canada Inc. changed its name to 9404-5515 Quebec Inc.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

2) Joint ventures

Details of joint ventures as of December 31, 2020 and 2019 are as follows:

| Investee | Category of business | Ownership (%) | | Region |
|---|---|---------------|-------|--------------|
| | | 2020 | 2019 | |
| [Domestic] | | | | |
| POSCO MITSUBISHI CARBON TECHNOLOGY | Steel processing and sales | 60.00 | 60.00 | Gwangyang |
| POSCO-SGI Falcon Pharmaceutic Bio Secondary Fund 1 | Investment in new technologies | 25.00 | 24.55 | Seoul |
| POSCO-KB Shipbuilding Restructuring Fund | Investment in new technologies | 18.75 | 18.75 | Seoul |
| POSCO-NSC Venture Fund | Investment in new technologies | 16.67 | 16.67 | Seoul |
| PoscoPlutus Project 3rd Project fund | Investment in new technologies | 5.96 | 5.96 | Seoul |
| PCC Bio 2nd Fund | Investment in new technologies | 19.72 | 19.72 | Seoul |
| PCC Material 3rd Fund | Investment in new technologies | 2.38 | 2.38 | Seoul |
| Union PCC Portfolio Fund | Investment in new technologies | 14.12 | 14.12 | Seoul |
| PCC S/W FUND(*1) | Investment in new technologies | - | 0.46 | Pohang |
| [Foreign] | | | | |
| KOBRASCO | Steel materials manufacturing and sales | 50.00 | 50.00 | Brazil |
| PT. POSMI Steel Indonesia | Steel processing and sales | 36.69 | 36.69 | Indonesia |
| CSP - Companhia Siderurgica do Pecem | Steel manufacturing and sales | 20.00 | 20.00 | Brazil |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | Steel processing and sales | 25.00 | 25.00 | China |
| POSCO-SAMSUNG-Slovakia Processing Center | Steel processing and sales | 30.00 | 30.00 | Slovakia |
| YULCHON MEXICO S.A. DE C.V. | Tube for automobile manufacturing | 11.85 | 19.00 | Mexico |
| Hyunson Engineering & Construction HYENCO | Construction | 4.89 | 4.89 | Algeria |
| POSCO E&C Saudi Arabia | Civil engineering and construction | 40.00 | 40.00 | Saudi Arabia |
| Pos-Austem Suzhou Automotive Co., Ltd | Automotive parts manufacturing | 19.90 | 19.90 | China |
| POS-InfraAuto (Suzhou) Co., Ltd | Automotive parts manufacturing | 16.20 | 16.20 | China |
| POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD | Automotive parts manufacturing | 11.10 | 11.10 | China |
| POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD | Automotive parts manufacturing | 7.43 | 13.00 | China |
| Kwanika Copper Corporation | Energy & resource development | 34.04 | 35.00 | Canada |
| DMSA/AMSA | Energy & resource development | 4.27 | 4.00 | Madagascar |
| Roy Hill Holdings Pty Ltd | Energy & resource development | 12.50 | 12.50 | Australia |
| POSCO-NPS Niobium LLC | Mine development | 50.00 | 50.00 | USA |
| USS-POSCO Industries(*2) | Cold-rolled steel manufacturing and sales | - | 50.00 | USA |
| United Spiral Pipe, LLC(*1) | Material manufacturing and sales | - | 35.00 | USA |

(*1) Excluded from joint ventures due to liquidation during the year ended December 31, 2020.

(*2) Excluded from joint ventures due to disposal of the investments during the year ended December 31, 2020.

(f) New subsidiaries

Consolidated subsidiaries acquired or newly established during the year ended December 31, 2020 are as follows:

| Company | Date of addition | Ownership (%) | Reason |
|--|------------------|---------------|---|
| Posco International (Thailand) Co., Ltd. | January 2020 | 100.00 | New establishment |
| PT POSCO INTERNATIONAL INDONESIA | January 2020 | 100.00 | New establishment |
| POSCO SPS CORPORATION | April 2020 | 100.00 | Spun-off from POSCO INTERNATIONAL Corporation |
| P&O Chemical Co., Ltd. | July 2020 | 51.00 | New establishment |
| Posco New Growth | August 2020 | 100.00 | New establishment |
| IMP Fund I | August 2020 | 98.04 | New establishment |
| PEC POWERCON SDN. BHD. | August 2020 | 100.00 | New establishment |
| POSCO CHEMICAL Free Zone Enterprise | October 2020 | 100.00 | New establishment |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(g) Loss of controls

Subsidiaries for which the Company has lost control during the year ended December 31, 2020 are as follows:

| <u>Company</u> | <u>Date of exclusion</u> | <u>Reason</u> |
|--|--------------------------|-----------------------------------|
| LA-SRDC | April 2020 | Liquidation |
| POSCO China Dalian Plate Processing Center Co., Ltd. | June 2020 | Disposal |
| PSC Energy Global Co., Ltd. | August 2020 | Merged into POSCO ENERGY CO.,Ltd. |
| POSCO Family Strategy Fund | September 2020 | Liquidation |
| Myanmar POSCO Steel Co., Ltd | December 2020 | Liquidation |

2. Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on January 28, 2021 and will be submitted for approval at the shareholders’ meeting to be held on March 12, 2021.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position, as described in the accounting policy below.

- (a) Derivatives instruments measured at fair value
- (b) Financial instruments measured at fair value through profit or loss
- (c) Financial instruments measured at fair value through other comprehensive income
- (d) Defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

The financial statements of POSCO and subsidiaries are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean Won, which is POSCO’s functional currency which is the currency of the primary economic environment in which POSCO operates.

Use of estimates and judgments

The preparation of the consolidated 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.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 1 - Subsidiaries, associates and joint ventures
- Note 11 - Investments in associates and joint ventures
- Note 12 - Joint operations
- Note 25 - Hybrid bonds

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following notes:

- Note 9 - Inventory
- Note 11 - Investments in associates and joint ventures
- Note 14 - Property, plant and equipment, net
- Note 15 - Goodwill and other intangible assets, net
- Note 20 - Provisions
- Note 21 - Employee benefits
- Note 23 - Financial instruments
- Note 29 - Revenue – contract balances
- Note 35 - Income taxes
- Note 38 - Commitments and contingencies

(c) Measurement of fair value

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

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

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

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.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

- 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 liability, either directly or indirectly.
- Level 3 - inputs for the assets or liability 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 values is included in the following note:

- Note 23 - Financial instruments

Changes in Accounting Policies

Except for the standards and amendments applied for the first time for the reporting period commenced January 1, 2020 described below, the accounting policies applied by the Company in these condensed consolidated 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, 2019.

- (a) K-IFRS No. 1001 "Presentation of Financial Statements" and K-IFRS No. 1008 "Accounting Policies, Changes in Accounting Estimates and Errors"

The definition of materiality has been clarified, and K-IFRS No. 1001 "Presentation of Financial Statements" and K-IFRS No. 1008 "Accounting Policies, Changes in Accounting Estimates and Errors" have been amended according to the clarified definition. In determining the materiality, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to these standards apply to transactions that have occurred since January 1, 2020.

- (b) K-IFRS No. 1103 "Business Combinations"

The amendment clarifies the definition of business when it includes input and process together significantly contribute to ability to create output and requires a simplified assessment that result in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. The amendments to this standard applies to business combinations or asset acquisition transactions with the acquisition date after January 1, 2020.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(C) K-IFRS No. 1109 “Financial Instruments”; K-IFRS No. 1039 “Financial Instruments: Recognition and measurement” and K-IFRS No. 1107 “Financial Instruments: Disclosure”

The amendments require the application of exceptions to the analysis of future prospects in relation to the application of hedge accounting while uncertainty exists due to the interest rate benchmark reform. The exception assumes that when assessing whether the expected cash flows based on existing interest rate indicators are highly probable, whether there is an economic relationship between the hedged item and the hedging instrument, or whether the hedge relationship between the hedged item and the hedging instrument is highly probable, the interest rate benchmark that the hedged item and the hedging instrument comply with does not change as a result of the interest rate benchmark reform.

The Company does not expect the effect of the amendments to the consolidated financial statements to be significant.

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for those as disclosed in note 2.

Basis of consolidation

(a) Business combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(c) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(d) Loss of control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Interests in equity-accounted investees

The Company's interests in equity-control investees comprise interests in associates and joint ventures. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions and translation

(a) Foreign currency transactions

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date fair value was initially determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

(b) Foreign operations

If the presentation currency of the Company is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value. Equity investments are excluded from cash and cash equivalents.

Non-derivative financial assets

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at financial assets measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(b) Debt instruments measured at fair value through other comprehensive income

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss.

- it is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(c) Equity instruments measured at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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

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(d) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(e) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

(f) Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Inventories

Inventory costs, except materials-in-transit in which costs are determined by using specific identification method, are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The allocation of fixed production overheads to the costs of finished goods or work in progress are based on the normal capacity of the production facilities.

Inventories are measured at the lower of cost or net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period, the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

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The carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized.

Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. In order to be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable. The assets or disposal groups that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Company recognizes an impairment loss for any initial or subsequent write-down of an asset or disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 "Impairment of Assets".

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

Investment property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of replacing a part of an item is recognized in the carrying amount of the item of property, plant and equipment, if the following recognition criteria are met:

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- (a) it is probable that future economic benefits associated with the item will flow to the Company, and
- (b) the cost can be measured reliably.

The carrying amount of the replaced part is derecognized at the time the replacement part is recognized. The costs of the day-to-day servicing of the item are recognized in profit or loss as incurred.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Other than land, the costs of an asset less its estimated residual value are depreciated. Depreciation of property, plant and equipment is recognized in profit or loss on a straight-line basis, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset, over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|-------------------------|------------|
| Buildings | 5-50 years |
| Structures | 4-50 years |
| Machinery and equipment | 4-25 years |
| Vehicles | 3-20 years |
| Tools | 3-10 years |
| Furniture and fixtures | 3-20 years |
| Lease assets | 2-30 years |
| Bearer plants | 20 years |

The estimated residual value, useful lives and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

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To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing costs as an expense. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having an indefinite useful life and not amortized.

| | |
|------------------------------|------------|
| Intellectual property rights | 4-25 years |
| Development expense | 3-5 years |
| Port facilities usage rights | 4-75 years |
| Other intangible assets | 2-15 years |

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

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Exploration for and evaluation of mineral resources

POSCO is engaged in exploration projects for mineral resources through subsidiaries, associates and joint ventures or other contractual arrangements. Expenditures related to the development of mineral resources are recognized as exploration or development intangible assets. The nature of these intangible assets are as follows:

(a) Exploration and evaluation assets

Exploration and evaluation assets consist of expenditures for topographical studies, geophysical studies and trenching. These assets are reclassified as development assets when it is proved that the exploration has identified commercially viable mineral deposit.

(b) Development assets

When proved reserves are determined and development is sanctioned, development expenditures incurred are capitalized. These expenditures include evaluation of oil fields, construction of oil/gas wells, drilling for viability and others. On completion of development and inception of extraction for commercial production of developed proved reserves, the development assets are reclassified as either property, plant and equipment or as intellectual property rights (mining rights) under intangible assets based on the nature of the capitalized expenditure.

The respective property, plant and equipment and intellectual property (mining rights) are each depreciated and amortized based on proved reserves on a unit of production basis.

Government grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant's conditions and that the grant will be received.

(a) Grants related to assets

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted from the carrying amount of the assets and recognized in profit or loss on a systematic and rational basis over the life of the depreciable assets.

(b) Grants related to income

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

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Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations.

1) As a lessee

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.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, 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 Company determines its incremental borrowing rate by obtaining interest rates from various external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the followings:

- fixed payments
- variable lease payments that depend on an index or a rate
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company's is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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The lease liability is measured at amortized cost using the effective interest method. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The lease liability is remeasured when there is:

- a revised in-substance fixed lease payment,
- a change in future lease payments arising from a change in an index or rate,
- a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or
- a change in the Company's assessment of whether it will exercise a purchase, extension or termination option

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 Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2) As a lessor

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

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company leases out its investment properties. The Company classifies these leases as operating leases.

The Company provides subleases certain leased vessels and others .

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Impairment for financial assets

The Company recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost
- debt instruments measured at fair value through other comprehensive income
- lease receivables, contractual assets, loan commitments, and financial guarantee contracts

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

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

(a) Judgments on credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held). The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

(b) Measurement of expected credit losses

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of lifetime expected credit losses that result from default that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

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Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls such as the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.

Expected credit losses for financial assets measured at amortized cost are recognized in profit or loss. Loss allowances for financial assets measured at amortized cost are deducted from carrying amount of the assets. For debt instruments measured at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

(c) Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortized cost and debt instrument measured at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Objective evidence that a financial asset or group of financial assets are impaired includes:

- significant financial difficulty of the issuer or borrower
- a breach of contract, such as a default or delinquency in interest or principal payments
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for that financial asset because of financial difficulties

(d) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in entirety or a portion. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery based on continuous payments and extinct prescriptions. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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Impairment for non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from contract assets, contract assets recognized in accordance with revenue from contracts with customers, employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company determined that individual operating entities are CGUs.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying amount of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized as describe below.

(a) Hedge accounting

The Company holds forward exchange contracts, currency swaps and commodity future contracts to manage foreign exchange risk and commodity fair value risk. The Company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

① Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

② Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

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(b) Other derivatives

Changes in the fair value of a derivative that is not designated as a hedging instrument are recognized immediately in profit or loss.

Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

(a) Financial liabilities measured at fair value through profit or loss

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(b) Financial liabilities measured at amortized cost

Non-derivative financial liabilities other than financial liabilities measured at fair value through profit or loss are classified as financial liabilities measured at amortized cost. At the date of initial recognition, financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the acquisition. Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method subsequently to initial recognition.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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Construction work in progress

The gross amount due from customers for contract work is presented for all contracts in which profits multiply cumulative percentage-of-completion exceed progress billings. If progress billings exceed profits multiply cumulative percentage-of-completion, then the gross amount due to customers for contract work is presented. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

The Company accounts for the remaining rights and performance obligation on the contract with the customers on a net basis. Due from customers for contract work and due to customers for contract work for same contract are offset and presented on a net basis.

Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss. If the Company has a legal or constructive obligation which can be reliably measured, the Company recognizes the amount of expected payment for profit-sharing and bonuses payable as liabilities.

(b) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond twelve months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(c) Retirement benefits: Defined contribution plans

For defined contribution plans, when an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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(d) Retirement benefits: Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Company recognizes an asset, to the extent of the present value of the total of cumulative any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss in curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A Provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Regarding provision for construction warranties, warranty period starts from the completion of construction in accordance with construction contracts. If the Company has an obligation for warranties, provision for warranties which are estimated based on historical warranty data are recorded as cost of construction and provision for warranties during the construction period.

If the estimated total contract cost of the construction contract exceeds the total contract revenue, the estimated contract cost exceeding the contract revenue is recognized as a provision for construction losses in the remaining contract for which construction has not proceeded.

A provision for restoration regarding contamination of land is recognized in accordance with the Company's announced Environment Policy and legal requirement as needed.

A provision is used only for expenditures for which the provision was originally recognized.

Emission Rights

The Company accounts for greenhouse gases emission right and the relevant liability as follows pursuant to *the Act on Allocation and Trading of Greenhouse Gas Emission* which became effective in Korea in 2015.

(a) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge and those purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation are classified as intangible asset and initially measured at cost and subsequently carried at cost less accumulated impairment losses.

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The Company derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government when the future economic benefits are no longer expected to be probable.

(b) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when there is a high possibility of outflows of resources in performing the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period. The emission liability is derecognized when submitted to the government.

Equity instruments

(a) Share capital

Common stock is classified as equity and the incremental costs arising directly attributable to the issuance of common stock less their tax effects are deducted from equity.

If the Company reacquires its own equity instruments, the amount of those instruments ("treasury shares") are presented as a contra equity account. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of its own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase to equity, and the resulting surplus or deficit on the transaction is recorded in capital surplus.

(b) Hybrid Bonds

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and an equity instrument. When the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the instruments are classified as equity instruments.

Revenue from contracts with customers

Revenue is measured based on the consideration promised in the contract with the customer. The Company recognizes revenue when the control over a good or service is transferred to the customer. The following are the revenue recognition policies for performance obligations in the contracts with customers in accordance with K-IFRS No. 1115.

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(a) Sale of good

The goods sold by the Company consist mainly of steel products from the steel segment and products such as steel, chemicals, auto parts and machinery in the trade segment.

For domestic sales, the control of the product is usually transferred to the customer when the product is delivered to the customer, at which point in time revenue is recognized. Invoices are generally due within 10 to 90 days. When a customer makes payment prior to the due date, they are offered a discount at certain percentage of the invoice amount.

For export sales, revenue is recognized at the time when control of the product is transferred to the customer based on the "International Incoterms for Interpretation of Trade Terms" prescribed in the respective contracts, and the Company's export contract generally transfers control to the customer at the shipping of the product. Invoices are usually issued at the date of bill of lading and revenues are recognized based on the terms of Letter of Credit (L / C), Acceptance Condition (D / A), Payment Condition (D / P), Telegraphic Transfer (T / T) and others.

The Company provides certain discount when the customer prepays according to the payment terms. The Company recognized revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when discount period expires.

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(b) Transportation service

For the performance obligation for transportation services included in the Company's product sales contracts, revenue is recognized over the period when in which the services are provided and the revenue is measured by reference to examining the degree to which the service has been completed so far. The billing date and payment terms for the service charge are the same as the billing date and payment terms for sale of goods.

(c) Construction contracts

In the case of construction contracts where the Company renders construction services for plants, etc., the customer controls the assets as they are being constructed. This is because under those contracts, the Company is able to perform construction or design services to meet the customer's specifications, and if a contract is terminated by the customer, the Company is entitled to reimbursement of all costs incurred to date, including a reasonable margin. When the contract can be reliably estimated, the company recognizes the contract revenue and contract cost as revenue and costs based on the progress of the contract activity as of the end of the reporting period. The percentage of completion is determined based on the proportion that contract costs incurred for work performed excluding contract cost incurred that do not reflect the stage of completion to date bear to the estimated total contract costs.

If the outcome of the contract cannot be reliably estimated, the revenue is recognized only to the extent of the contract costs that are probable to be recovered. If the total contract cost is likely to exceed the total contract revenue, expected losses are immediately recognized as a cost.

The Company issues an invoice when the customer has completed a progress confirmation and generally the payment is due within 45 days from the invoice date.

(d) Certain construction contracts for apartments

For certain construction service contracts for apartments where the criterion of an enforceable right to payment for performance is met under K-IFRS No. 1115, even if the legal ownership or physical occupancy of the incomplete construction is not transferred to the customer during the construction period, revenue is recognized based on percentage of completion by considering the terms and conditions described in the relevant law and contracts such as the guarantee for sale policy, government approval on business plan, payment and termination terms. For certain construction contracts for apartments and shopping centers where the criterion of an enforceable right to payment for performance is not met during the construction period, the Company recognizes revenue upon completion of construction when the control of the apartments and shopping centers are transferred to customers.

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In the meantime, the billing point and settlement terms of the pre-sale contract differ depending on the contract terms.

Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on financial assets measured at fair value through profit or loss;
- hedge ineffectiveness recognized in profit or loss; and
- the net gain or loss on the disposal of investments in debt securities measured at fair value through other comprehensive income.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company recognizes interest and penalties related to corporate tax as if it is applicable to the income taxes, the Company applies K-IFRS 1012 "Income Taxes", if it is not applicable to the income taxes, the Company applies K-IFRS 1037 "Provisions Contingent Liabilities and Contingent Assets".

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(a) Current income tax

Current income tax is the expected income tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit of future periods, and non-taxable or non-deductible items from the accounting profit.

The Company offsets current tax assets and current tax liabilities if, and only if, the Company:

- has a legally enforceable right to set off the recognized amounts, and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(b) Deferred income tax

The measurement of deferred income tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Company recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred income tax asset for deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

A deferred income tax asset is recognized for the carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilized. The future taxable profit depends on reversing taxable temporary differences. When there are insufficient taxable temporary differences, the probability of future taxable profit (including the reversal of temporary differences) should be considered.

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The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current income tax liabilities and assets on a net basis.

Earnings per share

Management calculates basic earnings per share ("EPS") data for POSCO's ordinary shares, which is presented at the end of the statement of comprehensive income. Basic EPS is calculated by dividing profit attributable to ordinary shareholders of POSCO by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 40). Operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted but the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

(a) K-IFRS No. 1116 "Lease"- COVID-19 Related Rent Concessions

The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications. The Company is required to disclose the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. The amendment is effective for annual periods beginning on or after June 1, 2020. Early application is permitted. The Company does not expect the effect of the amendments to the consolidated financial statements to be significant.

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- (b) K-IFRS No. 1001 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Company does not expect the effect of the amendments to the consolidated financial statements to be significant.

- (c) K-IFRS No. 1016 (Property, Plant and Equipment) - Proceeds Before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Company does not expect the effect of the amendments to the consolidated financial statements to be significant.

- (d) K-IFRS No. 1037 (Provisions, Contingent Liabilities and Contingent Assets) – Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Company does not expect the effect of the amendments to the consolidated financial statements to be significant.

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4. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. In addition, credit risk arises from finance guarantees.

The Company implements a credit risk management policy under which the Company only transacts business with counterparties that have a certain level of credit rate evaluated based on financial condition, historical experience, and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

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The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred.

Credit risk also arises from transactions with financial institutions, and such transactions include transactions of cash and cash equivalents, various deposits, and financial instruments such as derivative contracts. The Company manages its exposure to this credit risk by only entering into transactions with banks that have high international credit ratings. The Company's treasury department authorizes, manages, and oversees new transactions with financial institutions with whom the Company has no previous relationship.

Furthermore, the Company limits its exposure to credit risk of financial guarantee contracts by strictly evaluating their necessity based on internal decision making processes, such as the approval of the Board of Directors.

3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's cash flow from business, borrowing or financing is sufficient to meet the cash requirements for the Company's strategic investments. Management believes that the Company is capable of raising funds by borrowing or financing if the Company is not able to generate cash flow requirements from its operations. The Company has committed borrowing facilities with various banks.

4) Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The goal of market risk management is optimization of profit and controlling the exposure to market risk within acceptable limits.

① Currency risk

The Company's policy in respect of foreign currency risks is a natural hedge whereby foreign currency income is offset with foreign currency expenditures. The remaining net exposures after the natural hedge have been hedged using derivative contracts such as forward exchange contracts. In addition, the Company's derivative transactions are limited to hedging actual foreign currency transactions and speculative hedging is not permitted. Based on this policy, the Company has performed currency risk management specific to various characteristics of different segments. The entities in

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the steel segment reduces the foreign currency exposure by repayment of foreign currency borrowings subjected to investment in overseas when its maturities come. The entities in the engineering and construction segment have hedged foreign currency risks by using forward exchange contracts. Entities in the trading segment have hedged foreign currency risks by using forward exchange contracts when the foreign currencies received and paid are different.

② Interest rate risk

The Company manages the exposure to interest rate risk by adjusting of borrowing structure ratio between borrowings at fixed interest rate and variable interest rate. The Company monitors interest rate risks regularly in order to avoid exposure to interest rate risk on borrowings at variable interest rate.

③ Other market price risk

Equity price risk arises from fluctuation of market price of listed equity securities. Management of the Company measures regularly the fair value of listed equity securities and the risk of variance in future cash flow caused by market price fluctuations. Significant investments are managed separately and all buy and sell decisions are approved by management of the Company.

(b) Management of capital

The fundamental goal of capital management is the maximization of shareholders' value by means of the stable dividend policy and the retirement of treasury shares. The capital structure of the Company consists of equity and net borrowings (after deducting cash and cash equivalents) and current financial instruments from borrowings. The Company applied the same capital risk management strategy that was applied in the previous period.

Net borrowing-to-equity ratio as of December 31, 2020 and 2019 is as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|---------------------------------|---|------------------|------------------|
| Total borrowings | ₩ | 20,497,607 | 20,441,613 |
| Less: Cash and cash equivalents | | <u>4,754,644</u> | <u>3,514,872</u> |
| Net borrowings | | 15,742,963 | 16,926,741 |
| Total equity | | 47,674,592 | 47,794,707 |
| Net borrowings-to-equity ratio | | 33.02% | 35.42% |

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5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|---------------------------------------|--------------------|------------------|
| Cash | ₩ 3,100 | 2,081 |
| Demand deposits and checking accounts | 2,344,259 | 1,581,428 |
| Time deposits | 1,108,111 | 701,865 |
| Other cash equivalents | 1,299,174 | 1,229,498 |
| | <u>₩ 4,754,644</u> | <u>3,514,872</u> |

In connection with the jointly held accounts of joint operations and others, as of December 31, 2020, cash and cash equivalents amounting to ₩40,319 million of subsidiaries of the Company, such as POSCO ENGINEERING & CONSTRUCTION CO., LTD., is restricted.

6. Trade Accounts and Notes Receivable

(a) Trade accounts and notes receivable as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|---------------------------------------|--------------------|------------------|
| Current | | |
| Trade accounts and notes receivable | ₩ 7,471,916 | 8,352,968 |
| Finance lease receivables | 41,841 | 221 |
| Due from customers for contract work | 948,879 | 1,136,436 |
| Less: Allowance for doubtful accounts | (342,017) | (411,274) |
| | <u>₩ 8,120,619</u> | <u>9,078,351</u> |
| Non-current | | |
| Trade accounts and notes receivable | ₩ 131,010 | 209,310 |
| Finance lease receivables | 46 | 43,725 |
| Less: Allowance for doubtful accounts | (44,633) | (54,250) |
| | <u>₩ 86,423</u> | <u>198,785</u> |

The company sold trade accounts and notes receivable with recourse to financial institutions. These trade accounts and notes receivable have not been derecognized from the statement of financial position, because the Company retains substantially all of the risks and rewards associated with the transferred assets. The amounts received on transfer have been recognized as secured borrowings. As of December 31, 2020 and December 31, 2019, the carrying amounts of such secured borrowings are ₩ 328,807 million and ₩ 244,305 million, respectively, which are presented in the statements of financial position as the short-term borrowings.

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(b) Finance lease receivables are as follows:

(in millions of Won)

| Customer | Leased items | 2020 | 2019 |
|--|----------------------------------|----------|--------|
| Rental contractor (executives and employees) | Songdo rental apartment contract | ₩ 41,624 | 43,445 |
| ZHAOHUUI PROSPERITY INT'L LTD | Office lease | 263 | 501 |
| | | ₩ 41,887 | 43,946 |

(c) As of December 31, 2020 and 2019, the Company's total lease investment and net lease investment are as follows:

(in millions of Won)

| | 2020 | 2019 |
|--|----------|---------|
| Less than 1 year | ₩ 41,847 | 237 |
| 1 year - 3 years | 47 | 46,161 |
| Undiscounted lease payments | 41,894 | 46,398 |
| Unrealized finance income | (7) | (2,452) |
| Present value of minimum lease payment | ₩ 41,887 | 43,946 |

7. Other Receivables

(1) The details of other receivables as of December 31, 2020 and 2019, are as follows:

(in millions of Won)

| | 2020 | 2019 |
|---------------------------------------|-------------|-----------|
| Current | | |
| Loans | ₩ 258,735 | 367,580 |
| Other accounts receivable | 835,791 | 971,845 |
| Accrued income | 298,157 | 272,528 |
| Deposits | 82,884 | 86,519 |
| Others | 18,015 | 14,510 |
| Lease receivables | 68,198 | 48,744 |
| Less: Allowance for doubtful accounts | (67,541) | (180,209) |
| | ₩ 1,494,239 | 1,581,517 |
| Non-current | | |
| Loans | ₩ 798,287 | 701,529 |
| Other accounts receivable | 197,304 | 209,039 |
| Accrued income | 86,920 | 65,275 |
| Deposits | 284,588 | 238,261 |
| Lease receivables | 128,366 | 179,315 |
| Less: Allowance for doubtful accounts | (299,503) | (252,540) |
| | ₩ 1,195,962 | 1,140,879 |

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(2) The details of lease receivables are as follows:

| Customer | Leased items | | 2020 | 2019 |
|---|---|---|----------------|----------------|
| HEUNG-A SHIPPING CO., LTD., MSC, HEUNG-A LINE CO., LTD. KOGAS, ONGC Videsh Limited, GAIL(India) Limited, Myanmar Oil and Gas Enterprise | 6 Container Ships, 4 Tankers Helicopter, Ship, Office, Jetty | ₩ | 166,077 | 212,933 |
| | | | 30,487 | 15,126 |
| | | ₩ | <u>196,564</u> | <u>228,059</u> |

(3) As of December 31, 2020, total lease investment and net lease investment are as follows.:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|--|---|----------------|----------------|
| Less than 1 year | ₩ | 70,378 | 56,796 |
| 1 year - 3 years | | 101,049 | 107,955 |
| 3 years - 5 years | | 28,922 | 70,742 |
| Over 5 years | | 9,969 | 16,089 |
| Undiscounted lease payments | | <u>210,318</u> | <u>251,582</u> |
| Unrealized interest income | | (13,754) | (23,523) |
| Present value of minimum lease payment | ₩ | <u>196,564</u> | <u>228,059</u> |

8. Other Financial Assets

Other financial assets as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|--------------------------------------|---|-------------------|------------------|
| Current | | | |
| Derivatives assets | ₩ | 99,324 | 47,541 |
| Debt securities | | 154,154 | 342,371 |
| Deposit instruments(*1,2) | | 2,322,327 | 1,744,895 |
| Short-term financial instruments(*2) | | 9,133,404 | 6,861,242 |
| | ₩ | <u>11,709,209</u> | <u>8,996,049</u> |
| Non-current | | | |
| Derivatives assets | ₩ | 18,551 | 64,737 |
| Equity securities(*3) | | 1,120,968 | 1,204,902 |
| Debt securities | | 20,260 | 25,555 |
| Other securities(*3) | | 364,404 | 340,008 |
| Deposit instruments(*2) | | 37,624 | 34,187 |
| | ₩ | <u>1,561,807</u> | <u>1,669,389</u> |

(*1) As of December 31, 2020 and 2019, ₩4,881 million and ₩4,524 million, respectively, are restricted in use for a government project.

(*2) As of December 31, 2020 and 2019, financial instruments amounting to ₩46,855 million and ₩73,525 million, respectively, are restricted in use for financial arrangements, pledge and others.

(*3) As of December 31, 2020 and 2019, ₩113,674 million and ₩109,395 million of equity and other securities, respectively, have been provided as collateral for borrowings, construction projects and others.

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Notes to the Consolidated Financial Statements, Continued
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9. Inventories

(a) Inventories as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|---|--------------------|-------------------|
| Finished goods | ₩ 1,285,552 | 1,655,228 |
| Merchandise | 751,245 | 1,058,874 |
| Semi-finished goods | 1,626,855 | 2,097,289 |
| Raw materials | 1,980,518 | 2,656,341 |
| Fuel and materials | 876,593 | 1,026,133 |
| Construction inventories | 936,813 | 734,649 |
| Materials-in-transit | 1,664,770 | 1,824,044 |
| Others | 61,086 | 83,905 |
| | <u>9,183,432</u> | <u>11,136,463</u> |
| Less: Allowance for inventories valuation | (131,642) | (216,143) |
| | <u>₩ 9,051,790</u> | <u>10,920,320</u> |

(b) The changes of allowance for inventories valuation for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|------------------------------------|------------------|----------------|
| Beginning | ₩ 216,143 | 206,782 |
| Loss on valuation of inventories | 54,014 | 96,201 |
| Utilization on sale of inventories | (132,707) | (79,419) |
| Others | (5,808) | (7,421) |
| Ending | <u>₩ 131,642</u> | <u>216,143</u> |

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10. Assets Held for Sale

Details of assets held for sale as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | 2020 | | | 2019 | | |
|-------------------------------|-----------------------------|--------------|--------|-----------------------------|--------------|--------|
| | The controlling company(*1) | Subsidiaries | Total | The controlling company(*1) | Subsidiaries | Total |
| Asset | | | | | | |
| Cash and cash equivalents(*2) | ₩ - | 934 | 934 | - | 374 | 374 |
| Other financial assets | - | 273 | 273 | - | 185 | 185 |
| Property, plant and equipment | 32,244 | 40 | 32,284 | 36,321 | 32,972 | 69,293 |
| Others | - | 719 | 719 | - | 4,306 | 4,306 |
| | ₩ 32,244 | 1,966 | 34,210 | 36,321 | 37,837 | 74,158 |
| Liability | | | | | | |
| Others | ₩ - | 25 | 25 | - | 8 | 8 |

(*1) During the year ended December 31, 2019, the Company decided to dispose individual assets for which use was discontinued, such as CEM plants, and classified the assets as held for sale. During the year ended December 31, 2020 the Company recognized ₩5,030 million of impairment loss for the difference between the fair value less cost to sell and the carrying amount of the assets.

(*2) Cash and cash equivalents in the statement of cash flows include cash and cash equivalents that are classified as assets held for sale as of December 31, 2020 and 2019.

11. Investments in Associates and Joint ventures

(a) Investments in associates and joint ventures as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | 2020 | 2019 |
|-------------------------------|-------------|-----------|
| Investments in associates | ₩ 1,732,833 | 1,864,509 |
| Investments in joint ventures | 2,143,416 | 2,063,246 |
| | ₩ 3,876,249 | 3,927,755 |

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(b) Details of investments in associates as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| Company | 2020 | | | 2019 | |
|---|------------------|---------------|------------------|------------------|------------------|
| | Number of shares | Ownership (%) | Acquisition cost | Book value | Book value |
| [Domestic] | | | | | |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | 178,691,901,565 | 36.34 | ₩ 178,787 | ₩ 175,939 | 175,907 |
| Samcheok Blue Power Co.,Ltd. (Formerly, POSPower Co., Ltd)(*1) | 4,507,138 | 34.00 | 179,410 | 145,092 | 161,280 |
| SNNC | 18,130,000 | 49.00 | 90,650 | 160,332 | 142,602 |
| QSONE Co.,Ltd. | 200,000 | 50.00 | 84,395 | 86,004 | 85,887 |
| Chun-cheon Energy Co., Ltd(*1) | 17,308,143 | 49.10 | 86,541 | 23,913 | 56,679 |
| Western Inland highway CO.,LTD. | 9,533,364 | 29.82 | 47,667 | 45,070 | 5,115 |
| Nextrain Co., Ltd.(*1) | 9,904,000 | 21.26 | 49,520 | 47,364 | 41,447 |
| Keystone NO. 1. Private Equity Fund | 22,523,123 | 52.58 | 22,523 | - | 19,438 |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | 2,008,000 | 29.53 | 10,040 | 17,137 | 17,824 |
| Daesung Steel | 108,038 | 17.54 | 14,000 | 16,990 | 15,375 |
| PCC Amberstone Private Equity Fund 1 | 8,657,610,240 | 8.80 | 8,540 | 9,230 | 9,570 |
| Others (58 companies)(*1) | | | | 117,193 | 114,490 |
| | | | | <u>844,264</u> | <u>845,614</u> |
| [Foreign] | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 135,219,000 | 25.04 | 132,907 | 199,342 | 225,933 |
| AES-VCM Mong Duong Power Company Limited(*1) | - | 30.00 | 164,303 | 158,777 | 178,892 |
| 9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.) | 114,452,000 | 10.40 | 124,341 | 123,296 | 131,529 |
| Eureka Moly LLC | - | 20.00 | 240,123 | 43,520 | 85,349 |
| AMCI (WA) PTY LTD | 49 | 49.00 | 209,664 | 71,732 | 72,937 |
| NCR LLC | - | 29.40 | 53,940 | 46,608 | 46,391 |
| KOREA LNG LTD. | 2,400 | 20.00 | 135,205 | 42,229 | 46,557 |
| Nickel Mining Company SAS | 3,234,698 | 49.00 | 157,585 | 40,890 | 37,940 |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 134,400,000 | 40.00 | 22,423 | 22,147 | 22,356 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | 10,200,000 | 34.00 | 9,517 | 15,181 | 15,128 |
| PT. Wampu Electric Power(*1) | 8,708,400 | 20.00 | 10,054 | 12,716 | 13,363 |
| PT. Batutua Tembaga Raya | 128,285 | 22.00 | 21,824 | 15 | 14,717 |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 50 | 25.00 | 4,723 | 7,110 | 6,755 |
| Others (26 companies)(*1) | | | | 105,006 | 121,048 |
| | | | | <u>888,569</u> | <u>1,018,895</u> |
| | | | ₩ | <u>1,732,833</u> | <u>1,864,509</u> |

(*1) As of December 31, 2020 and 2019, investments in associates amounting to ₩410,573 million and ₩437,646 million, respectively, are provided as collateral in relation to the associates' borrowings.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(c) Details of investments in joint ventures as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| Company | 2020 | | | 2019 | |
|--|------------------|---------------|------------------|--------------------|------------------|
| | Number of shares | Ownership (%) | Acquisition cost | Book value | Book value |
| [Domestic] | | | | | |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 11,568,000 | 60.00 | ₩ 115,680 | ₩ 153,457 | 182,648 |
| Others (7 companies) | | | | 14,014 | 10,305 |
| | | | | <u>167,471</u> | <u>192,953</u> |
| [Foreign] | | | | | |
| Roy Hill Holdings Pty Ltd(*1) | 13,117,972 | 12.50 | 1,528,672 | 1,418,056 | 1,235,682 |
| POSCO-NPS Niobium LLC | 325,050,000 | 50.00 | 364,609 | 353,725 | 376,410 |
| KOBRASCO | 2,010,719,185 | 50.00 | 32,950 | 54,400 | 115,641 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | - | 25.00 | 61,961 | 91,270 | 88,935 |
| DMSA/AMSA(*1,2) | - | 4.27 | 406,556 | 31,104 | 12,189 |
| CSP - Companhia Siderurgica do Pecem | 1,483,752,032 | 20.00 | 656,884 | - | - |
| Others (10 companies) | | | | 27,390 | 41,436 |
| | | | | <u>1,975,945</u> | <u>1,870,293</u> |
| | | | | <u>₩ 2,143,416</u> | <u>2,063,246</u> |

(*1) As of December 31, 2020 and December 31, 2019, the investments in joint ventures are provided as collateral in relation to the joint ventures' borrowings.

(*2) All of the shareholders of the joint venture entered into financial support agreement with lenders on behalf of the joint venture to extend the maturity of the loans granted to the joint venture by the lenders. However, the Company believes the shareholders' financial support agreement is invalid and is currently in arbitration process for annulment. The Company's obligation to provide financial support is currently on hold and may change depending on the result of the arbitration.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(d) The movements of investments in associates and joint ventures for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

(in millions of Won)

| Company | December 31, 2019 | | Dividends | Share of profits (losses) | Other increase (decrease)(*1) | December 31, 2020 | |
|---|----------------------|----------------|------------------|------------------------------|----------------------------------|----------------------|------------|
| | Book value | Acquisition | | | | Book value | Book value |
| [Domestic] | | | | | | | |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | ₩ 175,907 | - | - | 34 | (2) | 175,939 | |
| Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd) | 161,280 | - | - | (5,262) | (10,926) | 145,092 | |
| SNNC | 142,602 | - | (2,901) | 18,701 | 1,930 | 160,332 | |
| QSONE Co., Ltd. | 85,887 | - | (1,140) | 1,257 | - | 86,004 | |
| Chun-cheon Energy Co., Ltd | 56,679 | - | - | (33,173) | 407 | 23,913 | |
| Western Inland highway CO.,LTD. | 5,115 | 42,246 | - | (2,294) | 3 | 45,070 | |
| Nextrain Co., Ltd. | 41,447 | 7,910 | - | (2,786) | 793 | 47,364 | |
| Keystone NO. 1. Private Equity Fund | 19,438 | - | - | (19,438) | - | - | |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd | 17,824 | - | - | (687) | - | 17,137 | |
| Daesung Steel | 15,375 | - | - | (514) | 2,129 | 16,990 | |
| PCC Amberstone Private Equity Fund 1 | 9,570 | - | (715) | 589 | (214) | 9,230 | |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 182,648 | - | (19,401) | (9,794) | 4 | 153,457 | |
| Others (65 companies) | 124,795 | 27,718 | (1,328) | (8,885) | (11,093) | 131,207 | |
| | <u>1,038,567</u> | <u>77,874</u> | <u>(25,485)</u> | <u>(62,252)</u> | <u>(16,969)</u> | <u>1,011,735</u> | |
| [Foreign] | | | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 225,933 | - | (56,760) | 45,941 | (15,772) | 199,342 | |
| AES-VCIM Mong Duong Power Company Limited 9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.) | 178,892 | - | (16,053) | 37,092 | (41,154) | 158,777 | |
| Eureka Moly LLC | 131,529 | - | (11,672) | 10,963 | (7,524) | 123,296 | |
| AMCI (WA) PTY LTD | 85,349 | - | - | (39,801) | (2,028) | 43,520 | |
| NCR LLC | 72,937 | - | - | (6,561) | 5,356 | 71,732 | |
| KOREA LNG LTD. | 46,391 | 4,196 | - | (1,452) | (2,527) | 46,608 | |
| Nickel Mining Company SAS | 46,557 | - | (7,755) | 7,681 | (4,254) | 42,229 | |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 37,940 | - | - | 1,473 | 1,477 | 40,890 | |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | 22,356 | - | - | (384) | 175 | 22,147 | |
| PT. Wampu Electric Power | 15,128 | - | - | (80) | 133 | 15,181 | |
| PT. Batutua Tembaga Raya | 13,363 | - | (559) | 1,411 | (1,499) | 12,716 | |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 14,717 | - | - | (14,883) | 181 | 15 | |
| Roy Hill Holdings Pty Ltd | 6,755 | - | - | 279 | 76 | 7,110 | |
| POSCO-NPS Niobium LLC | 1,235,682 | - | (113,985) | 234,693 | 61,666 | 1,418,056 | |
| KOBRASCO | 376,410 | - | (11,244) | 11,449 | (22,890) | 353,725 | |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 115,641 | - | (37,922) | 8,443 | (31,762) | 54,400 | |
| DMSA/AMSA | 88,935 | - | - | 1,790 | 545 | 91,270 | |
| CSP - Compania Siderurgica do Pecem | 12,189 | 60,278 | - | (33,305) | (8,058) | 31,104 | |
| Others (36 companies) | - | 62,711 | - | (60,708) | (2,003) | - | |
| | <u>162,484</u> | <u>-</u> | <u>(12,114)</u> | <u>(8,492)</u> | <u>(9,482)</u> | <u>132,396</u> | |
| | <u>2,889,188</u> | <u>127,185</u> | <u>(268,064)</u> | <u>195,549</u> | <u>(79,344)</u> | <u>2,864,514</u> | |
| | <u>₩ 3,927,755</u> | <u>205,059</u> | <u>(293,549)</u> | <u>133,297</u> | <u>(96,313)</u> | <u>3,876,249</u> | |

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

2) For the year ended December 31, 2019

(in millions of Won)

| Company | December 31, 2018 | | Dividends | Share of profits (losses) | Other increase (decrease)(*1) | December 31, 2019 | |
|--|-------------------|----------------|------------------|---------------------------|-------------------------------|-------------------|------------------|
| | Book value | Acquisition | | | | Book value | Book value |
| [Domestic] | | | | | | | |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | ₩ 174,123 | - | - | (976) | 2,760 | - | 175,907 |
| Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd) | 161,477 | - | - | (4,744) | 4,547 | - | 161,280 |
| SNNC | 116,922 | - | (1,450) | 27,655 | (525) | - | 142,602 |
| QSONE Co., Ltd. | 85,550 | - | (950) | 1,287 | - | - | 85,887 |
| Chun-cheon Energy Co., Ltd | 62,478 | 6,050 | - | (11,849) | - | - | 56,679 |
| Western Inland highway CO.,LTD. | 1,494 | 3,752 | - | (167) | 36 | - | 5,115 |
| Nextrain Co., Ltd. | 10 | 41,600 | - | (163) | - | - | 41,447 |
| Keystone NO. 1. Private Equity Fund | 11,183 | 8,723 | - | (342) | (126) | - | 19,438 |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | 17,382 | - | - | 442 | - | - | 17,824 |
| Daesung Steel | 15,644 | - | - | (269) | - | - | 15,375 |
| PCC Amberstone Private Equity Fund 1 | 9,693 | - | (723) | 1,079 | (479) | - | 9,570 |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 180,192 | - | (16,369) | 19,377 | (52) | - | 182,648 |
| Others (62 companies) | 143,578 | 27,221 | (669) | (24,448) | (20,887) | - | 124,795 |
| | <u>979,726</u> | <u>87,346</u> | <u>(20,161)</u> | <u>6,882</u> | <u>(15,226)</u> | - | <u>1,038,567</u> |
| [Foreign] | | | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 179,459 | - | (24,267) | 63,749 | 6,992 | - | 225,933 |
| AES-VCM Mong Duong Power Company Limited 9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.) | 209,936 | - | (18,099) | 24,126 | (37,071) | - | 178,892 |
| Eureka Moly LLC | 126,885 | - | (9,902) | 9,912 | 4,634 | - | 131,529 |
| AMCI (WA) PTY LTD | 82,447 | - | - | (25) | 2,927 | - | 85,349 |
| NCR LLC | 71,086 | - | - | (4,377) | 6,228 | - | 72,937 |
| KOREA LNG LTD. | 37,602 | 9,605 | - | (822) | 6 | - | 46,391 |
| Nickel Mining Company SAS | 43,554 | - | (13,404) | 13,501 | 2,906 | - | 46,557 |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 41,712 | - | - | (4,250) | 478 | - | 37,940 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | - | 22,423 | - | 61 | (128) | - | 22,356 |
| PT. Wampu Electric Power | 14,796 | - | - | 10 | 322 | - | 15,128 |
| PT. Batutua Tembaga Raya | 14,120 | - | - | (1,247) | 490 | - | 13,363 |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 20,479 | - | - | (6,209) | 447 | - | 14,717 |
| Roy Hill Holdings Pty Ltd | 6,478 | - | - | 80 | 197 | - | 6,755 |
| POSCO-NPS Niobium LLC | 1,041,600 | - | - | 158,562 | 35,520 | - | 1,235,682 |
| KOBRASCO | 363,506 | - | (24,933) | 24,543 | 13,294 | - | 376,410 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 133,449 | - | (74,716) | 56,474 | 434 | - | 115,641 |
| DMSA/AMSA | 88,391 | - | (1,574) | 665 | 1,453 | - | 88,935 |
| CSP - Compania Siderurgica do Pecem | 26,709 | 23,682 | - | (40,415) | 2,213 | - | 12,189 |
| Others (38 companies) | 24,832 | 35,352 | - | (57,647) | (2,537) | - | - |
| | <u>143,236</u> | <u>552</u> | <u>(19,430)</u> | <u>30,168</u> | <u>7,958</u> | - | <u>162,484</u> |
| | <u>2,670,277</u> | <u>91,614</u> | <u>(186,325)</u> | <u>266,859</u> | <u>46,763</u> | - | <u>2,889,188</u> |
| ₩ | <u>3,650,003</u> | <u>178,960</u> | <u>(206,486)</u> | <u>273,741</u> | <u>31,537</u> | - | <u>3,927,755</u> |

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(e) Summarized financial information of associates and joint ventures as of and for the years ended December 31, 2020 and 2019 are as follows:

1) December 31, 2020

(in millions of Won)

| Company | Assets | Liabilities | Equity (deficit) | Sales | Net income (loss) |
|---|---------------|--------------------|-----------------------------|--------------|------------------------------|
| [Domestic] | | | | | |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | ₩ 473,415 | 575 | 472,840 | - | 8,534 |
| Samcheok Blue Power Co.,Ltd. (Formerly, POSPower Co., Ltd) | 1,169,343 | 700,266 | 469,077 | - | (5,994) |
| SNNC | 592,568 | 238,971 | 353,597 | 698,712 | 39,826 |
| QSONE Co.,Ltd. | 251,190 | 79,182 | 172,008 | 17,075 | 2,513 |
| Chun-cheon Energy Co., Ltd | 609,815 | 516,963 | 92,852 | 222,066 | (24,617) |
| Western Inland highway CO.,LTD. | 158,679 | 2,534 | 156,145 | - | (1,714) |
| Nextrain Co., Ltd. | 303,359 | 74,738 | 228,621 | - | (2,636) |
| Keystone NO. 1. Private Equity Fund | 178,848 | 132,123 | 46,725 | 16,586 | (1,971) |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | 54,832 | 27,111 | 27,721 | 6,672 | (2,326) |
| Daesung Steel | 172,088 | 106,611 | 65,477 | 85,158 | (2,930) |
| PCC Amberstone Private Equity Fund 1 | 104,933 | 5 | 104,928 | 12,280 | 6,694 |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 446,067 | 190,289 | 255,778 | 112,173 | (15,603) |
| [Foreign] | | | | | |
| South-East Asia Gas Pipeline Company Ltd. | 1,515,828 | 719,745 | 796,083 | 458,806 | 183,465 |
| AES-VCM Mong Duong Power Company Limited | 1,599,095 | 1,086,440 | 512,655 | 336,174 | 121,644 |
| 9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.) | 1,197,702 | 3 | 1,197,699 | - | 105,411 |
| KOREA LNG LTD. | 211,497 | 353 | 211,144 | 40,086 | 38,370 |
| Nickel Mining Company SAS | 445,140 | 308,885 | 136,255 | 223,427 | (8,353) |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 72,001 | 16,812 | 55,189 | 3,236 | (1,086) |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | 71,805 | 21,486 | 50,319 | 104,537 | (237) |
| PT. Wampu Electric Power | 199,841 | 139,264 | 60,577 | 20,272 | 7,057 |
| PT. Batutua Tembaga Raya | 389,973 | 387,870 | 2,103 | 36,587 | (29,714) |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 68,036 | 38,843 | 29,193 | 78,954 | 1,156 |
| Roy Hill Holdings Pty Ltd | 9,271,788 | 2,161,353 | 7,110,435 | 5,993,950 | 2,299,529 |
| POSCO-NPS Niobium LLC | 707,247 | - | 707,247 | - | 25,406 |
| KOBRASCO | 118,676 | 9,875 | 108,801 | 32,854 | 16,887 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 873,174 | 534,961 | 338,213 | 1,252,189 | 7,856 |
| DMSA/AMSA | 4,924,371 | 2,294,881 | 2,629,490 | 204,820 | (772,396) |
| CSP - Companhia Siderurgica do Pecem | 2,800,437 | 3,650,509 | (850,072) | 1,403,457 | (1,009,296) |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

2) December 31, 2019

(in millions of Won)

| Company | Assets | Liabilities | Equity (deficit) | Sales | Net income (loss) |
|---|---------------|--------------------|-----------------------------|--------------|------------------------------|
| [Domestic] | | | | | |
| EQP POSCO Global NO1 Natural Resources Private Equity Fund | ₩ 516,659 | 786 | 515,873 | - | 7,479 |
| Samcheok Blue Power Co.,Ltd. (Formerly, POSPower Co., Ltd) | 707,051 | 199,846 | 507,205 | - | (5,294) |
| SNNC | 677,508 | 357,843 | 319,665 | 738,977 | 63,269 |
| QSONE Co.,Ltd. | 250,364 | 78,589 | 171,775 | 17,591 | 2,576 |
| Chun-cheon Energy Co., Ltd | 610,089 | 492,620 | 117,469 | 313,438 | (24,677) |
| Western Inland highway CO.,LTD. | 21,980 | 5,165 | 16,815 | - | (528) |
| Nextrain Co., Ltd. | 136,203 | 7,322 | 128,881 | - | (509) |
| Keystone NO. 1. Private Equity Fund | 187,156 | 138,219 | 48,937 | 18,342 | (887) |
| CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd | 53,019 | 22,971 | 30,048 | 17,824 | 1,497 |
| Daesung Steel | 164,708 | 108,441 | 56,267 | 85,537 | (1,536) |
| PCC Amberstone Private Equity Fund 1 | 108,797 | 5 | 108,792 | 14,787 | 12,280 |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 474,387 | 170,678 | 303,709 | 216,648 | 32,334 |
| [Foreign] | | | | | |
| South-East Asia Gas Pipeline Company Ltd. 9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.) | 1,808,529 | 906,254 | 902,275 | 555,075 | 254,582 |
| KOREA LNG LTD. | 1,276,857 | 1 | 1,276,856 | - | 95,306 |
| Nickel Mining Company SAS | 232,935 | 147 | 232,788 | 69,577 | 67,507 |
| ZHEJIANG HUAYOU-POSCO ESM CO., LTD | 471,377 | 331,194 | 140,183 | 245,509 | 2,432 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | 73,604 | 17,765 | 55,839 | 641 | 153 |
| PT. Wampu Electric Power | 65,413 | 15,232 | 50,181 | 101,101 | 28 |
| PT. Batutua Tembaga Raya | 222,266 | 158,451 | 63,815 | 18,163 | (6,233) |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 423,608 | 392,226 | 31,382 | 112,568 | (28,360) |
| Roy Hill Holdings Pty Ltd | 61,847 | 33,989 | 27,858 | 77,371 | 327 |
| POSCO-NPS Niobium LLC | 11,143,705 | 5,718,152 | 5,425,553 | 5,037,471 | 1,660,577 |
| KOBRASCO | 752,617 | - | 752,617 | - | 47,521 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 268,139 | 36,857 | 231,282 | 167,022 | 112,949 |
| DMSA/AMSA | 969,280 | 637,478 | 331,802 | 1,145,794 | 1,704 |
| CSP - Compania Siderurgica do Pecem | 5,703,501 | 4,202,704 | 1,500,797 | 638,797 | (504,077) |
| | 3,959,365 | 4,249,083 | (289,718) | 1,623,843 | (465,853) |

(f) Changes in accumulated losses of equity-accounted investees that were not recognized since the Company discontinues the use of the equity method for the year ended December 31, 2020 were as follows:

(in millions of Won)

| Company | Beginning balance | Increase or decrease | Ending balance |
|--|------------------------------|---------------------------------|---------------------------|
| New Songdo International City Development, LLC | ₩ 279,435 | (20,094) | 259,341 |
| Mokpo Deayang Industrial Corporation | - | 84 | 84 |
| UITrans LRT Co., Ltd. | 14,429 | 17,905 | 32,334 |
| Clean Iksan Co., Ltd. | 784 | (70) | 714 |
| HYOCHUN Co.,Ltd. | 2,727 | 778 | 3,505 |
| Shinahn wind power generation | - | 843 | 843 |
| CSP-Compania Siderurgica do Pecem | 27,478 | 141,259 | 168,737 |
| KIRIN VIETNAM CO.,Ltd | 96 | (29) | 67 |
| INKOTECH, INC. | - | 341 | 341 |
| POSCO-Poggenamp Electrical Steel Pvt. Ltd. | - | 96 | 96 |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

12. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of December 31, 2020 are as follows:

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

POSCO and Subsidiaries
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As of December 31, 2020 and 2019

13. Investment Property, Net

(a) Investment property as of December 31, 2020 and 2019 are as follows:

| | | 2020 | | | 2019 | | |
|---------------------|---|------------------|--|----------------|------------------|--|----------------|
| | | Acquisition cost | Accumulated depreciation and impairment loss | Book value | Acquisition cost | Accumulated depreciation and impairment loss | Book value |
| Land | ₩ | 296,115 | (16,718) | 279,397 | 295,183 | (16,718) | 278,465 |
| Buildings | | 746,698 | (187,114) | 559,584 | 778,816 | (180,657) | 598,159 |
| Structures | | 4,268 | (3,069) | 1,199 | 3,455 | (2,277) | 1,178 |
| Right of use assets | | 175,026 | (20,425) | 154,601 | 434 | (9) | 425 |
| | ₩ | <u>1,222,107</u> | <u>(227,326)</u> | <u>994,781</u> | <u>1,077,888</u> | <u>(199,661)</u> | <u>878,227</u> |

As of December 31, 2020, the fair value of investment property is ₩2,136,187 million.

(b) Changes in the carrying amount of investment property for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

| | | Beginning | Acquisitions | Disposals | Depreciation(*1) | Others(*2) | Ending |
|---------------------|---|----------------|--------------|--------------|------------------|----------------|----------------|
| Land | ₩ | 278,465 | 2,814 | (183) | - | (1,699) | 279,397 |
| Buildings | | 598,159 | 385 | - | (9,681) | (29,279) | 559,584 |
| Structures | | 1,178 | - | - | (610) | 631 | 1,199 |
| Right of use assets | | 425 | - | (56) | (3,206) | 157,438 | 154,601 |
| | ₩ | <u>878,227</u> | <u>3,199</u> | <u>(239)</u> | <u>(13,497)</u> | <u>127,091</u> | <u>994,781</u> |

(*1) Includes reversal of impairment loss on investment property recognized by POSCO(Dalian) IT Center Development Co., Ltd., a subsidiary, in relation to its office lease amounting to ₩14,953 million.

(*2) Includes reclassification resulting from changing purpose of use, adjustment of foreign currency translation difference and others.

2) For the year ended December 31, 2019

| | | Beginning | Acquisitions | Disposals | Depreciation(*1) | Others(*2) | Ending |
|--------------------------|---|----------------|---------------|-----------------|------------------|----------------|----------------|
| Land | ₩ | 278,585 | - | (5,921) | - | 5,801 | 278,465 |
| Buildings | | 571,335 | 1,548 | (5,343) | (52,416) | 83,035 | 598,159 |
| Structures | | 1,408 | - | (50) | (625) | 445 | 1,178 |
| Right of use assets | | - | - | - | - | 425 | 425 |
| Construction-in-progress | | 77,287 | 18,644 | - | - | (95,931) | - |
| | ₩ | <u>928,615</u> | <u>20,192</u> | <u>(11,314)</u> | <u>(53,041)</u> | <u>(6,225)</u> | <u>878,227</u> |

(*1) Includes impairment loss on investment property recognized by POSCO(Dalian) IT Center Development Co., Ltd., a subsidiary, in relation to its office lease amounting to ₩32,642 million.

(*2) Includes reclassification resulting from changing purpose of use, adjustment of foreign currency translation difference and others.

POSCO and Subsidiaries
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14. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of December 31, 2020 and 2019 are as follows:

| | | 2020 | | | | 2019 | | | |
|--------------------------|---|------------------|--|-------------------|------------|------------------|--|-------------------|------------|
| | | Acquisition cost | Accumulated depreciation and impairment loss | Government grants | Book value | Acquisition cost | Accumulated depreciation and impairment loss | Government grants | Book value |
| Land | ₩ | 2,592,705 | (2,618) | - | 2,590,087 | 2,527,972 | (1,913) | - | 2,526,059 |
| Buildings | | 9,417,295 | (5,250,281) | (5,614) | 4,161,400 | 9,227,064 | (5,010,770) | (840) | 4,215,454 |
| Structures | | 6,363,370 | (3,338,075) | (69) | 3,025,226 | 6,066,000 | (3,161,453) | (41) | 2,904,506 |
| Machinery and equipment | | 48,435,445 | (31,570,233) | (7,905) | 16,857,307 | 47,548,589 | (30,326,324) | (4,001) | 17,218,264 |
| Vehicles | | 310,078 | (272,705) | (217) | 37,156 | 305,275 | (272,977) | (13) | 32,285 |
| Tools | | 423,927 | (363,360) | (266) | 60,301 | 418,829 | (348,032) | (46) | 70,751 |
| Furniture and fixtures | | 670,079 | (542,217) | (403) | 127,459 | 658,467 | (528,066) | (269) | 130,132 |
| Lease assets | | 1,093,817 | (320,117) | - | 773,700 | 970,891 | (196,309) | - | 774,582 |
| Bearer plants | | 171,160 | (21,195) | - | 149,965 | 138,818 | (14,625) | - | 124,193 |
| Construction-in-progress | | 2,474,766 | (850,839) | (6,387) | 1,617,540 | 2,800,412 | (856,548) | (14,117) | 1,929,747 |
| | ₩ | 71,952,642 | (42,531,640) | (20,861) | 29,400,141 | 70,662,317 | (40,717,017) | (19,327) | 29,925,973 |

(b) Changes in the carrying amount of property, plant and equipment for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

| | | (in millions of Won) | | | | | | |
|--------------------------|---|----------------------|--------------|-----------|--------------|---------------------|-------------|------------|
| | | Beginning | Acquisitions | Disposals | Depreciation | Impairment loss(*1) | Others(*2) | Ending |
| Land | ₩ | 2,526,059 | 29,639 | (2,633) | - | 3,490 | 33,532 | 2,590,087 |
| Buildings | | 4,215,454 | 13,825 | (6,296) | (319,774) | (3,778) | 261,969 | 4,161,400 |
| Structures | | 2,904,506 | 85,958 | (6,661) | (231,737) | (883) | 274,043 | 3,025,226 |
| Machinery and equipment | | 17,218,264 | 138,533 | (27,966) | (2,298,951) | (8,080) | 1,835,507 | 16,857,307 |
| Vehicles | | 32,285 | 6,475 | (546) | (14,599) | - | 13,541 | 37,156 |
| Tools | | 70,751 | 20,230 | (211) | (38,838) | - | 8,369 | 60,301 |
| Furniture and fixtures | | 130,132 | 23,352 | (2,908) | (43,832) | (519) | 21,234 | 127,459 |
| Lease assets | | 774,582 | 204,699 | (9,300) | (172,029) | - | (24,252) | 773,700 |
| Bearer plants | | 124,193 | 118 | (155) | (7,971) | - | 33,780 | 149,965 |
| Construction-in-progress | | 1,929,747 | 2,835,921 | (7,001) | - | (17,270) | (3,123,857) | 1,617,540 |
| | ₩ | 29,925,973 | 3,358,750 | (63,677) | (3,127,731) | (27,040) | (666,134) | 29,400,141 |

(*1) The Company estimated the recoverable amount of individual assets that it ceased their use due to the disposal plan and others at fair value less costs to sell based on sale price or scrap value and recognized an impairment loss since recoverable amounts are less than their carrying amounts for the year ended December 31, 2020. During the year ended December 31, 2020, the Company recognized impairment losses on damaged assets caused by the fire.

(*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.

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2) For the year ended December 31, 2019

(in millions of Won)

| | | Beginning | Acquisitions | Business Combination | Disposals | Depreciation | Impairment loss(*1,2) | Others(*3) | Ending |
|--------------------------|---|-------------------|---------------------|-----------------------------|------------------|---------------------|------------------------------|-------------------|-------------------|
| Land | ₩ | 2,548,002 | 6,550 | - | (2,128) | - | - | (26,365) | 2,526,059 |
| Buildings | | 4,402,452 | 39,551 | 22,836 | (10,376) | (314,107) | (90,036) | 165,134 | 4,215,454 |
| Structures | | 2,917,924 | 49,931 | 2 | (3,350) | (228,616) | (27,217) | 195,832 | 2,904,506 |
| Machinery and equipment | | 18,518,129 | 175,743 | 1,216 | (78,236) | (2,250,022) | (309,604) | 1,161,038 | 17,218,264 |
| Vehicles | | 31,341 | 8,027 | 189 | (742) | (15,057) | (559) | 9,086 | 32,285 |
| Tools | | 66,164 | 19,178 | 5,792 | (1,340) | (28,537) | (2,106) | 11,600 | 70,751 |
| Furniture and fixtures | | 136,287 | 34,618 | 252 | (1,630) | (36,309) | (1,808) | (1,278) | 130,132 |
| Lease assets(*4) | | 137,564 | 72,640 | 490 | (8,401) | (130,905) | - | 703,194 | 774,582 |
| Bearer plants | | 80,771 | - | - | - | (5,916) | - | 49,338 | 124,193 |
| Construction-in-progress | | 1,179,639 | 2,261,663 | 17,697 | (24,840) | - | (10,150) | (1,494,262) | 1,929,747 |
| | ₩ | <u>30,018,273</u> | <u>2,667,901</u> | <u>48,474</u> | <u>(131,043)</u> | <u>(3,009,469)</u> | <u>(441,480)</u> | <u>773,317</u> | <u>29,925,973</u> |

(*1) The Company estimated the recoverable amount of individual assets related to CEM and Fe-Si factories, etc. that it ceased their use due to the disposal plan and others using fair value less costs to sell based on the appraisal value or scrap value. The Company recognized impairment losses of ₩205,396 million since recoverable amounts are less than their carrying amounts.

(*2) As of December 31, 2019, POSCO YAMATO VINA STEEL JOINT STOCK COMPANY (formerly, POSCO SS VINA JOINT STOCK COMPANY), a subsidiary, performed the impairment test due to the consecutive operating losses and recognized impairment losses amounting to ₩204,546 million.

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

(*4) On the date of initial application of K-IFRS No. 1116 "Leases" (January 1, 2019), recognition of ₩704,458 million of right-of-use assets is included in others.

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2020 and 2019 were as follows:

(in millions of Won)

| | | 2020 | 2019 |
|------------------------------|---|-------------|-------------|
| Weighted average expenditure | ₩ | 932,298 | 587,628 |
| Borrowing costs capitalized | | 29,653 | 22,775 |
| Capitalization rate (%) | | 3.14 ~ 3.18 | 3.57 ~ 5.46 |

(d) Property, plant and equipment and investment property pledged as collateral as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | Collateral right holder | Book value | |
|--------------------------|------------------------------------|--------------------|------------------|
| | | 2020 | 2019 |
| Land | Korean Development Bank and others | ₩ 867,820 | 765,307 |
| Buildings and structures | Korean Development Bank and others | 1,464,551 | 1,363,709 |
| Machinery and equipment | Korean Development Bank and others | 2,263,383 | 2,440,777 |
| | | ₩ <u>4,595,754</u> | <u>4,569,793</u> |

As of December 31, 2020, assets pledged as collateral related to the Company's borrowings and others amounting to ₩4,874,423 million include investment properties and other assets such as right to use land.

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(e) Changes in the carrying amount of right of use assets presented as investment property and property, plant and equipment for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

| <i>(in millions of Won)</i> | | Beginning | Acquisitions | Depreciation | Others | Ending |
|-----------------------------|---|------------------|---------------------|---------------------|---------------|----------------|
| Land | ₩ | 341,767 | 18,962 | (16,397) | 27,387 | 371,719 |
| Buildings and structures | | 171,112 | 47,374 | (57,593) | 10,867 | 171,760 |
| Machinery and equipment | | 215,828 | 86,373 | (38,909) | (24,111) | 239,181 |
| Vehicles | | 14,105 | 6,186 | (9,486) | 651 | 11,456 |
| Ships | | 24,082 | 111,537 | (29,064) | - | 106,555 |
| others | | 8,113 | 45,803 | (23,786) | (2,500) | 27,630 |
| | ₩ | <u>775,007</u> | <u>316,235</u> | <u>(175,235)</u> | <u>12,294</u> | <u>928,301</u> |

2) For the year ended December 31, 2019

| <i>(in millions of Won)</i> | | The date of initial application (January 1, 2019) | Acquisitions | Depreciation | Others | Ending |
|-----------------------------|---|--|---------------------|---------------------|----------------|----------------|
| Land | ₩ | 340,107 | 22,850 | (11,461) | (9,729) | 341,767 |
| Buildings and structures | | 209,455 | 23,015 | (38,853) | (22,505) | 171,112 |
| Machinery and equipment | | 219,877 | 14,610 | (33,751) | 15,092 | 215,828 |
| Vehicles | | 20,555 | 8,735 | (10,050) | (5,135) | 14,105 |
| Ships | | 26,499 | - | (2,417) | - | 24,082 |
| others | | 25,529 | 3,430 | (34,373) | 13,527 | 8,113 |
| | ₩ | <u>842,022</u> | <u>72,640</u> | <u>(130,905)</u> | <u>(6,750)</u> | <u>775,007</u> |

(f) The amount recognized in profit or loss related to leases for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|--|---|---------------|---------------|
| Interest on lease liabilities | ₩ | 36,373 | 35,483 |
| Expenses related to short-term leases | | 18,809 | 41,974 |
| Expenses related to leases of low-value assets | | 14,375 | 14,150 |
| | ₩ | <u>69,557</u> | <u>91,607</u> |

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15. Goodwill and Other Intangible Assets, Net

(a) Goodwill and other intangible assets as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | 2020 | | | | 2019 | | | |
|-----------------------------------|------------------|--|-------------------|------------|------------------|--|-------------------|------------|
| | Acquisition cost | Accumulated amortization and impairment loss | Government grants | Book value | Acquisition cost | Accumulated amortization and impairment loss | Government grants | Book value |
| Goodwill | ₩ 1,626,876 | (722,983) | - | 903,893 | 1,631,413 | (533,604) | - | 1,097,809 |
| Intellectual property rights | 3,628,121 | (1,457,383) | - | 2,170,738 | 3,449,796 | (1,170,586) | - | 2,279,210 |
| Membership | 143,403 | (4,700) | - | 138,703 | 170,247 | (22,169) | - | 148,078 |
| Development expense | 652,492 | (425,381) | - | 227,111 | 483,539 | (389,200) | - | 94,339 |
| Port facilities usage rights | 685,210 | (448,938) | - | 236,272 | 686,525 | (405,127) | - | 281,398 |
| Exploration and evaluation assets | 274,691 | (217,551) | - | 57,140 | 294,874 | (217,603) | - | 77,271 |
| Customer relationships | 865,671 | (535,424) | - | 330,247 | 865,821 | (490,946) | - | 374,875 |
| Other intangible assets | 1,101,595 | (716,190) | (77) | 385,328 | 1,220,641 | (665,026) | (122) | 555,493 |
| | ₩ 8,978,059 | (4,528,550) | (77) | 4,449,432 | 8,802,856 | (3,894,261) | (122) | 4,908,473 |

(b) The changes in carrying amount of goodwill and other intangible assets for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

(in millions of Won)

| | | Beginning | Acquisitions | Disposals | Amortization | Impairment | | Ending |
|-----------------------------------|---|-----------|--------------|-----------|--------------|------------|------------|-----------|
| | | | | | | loss | Others(*2) | |
| Goodwill | ₩ | 1,097,809 | - | - | - | (189,379) | (4,537) | 903,893 |
| Intellectual property rights | | 2,279,210 | 136,195 | (3,617) | (282,594) | (7,727) | 49,271 | 2,170,738 |
| Membership(*1) | | 148,078 | 3,416 | (12,340) | (107) | 244 | (588) | 138,703 |
| Development expense | | 94,339 | 1,315 | (16) | (56,329) | (206) | 188,008 | 227,111 |
| Port facilities usage rights | | 281,398 | - | - | (44,893) | - | (233) | 236,272 |
| Exploration and evaluation assets | | 77,271 | 14,886 | - | - | - | (35,017) | 57,140 |
| Customer relationships | | 374,875 | - | - | (44,478) | - | (150) | 330,247 |
| Other intangible assets | | 555,493 | 159,590 | (61,692) | (37,157) | - | (230,906) | 385,328 |
| | ₩ | 4,908,473 | 315,402 | (77,665) | (465,558) | (197,068) | (34,152) | 4,449,432 |

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

(*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.

2) For the year ended December 31, 2019

(in millions of Won)

| | | Beginning | Acquisitions | Business Combination | Disposals | Amortization | Impairment | | Ending |
|-----------------------------------|---|-----------|--------------|----------------------|-----------|--------------|------------|------------|-----------|
| | | | | | | | loss(*2) | Others(*3) | |
| Goodwill | ₩ | 1,125,149 | - | 26,256 | - | - | (55,445) | 1,849 | 1,097,809 |
| Intellectual property rights | | 2,399,525 | 127,479 | - | (6,566) | (271,694) | (2) | 30,468 | 2,279,210 |
| Membership(*1) | | 134,793 | 15,636 | - | (3,326) | (181) | 24 | 1,132 | 148,078 |
| Development expense | | 99,163 | 4,484 | - | (35) | (44,418) | (666) | 35,811 | 94,339 |
| Port facilities usage rights | | 305,081 | - | - | (4,674) | (22,923) | - | 3,914 | 281,398 |
| Exploration and evaluation assets | | 192,130 | 9,642 | - | - | - | (123,888) | (613) | 77,271 |
| Customer relationships | | 421,773 | - | - | - | (51,768) | - | 4,870 | 374,875 |
| Other intangible assets | | 493,211 | 141,578 | 74 | (10,718) | (40,263) | (10,111) | (18,278) | 555,493 |
| | ₩ | 5,170,825 | 298,819 | 26,330 | (25,319) | (431,247) | (190,088) | 59,153 | 4,908,473 |

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

(*2) In connection with exploration and evaluation of the AD-7 block in Myanmar, POSCO INTERNATIONAL Corporation failed to find economic gas. The Company recognized impairment loss of ₩118,140 million for the excess of the carrying amounts of related assets over the special energy loan which may be forgiven in the case of project failure.

(*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.

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(c) For the purpose of impairment testing, goodwill is allocated to individually operating entities where each is determined to be a CGU. The goodwill amounts as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| Reporting segments | Total number of CGUs | | CGUs | | 2020 | 2019 |
|--------------------|----------------------|-----------|--|---|----------------|------------------|
| | 2020 | 2019 | | | | |
| Steel | 7 | 7 | POSCO VST CO., LTD. | ₩ | 36,955 | 36,955 |
| | | | Others | | 12,498 | 13,721 |
| Trading | 3 | 3 | POSCO INTERNATIONAL CORPORATION(*1) | | 762,816 | 951,434 |
| | | | GRAIN TERMINAL HOLDING | | 23,726 | 26,256 |
| | | | PT. Bio Inti Agrindo | | 6,955 | 7,468 |
| E&C | 2 | 2 | POSCO ENGINEERING & CONSTRUCTION CO., LTD. | | 24,868 | 24,868 |
| | | | POSCO Center Beijing | | 159 | 158 |
| | | | POSCO ENERGY CO., LTD. | | 26,471 | 26,471 |
| Others | 4 | 5 | Others | | 9,445 | 10,478 |
| | | | | ₩ | <u>903,893</u> | <u>1,097,809</u> |
| | <u>16</u> | <u>17</u> | | | | |

(*1) The recoverable amount of POSCO INTERNATIONAL Corporation, a subsidiary included in trading segment, are determined based on its value in use. As of December 31, 2020, the value in use is estimated by applying a 6.92% (2019: 6.84%) discount rate to the future cash flows estimated from management's 5-year business plan and terminal growth rate of 1.9% (2019: 1.9%) thereafter. The terminal growth rate does not exceed long-term growth rate of its industry. During the year ended December 31, 2020, impairment loss on goodwill of ₩188,619 million was recognized as the recoverable amount is less than the carrying amount of the CGU.

The value in use of the CGU is sensitive to the assumptions such as discount rate, terminal growth and estimated revenue used in discount cash flow model. If the discount rate increases by 0.5%, the value in use would decrease by ₩239,316 million or 7.42% and if the terminal growth rate decreases by 0.5%, The value in use would decrease by ₩128,922 million or 4.00%.

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Notes to the Consolidated Financial Statements, Continued
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16. Other Assets

Other current assets and other non-current assets as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|-----------------------------|---|----------------|----------------|
| Current | | | |
| Advance payments | ₩ | 348,753 | 453,538 |
| Prepaid expenses | | 181,985 | 145,834 |
| Firm commitment asset | | 23,506 | 17,490 |
| Others | | 62,379 | 14,315 |
| | ₩ | <u>616,623</u> | <u>631,177</u> |
| Non-current | | | |
| Long-term advance payments | ₩ | 21,587 | 21,950 |
| Long-term prepaid expenses | | 92,774 | 41,256 |
| Others(*1) | | 155,699 | 262,036 |
| | ₩ | <u>270,060</u> | <u>325,242</u> |

(*1) As of December 31, 2020 and 2019, the Company recognized tax assets amounting to ₩121,225 million and ₩213,071 million, respectively, based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years' tax audits and claim for rectification are finalized.

17. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | Lenders | Issuance date | Maturity date | Interest rate (%) | 2020 | 2019 |
|---|---|-----------------------------------|-----------------------------------|--------------------------|--------------------|------------------|
| Short-term borrowings | | | | | | |
| Bank overdrafts | JP Morgan and others | January, 2020~ December, 2020 | January, 2021~ December, 2021 | 0.52~6.50 | ₩ 146,762 | 159,075 |
| Short-term borrowings | HSBC and others | January, 2020~ December, 2020 | January, 2021~ December, 2021 | 0.17~9.50 | 5,047,633 | 5,327,258 |
| | | | | | <u>5,194,395</u> | <u>5,486,333</u> |
| Current portion of long-term liabilities | | | | | | |
| Current portion of long-term borrowings | Export-Import Bank of Korea and others | November, 2004~ December, 2020 | January, 2021~ December, 2021 | 0.20~8.50 | 1,067,338 | 1,491,934 |
| Current portion of debentures | Korea Development Bank and others | April, 2011~ May, 2019 | February, 2021~ December, 2021 | 1.73~5.25 | 2,417,339 | 1,571,194 |
| Less: Current portion of discount on debentures issued | | | | | (1,543) | (1,249) |
| | | | | | <u>3,483,134</u> | <u>3,061,879</u> |
| | | | | | ₩ <u>8,677,529</u> | <u>8,548,212</u> |

(b) Long-term borrowings, excluding current portion as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | Lenders | Issuance date | Maturity date | Interest rate (%) | 2020 | 2019 |
|-------------------------------------|---|------------------------------------|-------------------------------|--------------------------|-------------------------|-----------------------|
| Long-term borrowings | Export-Import Bank of Korea and others | September, 2001~ December, 2020 | January, 2022~ March, 2037 | 0.19~5.28 | ₩ 3,366,400 (16,058) | 3,827,152 (24,374) |
| Less: Present value discount | | | | | 8,505,485 | 8,124,194 |
| Bonds | KB Securities co.,Ltd. and others | October, 2013~ October, 2020 | March, 2022~ October, 2029 | 0.50~4.00 | (35,749) | (33,571) |
| Less: Discount on debentures issued | | | | | <u>11,820,078</u> | <u>11,893,401</u> |
| | | | | | ₩ <u>11,820,078</u> | <u>11,893,401</u> |

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(c) Assets pledged as collateral with regard to the borrowings as of December 31, 2020 are as follows:

| <i>(in millions of Won)</i> | Lenders | Book value | Pledged amount |
|---|--|-------------------|-----------------------|
| Cash and cash equivalents | Sinhan Bank and others | ₩ 24,489 | 24,758 |
| Property, plant and equipment and Investment property | Korea Development Bank and others | 4,424,923 | 4,811,751 |
| Trade accounts and notes receivable | Korea Development Bank and others | 371,326 | 373,016 |
| Inventories | Export-Import Bank of Korea and others | 81,859 | 12,650 |
| Financial instruments | KB Kookmin Bank and others | 25,624 | 25,624 |
| | ₩ | <u>4,928,221</u> | <u>5,247,799</u> |

18. Other Payables

Other payables as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|-----------------------------|--------------------|------------------|
| Current | | |
| Accounts payable | ₩ 800,439 | 832,845 |
| Accrued expenses | 697,087 | 742,370 |
| Dividend payable | 2,703 | 3,106 |
| Lease liabilities | 244,548 | 149,176 |
| Withholdings | 100,489 | 152,011 |
| | ₩ <u>1,845,266</u> | <u>1,879,508</u> |
| Non-current | | |
| Accounts payable | ₩ 5,572 | 2,718 |
| Accrued expenses | 4,953 | 4,805 |
| Lease liabilities | 495,127 | 526,294 |
| Long-term withholdings | 53,272 | 51,312 |
| | ₩ <u>558,924</u> | <u>585,129</u> |

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19. Other Financial Liabilities

Other financial liabilities as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|---------------------------------|---|----------------|---------------|
| Current | | | |
| Derivative liabilities | ₩ | 82,859 | 28,021 |
| Financial guarantee liabilities | | 58,545 | 49,806 |
| | ₩ | <u>141,404</u> | <u>77,827</u> |
| Non-current | | | |
| Derivative liabilities | ₩ | 129,505 | 17,033 |
| Financial guarantee liabilities | | 4,083 | 14,461 |
| | ₩ | <u>133,588</u> | <u>31,494</u> |

20. Provisions

(a) Provisions as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | | 2019 | |
|--|---|----------------|--------------------|----------------|--------------------|
| | | Current | Non-current | Current | Non-current |
| Provision for bonus payments | ₩ | 73,441 | 48,510 | 76,432 | 47,237 |
| Provision for construction warranties | | 9,662 | 217,435 | 7,655 | 162,773 |
| Provision for legal contingencies and claims(*1) | | 24,275 | 63,175 | 6,996 | 77,488 |
| Provision for the restoration(*2) | | 5,307 | 134,438 | 6,783 | 80,520 |
| Others(*3,*4) | | 330,588 | 59,411 | 262,629 | 90,136 |
| | ₩ | <u>443,273</u> | <u>522,969</u> | <u>360,495</u> | <u>458,154</u> |

(*1) The Company recognized probable outflow of resources amounting to ₩59,211 million and ₩54,228 million as provisions for legal contingencies and asserted claim in relation to lawsuits against the Company as of December 31, 2020 and 2019, 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 amounting to ₩17,561 million as provisions for restoration as of December 31, 2020. 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 1.23%~1.43% to measure present value of these costs.

(*3) As of December 31, 2020 and 2019, POSCO ENERGY CO., LTD., and Korea Fuel Cell, recognized ₩80,842 million and ₩178,959 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*4) As of December 31, 2020 and 2019, the Company has recognized emission liabilities amounting to ₩78,646 million and ₩50,965 million, respectively, for expected greenhouse gas emissions exceeding the quantity of free quota emission rights.

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(b) The following are the key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period.

| | <u>Key assumptions for the estimation</u> |
|--|---|
| Provision for bonus payments | Estimations based on financial performance and service provided |
| Provision for construction warranties | Estimations based on historical warranty data |
| Provision for legal contingencies and claims | Estimations based on the degree of probability of an unfavorable outcome and the ability to make a sufficient reliable estimate of the amount of loss |

(c) Changes in provisions for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

| <i>(in millions of Won)</i> | | <u>Beginning</u> | <u>Increase</u> | <u>Utilization</u> | <u>Reversal</u> | <u>Others(*1)</u> | <u>Ending</u> |
|--|---|------------------|-----------------|--------------------|------------------|-------------------|----------------|
| Provision for bonus payments | ₩ | 123,669 | 106,855 | (109,835) | (6,334) | 7,596 | 121,951 |
| Provision for construction warranties | | 170,428 | 86,691 | (23,916) | (5,311) | (795) | 227,097 |
| Provision for legal contingencies and claims | | 84,484 | 30,894 | (16,444) | (9,087) | (2,397) | 87,450 |
| Provision for the restoration | | 87,303 | 67,501 | (6,525) | (15,811) | 7,277 | 139,745 |
| Others | | <u>352,765</u> | <u>349,639</u> | <u>(142,440)</u> | <u>(133,294)</u> | <u>(36,671)</u> | <u>389,999</u> |
| | ₩ | <u>818,649</u> | <u>641,580</u> | <u>(299,160)</u> | <u>(169,837)</u> | <u>(24,990)</u> | <u>966,242</u> |

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

2) For the year ended December 31, 2019

| <i>(in millions of Won)</i> | | <u>Beginning</u> | <u>Increase</u> | <u>Utilization</u> | <u>Reversal</u> | <u>Others(*1)</u> | <u>Ending</u> |
|--|---|------------------|-----------------|--------------------|------------------|-------------------|----------------|
| Provision for bonus payments | ₩ | 73,478 | 122,714 | (86,084) | (3,077) | 16,638 | 123,669 |
| Provision for construction warranties | | 142,233 | 53,203 | (22,858) | (3,444) | 1,294 | 170,428 |
| Provision for legal contingencies and claims | | 111,150 | 26,407 | (37,087) | (18,098) | 2,112 | 84,484 |
| Provision for the restoration | | 89,168 | 23,559 | (13,411) | (14,379) | 2,366 | 87,303 |
| Others | | <u>316,287</u> | <u>95,747</u> | <u>(38,260)</u> | <u>(86,458)</u> | <u>65,449</u> | <u>352,765</u> |
| | ₩ | <u>732,316</u> | <u>321,630</u> | <u>(197,700)</u> | <u>(125,456)</u> | <u>87,859</u> | <u>818,649</u> |

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

21. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | | <u>2020</u> | <u>2019</u> |
|---|---|-------------|-------------|
| Expense related to post-employment benefit plans under defined contribution plans | ₩ | 50,694 | 46,846 |

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(b) Defined benefit plans

- 1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|---|-----------------|----------------|
| Present value of funded obligations | ₩ 2,439,938 | 2,416,203 |
| Fair value of plan assets(*1) | (2,397,717) | (2,255,149) |
| Present value of non-funded obligations | 13,415 | 15,677 |
| Net defined benefit liabilities | ₩ <u>55,636</u> | <u>176,731</u> |

(*1) As of December 31, 2020 and 2019, the Company recognized net defined benefit assets amounting to ₩86,149 million and ₩4,280 million, respectively, 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 years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|--------------------|------------------|
| Defined benefit obligations at the beginning of period | ₩ 2,431,880 | 2,137,161 |
| Current service costs | 245,047 | 236,735 |
| Interest costs | 47,485 | 51,900 |
| Remeasurements : | (52,732) | 152,713 |
| - Loss (gain) from change in financial assumptions | (76,744) | 103,850 |
| - Loss (gain) from change in demographic assumptions | 27,399 | (492) |
| - Loss (gain) from change in others | (3,387) | 49,355 |
| Benefits paid | (225,293) | (152,275) |
| Others | 6,966 | 5,646 |
| Defined benefit obligations at the end of period | ₩ <u>2,453,353</u> | <u>2,431,880</u> |

- 3) Changes in fair value of plan assets for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|--------------------|------------------|
| Fair value of plan assets at the beginning of period | ₩ 2,255,149 | 1,997,717 |
| Interest on plan assets | 44,208 | 48,210 |
| Remeasurement of plan assets | (600) | (8,692) |
| Contributions to plan assets | 306,367 | 342,915 |
| Benefits paid | (213,246) | (124,962) |
| Others | 4,839 | (39) |
| Fair value of plan assets at the end of period | ₩ <u>2,397,717</u> | <u>2,255,149</u> |

The Company expects to make an estimated contribution of ₩179,367 million to the defined benefit plan assets in 2021.

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4) The fair value of plan assets as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|-----------------------------|--------------------|------------------|
| Equity instruments | ₩ 17,886 | 10,386 |
| Debt instruments | 696,583 | 1,013,716 |
| Deposits | 1,614,796 | 1,159,455 |
| Others | 68,452 | 71,592 |
| | <u>₩ 2,397,717</u> | <u>2,255,149</u> |

5) The amounts recognized in consolidated statement of comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|-----------------------------|------------------|----------------|
| Current service costs | ₩ 245,047 | 236,735 |
| Net interest costs(*1) | 3,277 | 3,690 |
| | <u>₩ 248,324</u> | <u>240,425</u> |

(*1) The actual return on plan assets amounted to ₩43,608 million and ₩39,518 million for the years ended December 31, 2020 and 2019, respectively.

The above expenses by function were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|-------------------------------------|------------------|----------------|
| Cost of sales | ₩ 177,223 | 169,206 |
| Selling and administrative expenses | 69,256 | 70,060 |
| Others | 1,845 | 1,159 |
| | <u>₩ 248,324</u> | <u>240,425</u> |

6) Accumulated actuarial gains (losses), net of tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|---|--------------------|------------------|
| Beginning | ₩ (589,796) | (472,644) |
| Remeasurements of defined benefit plans | 36,576 | (117,152) |
| Ending | <u>₩ (553,220)</u> | <u>(589,796)</u> |

7) The principal actuarial assumptions as of December 31, 2020 and 2019 are as follows:

| <i>(%)</i> | 2020 | 2019 |
|--|--------------|--------------|
| Discount rate | 0.53 ~ 13.00 | 1.72 ~ 13.00 |
| Expected future increase in salaries(*1) | 1.92 ~ 11.00 | 2.00 ~ 11.00 |

(*1) The expected future increase in salaries is based on the average salary increase rate for the past 5 years.

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All assumptions are reviewed at the end of the reporting period. Additionally, the total estimated defined benefit obligation includes actuarial assumptions associated with the long-term characteristics of the defined benefit plan.

- 8) Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| <i>(in millions of Won)</i> | 1% Increase | | 1% Decrease | |
|--------------------------------------|--------------------|----------------------|--------------------|----------------------|
| | Amount | Percentage(%) | Amount | Percentage(%) |
| Discount rate | ₩ (178,233) | (7.3) | 205,950 | 8.4 |
| Expected future increase in salaries | 206,013 | 8.4 | (181,444) | (7.4) |

- 9) As of December 31, 2020 the maturity of the expected benefit payments are as follows:

| <i>(in millions of Won)</i> | Within 1 year | 1 year - 5 years | 5 years - 10 years | 10 years - 20 years | After 20 years | Total |
|-----------------------------|--------------------------|-----------------------------|-------------------------------|--------------------------------|---------------------------|--------------|
| Benefits to be paid ₩ | 245,294 | 861,968 | 561,987 | 890,845 | 399,429 | 2,959,523 |

The maturity analysis of the defined benefit obligation was nominal amounts of defined benefit obligations using expected remaining period of service of employees.

22. Other Liabilities

Other liabilities as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|------------------------------------|---|------------------|------------------|
| Current | | | |
| Due to customers for contract work | ₩ | 807,465 | 676,054 |
| Advances received | | 416,960 | 487,526 |
| Unearned revenue | | 24,433 | 61,795 |
| Withholdings | | 332,327 | 388,486 |
| Firm commitment liability | | 35,993 | 15,637 |
| Others | | 8,304 | 8,604 |
| | ₩ | <u>1,625,482</u> | <u>1,638,102</u> |
| Non-current | | | |
| Unearned revenue | ₩ | 17,953 | 27,161 |
| Others | | 19,067 | 52,349 |
| | ₩ | <u>37,020</u> | <u>79,510</u> |

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23. Financial Instruments

(a) Classification and fair value of financial instruments

- 1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of December 31, 2020 and 2019 are as follows:

① December 31, 2020

(in millions of Won)

| | Book value | Fair value | | | Total |
|--|--------------|------------|------------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| Fair value through profit or loss | | | | | |
| Derivative assets | ₩ 79,995 | - | 79,995 | - | 79,995 |
| Short-term financial instruments | 9,133,404 | - | 9,133,404 | - | 9,133,404 |
| Debt securities | 20,797 | - | - | 20,797 | 20,797 |
| Other securities | 364,404 | 47,321 | 2,242 | 314,841 | 364,404 |
| Other receivables | 2,000 | - | - | 2,000 | 2,000 |
| Derivative hedging instruments(*2) | 37,880 | - | 37,880 | - | 37,880 |
| Fair value through other comprehensive income | | | | | |
| Equity securities | 1,120,968 | 729,342 | - | 391,626 | 1,120,968 |
| Debt securities | 2,471 | - | - | 2,471 | 2,471 |
| Financial assets measured at amortized cost(*1) | | | | | |
| Cash and cash equivalents | 4,754,644 | - | - | - | - |
| Trade accounts and notes receivable | 7,332,890 | - | - | - | - |
| Other receivables | 2,300,515 | - | - | - | - |
| Debt securities | 151,146 | - | - | - | - |
| Deposit instruments | 2,359,951 | - | - | - | - |
| | ₩ 27,661,065 | 776,663 | 9,253,521 | 731,735 | 10,761,919 |
| Financial liabilities | | | | | |
| Fair value through profit or loss | | | | | |
| Derivative liabilities | ₩ 180,773 | - | 180,773 | - | 180,773 |
| Derivative hedging instruments(*2) | 31,591 | - | 31,591 | - | 31,591 |
| Financial liabilities measured at amortized cost(*1) | | | | | |
| Trade accounts and notes payable | 3,777,836 | - | - | - | - |
| Borrowings | 20,497,607 | - | 20,821,353 | - | 20,821,353 |
| Financial guarantee liabilities | 62,629 | - | - | - | - |
| Others | 2,347,244 | - | - | - | - |
| | ₩ 26,897,680 | - | 21,033,717 | - | 21,033,717 |

(*1) Fair value of financial assets and liabilities measured at amortized cost except borrowings approximates their 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 hedge accounting which uses currency swap as hedging instrument in order to hedge the risk of interest rate and foreign exchange rate changes in foreign currency which influences cash flow from borrowings.

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② December 31, 2019

(in millions of Won)

| | Book value | Fair value | | | Total |
|--|--------------|------------|------------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| Fair value through profit or loss | | | | | |
| Derivative assets | ₩ 106,104 | - | 106,104 | - | 106,104 |
| Short-term financial instruments | 6,861,242 | - | 6,861,242 | - | 6,861,242 |
| Debt securities | 28,087 | - | - | 28,087 | 28,087 |
| Other securities | 340,008 | 1,222 | 3,330 | 335,456 | 340,008 |
| Other receivables | 2,000 | - | - | 2,000 | 2,000 |
| Derivative hedging instruments | 6,174 | - | 6,174 | - | 6,174 |
| Fair value through other comprehensive income | | | | | |
| Equity securities | 1,204,902 | 782,108 | 73 | 422,721 | 1,204,902 |
| Debt securities | 5,686 | - | - | 5,686 | 5,686 |
| Financial assets measured at amortized cost(*1) | | | | | |
| Cash and Cash Equivalents | 3,514,872 | - | - | - | - |
| Trade accounts and notes receivable | 8,214,459 | - | - | - | - |
| Other receivables | 2,193,700 | - | - | - | - |
| Debt securities | 334,153 | - | - | - | - |
| Deposit instruments | 1,779,082 | - | - | - | - |
| | ₩ 24,590,469 | 783,330 | 6,976,923 | 793,950 | 8,554,203 |
| Financial liabilities | | | | | |
| Fair value through profit or loss | | | | | |
| Derivative liabilities | ₩ 32,193 | - | 32,193 | - | 32,193 |
| Derivative hedging instruments | 12,861 | - | 12,861 | - | 12,861 |
| Financial liabilities measured at amortized cost(*1) | | | | | |
| Trade accounts and notes payable | 3,442,989 | - | - | - | - |
| Borrowings | 20,441,613 | - | 20,666,476 | - | 20,666,476 |
| Financial guarantee liabilities | 64,267 | - | - | - | - |
| Others | 2,401,382 | - | - | - | - |
| | ₩ 26,395,305 | - | 20,711,530 | - | 20,711,530 |

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

- 2) Financial assets and financial liabilities classified as fair value hierarchy Level 2
 Fair values of derivatives are measured using the derivatives instrument valuation models such as market approach method and discounted cash flow method. Inputs of the financial instrument valuation model include forward rate, interest rate and others. The fair value of derivatives may change depending on the type of derivatives and the nature of the underlying assets.
 - 3) Financial assets and financial liabilities classified as fair value hierarchy Level 3
- ① Value measurement method and significant but not observable inputs for the financial assets classified as fair value hierarchy Level 3 as of December 31, 2020 are as follows:

(in millions of Won)

| | Fair value | Valuation technique | Inputs | Range of inputs | Effect on fair value assessment |
|--------------------------------|------------|-----------------------------|-----------------|-----------------|--|
| | | | | | with unobservable input |
| Financial assets at fair value | ₩ 331,780 | Discounted cash flows | Growth rate | 0% ~ 0.5% | As growth rate increases, fair value increases |
| | | | Discount rate | 7.8% ~ 17.4% | As discount rate increases, fair value decreases |
| | | | Price multiples | 0.728~2.742 | As price multiples increases, fair value increases |
| | 2,967 | Proxy firm valuation method | - | - | - |
| | 396,988 | Asset value approach | - | - | - |

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- ② Sensitivity analysis of financial assets and financial liabilities classified as Level 3 of fair value hierarchy

If other inputs remain constant as of December 31, 2020 and one of the significant but not observable input is changed, the effect on fair value measurement is as follows:

(in millions of Won)

| | <u>Input variable</u> | <u>Favorable changes</u> | <u>Unfavorable changes</u> |
|--------------------------------|-----------------------------------|--------------------------|----------------------------|
| Financial assets at fair value | Fluctuation 0.5% of growth rate | ₩ 212 | 206 |
| | Fluctuation 0.5% of discount rate | 19,040 | 17,350 |

- ③ Changes in fair value of financial assets and financial liabilities classified as Level 3 for the years ended December 31, 2020 and 2019 were as follows:

(in millions of Won)

| | | <u>2020</u> | <u>2019</u> |
|---|---|----------------|----------------|
| Beginning | ₩ | 793,950 | 709,660 |
| Acquisition | | 78,241 | 68,461 |
| Gain (loss) on valuations of financial assets | | (41,537) | (9,412) |
| Other comprehensive income (loss) | | (44,469) | 106,586 |
| Disposal and others | | (54,450) | (81,345) |
| Ending | ₩ | <u>731,735</u> | <u>793,950</u> |

- 4) Finance income and costs by category of financial instrument for the years ended December 31, 2020 and 2019 were as follows:

- ① For the year ended December 31, 2020

(in millions of Won)

| | <u>Finance income and costs</u> | | | | | <u>Total</u> | <u>Other comprehensive income (loss)</u> |
|---|----------------------------------|-----------------------------------|--|----------------------------------|---------------|--------------|--|
| | <u>Interest income (expense)</u> | <u>Gain and loss on valuation</u> | <u>Gain and loss on foreign currency</u> | <u>Gain and loss on disposal</u> | <u>Others</u> | | |
| Financial assets at fair value through profit or loss | ₩ 165,160 | (15,883) | - | 9,979 | 329 | 159,585 | - |
| Derivative assets | - | 56,273 | - | 318,820 | - | 375,093 | - |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 38,019 | 38,019 | (77,627) |
| Financial assets measured at amortized cost | 207,014 | - | (222,215) | (15,779) | (5,821) | (36,801) | - |
| Derivative liabilities | - | (170,155) | - | (376,823) | - | (546,978) | (331) |
| Financial liabilities measured at amortized cost | (638,797) | - | 450,984 | - | (16,010) | (203,823) | - |
| | ₩ (266,623) | (129,765) | 228,769 | (63,803) | 16,517 | (214,905) | (77,958) |

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② For the year ended December 31, 2019

(in millions of Won)

| | | Finance income and costs | | | | | Total | 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 | ₩ | 142,873 | (23,551) | - | 5,556 | 630 | 125,508 | - |
| Derivative assets | | - | 123,538 | - | 184,861 | - | 308,399 | - |
| Financial assets at fair value through other comprehensive income | | - | - | - | - | 74,825 | 74,825 | (10,541) |
| Financial assets measured at amortized cost | | 209,511 | - | 295,319 | (36,935) | (8,042) | 459,853 | - |
| Derivative liabilities | | - | (7,494) | - | (217,072) | - | (224,566) | (90) |
| Financial liabilities measured at amortized cost | | (755,711) | - | (330,808) | (2,432) | (24,988) | (1,113,939) | - |
| | | <u>(403,327)</u> | <u>92,493</u> | <u>(35,489)</u> | <u>(66,022)</u> | <u>42,425</u> | <u>(369,920)</u> | <u>(10,631)</u> |

(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | | 2020 | 2019 |
|-------------------------------------|---|-------------------|-------------------|
| Cash and cash equivalents | ₩ | 4,754,644 | 3,514,872 |
| Derivative assets | | 117,875 | 112,278 |
| Short-term financial instrument | | 9,133,404 | 6,861,242 |
| Debt securities | | 174,414 | 367,926 |
| Other securities | | 364,404 | 340,008 |
| Other receivables | | 2,302,515 | 2,195,700 |
| Trade accounts and notes receivable | | 7,332,890 | 8,214,459 |
| Deposit instruments | | 2,359,951 | 1,779,082 |
| | ₩ | <u>26,540,097</u> | <u>23,385,567</u> |

The Company provided financial guarantee for the repayment of loans of associates, joint ventures and third parties. As of December 31, 2020 and 2019, the maximum exposure to credit risk related to the financial guarantee amounted to ₩4,069,562 million and ₩4,959,011 million, respectively.

2) Impairment losses on financial assets and contract assets

The Company assesses expected credit losses by estimating the default rate based on the credit loss experience of prior periods and overdue conditions and considers the credit default swap (CDS) premium to reflect changes in credit risk by sector. For credit-impaired assets and significant receivables where the credit risk is significantly increased, credit losses are individually assessed.

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① Allowance for doubtful accounts as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | <u>2020</u> | <u>2019</u> |
|-------------------------------------|---|----------------|----------------|
| Trade accounts and notes receivable | ₩ | 386,650 | 465,524 |
| Other accounts receivable | | 177,037 | 210,313 |
| Loans | | 184,610 | 195,339 |
| Others | | 5,396 | 27,098 |
| | ₩ | <u>753,693</u> | <u>898,274</u> |

② Impairment losses on financial assets for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | | <u>2020</u> | <u>2019</u> |
|--|---|---------------|---------------|
| Impairment (reversal) | ₩ | 829 | (28,105) |
| Other bad debt expenses(*1) | | 71,092 | 88,787 |
| Less: Recovery of allowance for other bad debt accounts | | (17,987) | (8,464) |
| | ₩ | <u>53,934</u> | <u>52,218</u> |

(*1) Other bad debt expenses are mainly related to loans and other accounts receivable.

③ The aging and allowance for doubtful accounts of trade accounts and notes receivable as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | <u>2020</u> | | <u>2019</u> | |
|-----------------------------|---|--|--|--|--|
| | | <u>Trade accounts and notes receivable</u> | <u>Allowance for doubtful accounts</u> | <u>Trade accounts and notes receivable</u> | <u>Allowance for doubtful accounts</u> |
| Not due | ₩ | 7,052,689 | 82,836 | 7,536,927 | 75,324 |
| Over due less than 1 month | | 279,548 | 4,238 | 876,753 | 9,395 |
| 1 month - 3 months | | 198,807 | 4,775 | 228,115 | 6,647 |
| 3 months - 12 months | | 286,274 | 21,042 | 134,888 | 7,954 |
| Over 12 months | | 776,375 | 273,759 | 965,977 | 366,204 |
| | ₩ | <u>8,593,693</u> | <u>386,650</u> | <u>9,742,660</u> | <u>465,524</u> |

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- ④ The aging and allowance for doubtful accounts of other receivables as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | 2020 | | 2019 | |
|----------------------------|---------------------------------------|------------------------------------|---------------------------------------|------------------------------------|
| | Loans and other account receivable | Allowance for doubtful accounts | Loans and other account receivable | Allowance for doubtful accounts |
| Not due | ₩ 1,836,372 | 132,209 | 1,220,756 | 56,354 |
| Over due less than 1 month | 50,858 | 199 | 432,220 | 1,546 |
| 1 month - 3 months | 39,053 | 100 | 91,521 | 239 |
| 3 months - 12 months | 47,978 | 10,033 | 271,814 | 10,846 |
| Over 12 months | 695,297 | 224,502 | 612,139 | 363,765 |
| | ₩ 2,669,558 | 367,043 | 2,628,450 | 432,750 |

- ⑤ Changes in the allowance for doubtful accounts for the years ended December 31, 2020 and 2019 were as follows:

(in millions of Won)

| | 2020 | 2019 |
|------------------------------|-----------|----------|
| Beginning | ₩ 898,274 | 916,790 |
| Bad debt expenses (reversal) | 829 | (28,105) |
| Other bad debt expenses | 53,105 | 80,323 |
| Others(*1) | (198,515) | (70,734) |
| Ending | ₩ 753,693 | 898,274 |

(*1) Others for the year ended December 31 2020 and 2019, included decreases mainly due to write-off amounting to ₩150,417 million and ₩78,505 million, respectively.

(c) Liquidity risk

- 1) Contractual maturities for non-derivative financial liabilities are as follows:

(in millions of Won)

| | Book value | Contractual | Within | 1 year | After |
|-------------------------------------|--------------|-------------|------------|------------|-----------|
| | | cash flow | 1 year | - 5 years | 5 years |
| Trade accounts and notes payable | ₩ 3,777,836 | 3,779,718 | 3,756,208 | 23,510 | - |
| Borrowings | 20,497,607 | 21,760,887 | 9,006,218 | 11,508,890 | 1,245,779 |
| Financial guarantee liabilities(*1) | 62,629 | 4,069,562 | 4,069,562 | - | - |
| Lease liabilities | 739,675 | 1,085,102 | 277,438 | 433,629 | 374,035 |
| Other financial liabilities | 1,607,569 | 1,619,326 | 1,543,779 | 75,547 | - |
| | ₩ 26,685,316 | 32,314,595 | 18,653,205 | 12,041,576 | 1,619,814 |

(*1) For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

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2) Contractual maturities for derivative financial liabilities are as follows:

| <i>(in millions of Won)</i> | | Within 1 year | 1 year - 5 years | After 5 years | Total |
|-----------------------------|---|--------------------------|-----------------------------|--------------------------|----------------|
| Currency forward | ₩ | 26,664 | 66 | - | 26,730 |
| Currency swap | | 14,622 | 127,347 | 1,509 | 143,478 |
| Interest swap | | 8,430 | 565 | 18 | 9,013 |
| Others | | 33,143 | - | - | 33,143 |
| | ₩ | <u>82,859</u> | <u>127,978</u> | <u>1,527</u> | <u>212,364</u> |

(d) Currency risk

1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The exposure to currency risk as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | | 2019 | |
|-----------------------------|---|---------------|--------------------|---------------|--------------------|
| | | Assets | Liabilities | Assets | Liabilities |
| USD | ₩ | 4,331,058 | 6,768,169 | 4,423,107 | 6,166,765 |
| EUR | | 459,423 | 939,160 | 592,381 | 180,816 |
| JPY | | 110,569 | 644,675 | 79,664 | 253,542 |
| Others | | 714,324 | 461,162 | 481,455 | 319,046 |

2) As of December 31, 2020 and 2019, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | | 2020 | | 2019 | |
|-----------------------------|---|---------------------|---------------------|---------------------|---------------------|
| | | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD | ₩ | (243,711) | 243,711 | (174,366) | 174,366 |
| EUR | | (47,974) | 47,974 | 41,157 | (41,157) |
| JPY | | (53,411) | 53,411 | (17,388) | 17,388 |

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(e) Interest rate risk

1) The carrying amount of interest-bearing financial instruments as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|-----------------------------|---|------------------|----------------|
| Fixed rate | | | |
| Financial assets | ₩ | 17,291,726 | 13,391,637 |
| Financial liabilities | | (14,601,638) | (13,264,607) |
| | | <u>2,690,088</u> | <u>127,030</u> |
| Variable rate | | | |
| Financial liabilities | ₩ | (6,635,644) | (7,852,476) |

2) Sensitivity analysis on the cash flows of financial instruments with variable interest rate

The Company's interest rate risk mainly arises from borrowings with variable interest rate. As of December 31, 2020 and 2019, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in interest expense for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | | 2020 | | 2019 | |
|-------------------------------------|---|--------------------|--------------------|--------------------|--------------------|
| | | <u>1% increase</u> | <u>1% decrease</u> | <u>1% increase</u> | <u>1% decrease</u> |
| Variable rate financial instruments | ₩ | (66,356) | 66,356 | (78,525) | 78,525 |

24. Share Capital and Capital Surplus

(a) Share capital as of December 31, 2020 and 2019 are as follows:

| <i>(Share, in Won)</i> | | 2020 | 2019 |
|------------------------|---|-----------------|-----------------|
| 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 December 31, 2020, total number of ADRs of 25,853,808 outstanding in overseas stock market are equivalent to 6,463,452 shares of common stock.

(*2) As of December 31, 2020, the difference between the ending balance of common stock and the aggregate par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

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(b) The changes in issued common stock for the years ended December 31, 2020 and 2019 were as follows:

| <i>(share)</i> | 2020 | | | 2019 | | |
|--------------------------------|-------------------|---------------------|------------------------------|-------------------|--------------------|------------------------------|
| | Issued shares | Treasury shares | Number of outstanding shares | Issued shares | Treasury shares | Number of outstanding shares |
| Beginning | 87,186,835 | (7,071,194) | 80,115,641 | 87,186,835 | (7,185,703) | 80,001,132 |
| Acquisition of treasury shares | - | (4,100,169) | (4,100,169) | - | - | - |
| Disposal of treasury shares | - | - | - | - | 114,509 | 114,509 |
| Ending | <u>87,186,835</u> | <u>(11,171,363)</u> | <u>76,015,472</u> | <u>87,186,835</u> | <u>(7,071,194)</u> | <u>80,115,641</u> |

(c) Capital surplus as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|-------------------------------------|---|------------------|------------------|
| Share premium | ₩ | 463,825 | 463,825 |
| Gain on disposal of treasury shares | | 796,623 | 796,623 |
| Other capital surplus | | 50,099 | 115,803 |
| | ₩ | <u>1,310,547</u> | <u>1,376,251</u> |

(d) On February 25, 2017, POSCO ENERGY CO., LTD., a subsidiary of the Company, issued redeemable convertible preferred shares amounting to ₩245,000 million (8,643,193 shares) which were classified as non-controlling interests in the consolidated statement of financial position. Repayments of the redeemable convertible preferred shares were made on February 25, 2020 (4,477,246 shares) and March 30, 2020 (4,165,947 shares).

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25. Hybrid Bonds

(a) Hybrid bonds classified as equity as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | <u>Date of issue</u> | <u>Date of maturity</u> | <u>Interest rate (%)</u> | <u>2020</u> | <u>2019</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 December 31, 2020 are as follows:

| | Hybrid bond 1-2 |
|-----------------------------|---|
| Maturity date | 30 years (POSCO has a right to extend the maturity date) |
| Interest rate | Issue date ~ 2023-06-12 : 4.60% Reset every 10 years as follows; · After 10 years : return on government bond (10 years) + 1.40% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75% |
| Interest payments condition | Quarterly (Optional deferral of interest payment is available to POSCO) |
| Others | POSCO can call the hybrid bond at year 10th anniversary of issuance and interest payment date afterwards |

The hybrid bond holders' preference in the event of liquidation is senior to the common stockholders, but and subordinate to other creditors. The interest accumulated but not paid on the hybrid bonds as of December 31, 2020 amounts to ₩479 million.

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(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 December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | Date of issue | Date of maturity | Interest rate (%) | 2020 | 2019 |
|-----------------------------|----------------------|-------------------------|--------------------------|------------------|----------------|
| Hybrid bond 1-4(*1) | 2013-08-29 | 2043-08-29 | 5.21 | 140,000 | 140,000 |
| Issuance cost | | | | (429) | (429) |
| | | | | ₩ 139,571 | 139,571 |

(*1) Details of hybrid bonds of POSCO ENERGY CO., LTD. as of December 31, 2020 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is senior to the common stockholders, but subordinate to other creditors. The interest accumulated but not paid on the hybrid bonds as of December 31, 2020 amounts to ₩679 million.

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26. Reserves

(a) Reserves as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|---|----------------------|--------------------|
| Accumulated comprehensive loss of investments in associates and joint ventures | ₩ (693,176) | (648,712) |
| Changes in fair value of equity investments at fair value through other comprehensive | (359,283) | (285,073) |
| Foreign currency translation differences | (339,707) | (202,636) |
| Gains or losses on valuation of derivatives | (699) | (438) |
| Others | 11,947 | (21,121) |
| | ₩ (1,380,918) | (1,157,980) |

(b) Changes in fair value of equity investments at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|--------------------|------------------|
| Beginning balance | ₩ (285,073) | (295,300) |
| Changes in unrealized fair value of equity investments | (72,808) | (9,422) |
| Reclassification upon disposal | 2,726 | 21,902 |
| Others | (4,128) | (2,253) |
| Ending balance | ₩ (359,283) | (285,073) |

27. Treasury Shares

Based on the Board of Directors' resolution, POSCO holds treasury shares for business purposes including price stabilization. The changes in treasury shares for the years ended December 31, 2020 and 2019 were as follows:

| | 2020 | | 2019 | |
|--------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Number of shares | Amount | Number of shares | Amount |
| Beginning | 7,071,194 | ₩ 1,508,303 | 7,185,703 | ₩ 1,532,728 |
| Acquisition of treasury shares | 4,100,169 | 883,219 | - | - |
| Disposal of treasury shares | - | - | (114,509) | (24,425) |
| Ending | 11,171,363 | ₩ 2,391,522 | 7,071,194 | ₩ 1,508,303 |

During the year ended December 31, 2020, the Company entered into a trust contract of acquiring treasury shares following approval of the Board of Directors. The amount committed to purchase treasury shares by this trust contract is ₩1,000 billion, and the contract period is from April 13, 2020 to April 12, 2021.

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28. Revenue

(a) Disaggregation of revenue

- 1) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the years ended December 31, 2020 and 2019 were as follows.

① For the year ended December 31, 2020

(in millions of Won)

| | <u>Steel</u> | <u>Trading</u> | <u>Construction</u> | <u>Others</u> | <u>Total</u> |
|---------------------------------------|---------------------|-------------------|---------------------|------------------|-------------------|
| Types of revenue | | | | | |
| Revenue from sales of goods | ₩ 28,394,790 | 18,796,522 | - | 917,307 | 48,108,619 |
| Revenue from services | 462,489 | 388,222 | 45,359 | 1,811,380 | 2,707,450 |
| Revenue from construction contract | - | - | 6,523,615 | 27,949 | 6,551,564 |
| Others | 35,599 | 160,478 | 7,196 | 221,890 | 425,163 |
| | <u>₩ 28,892,878</u> | <u>19,345,222</u> | <u>6,576,170</u> | <u>2,978,526</u> | <u>57,792,796</u> |
| Timing of revenue recognition | | | | | |
| Revenue recognized at a point in time | ₩ 28,430,389 | 18,957,000 | 141,916 | 1,139,197 | 48,668,502 |
| Revenue recognized over time | 462,489 | 388,222 | 6,434,254 | 1,839,329 | 9,124,294 |
| | <u>₩ 28,892,878</u> | <u>19,345,222</u> | <u>6,576,170</u> | <u>2,978,526</u> | <u>57,792,796</u> |

② For the year ended December 31, 2019

(in millions of Won)

| | <u>Steel</u> | <u>Trading</u> | <u>Construction</u> | <u>Others</u> | <u>Total</u> |
|---------------------------------------|---------------------|-------------------|---------------------|------------------|-------------------|
| Types of revenue | | | | | |
| Revenue from sales of goods | ₩ 31,456,714 | 21,629,838 | - | 712,196 | 53,798,748 |
| Revenue from services | 573,463 | 369,730 | 49,696 | 2,217,862 | 3,210,751 |
| Revenue from construction contract | - | - | 6,889,540 | 30,998 | 6,920,538 |
| Others | 48,276 | 157,564 | 5,393 | 225,578 | 436,811 |
| | <u>₩ 32,078,453</u> | <u>22,157,132</u> | <u>6,944,629</u> | <u>3,186,634</u> | <u>64,366,848</u> |
| Timing of revenue recognition | | | | | |
| Revenue recognized at a point in time | ₩ 31,504,990 | 21,787,402 | 44,412 | 943,037 | 54,279,841 |
| Revenue recognized over time | 573,463 | 369,730 | 6,900,217 | 2,243,597 | 10,087,007 |
| | <u>₩ 32,078,453</u> | <u>22,157,132</u> | <u>6,944,629</u> | <u>3,186,634</u> | <u>64,366,848</u> |

- (b) Details of contract assets and liabilities from contracts with customers as of December 31, 2020 and 2019, are as follows.

(in millions of Won)

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-------------|-------------|
| Receivables | | |
| Account receivables | ₩ 7,332,890 | 8,214,459 |
| Contract assets | | |
| Due from customers for contract work | 874,152 | 1,062,677 |
| Contract liabilities | | |
| Advance received | 418,777 | 489,658 |
| Due to customers for contract work | 807,465 | 676,054 |
| Unearned revenue | 42,040 | 88,733 |

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29. Revenue – Contract Balances

(a) Details of outstanding contracts as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | 2020 | | 2019 | |
|------------------------------|----------------------|---------|----------------------|---------|
| | Construction segment | Others | Construction segment | Others |
| Accumulated cost | ₩ 30,780,560 | 247,737 | 29,106,218 | 249,751 |
| Accumulated contract profit | 3,034,148 | 49,692 | 2,863,207 | 47,107 |
| Accumulated contract loss | (1,260,451) | (2,482) | (1,182,989) | (2,211) |
| Accumulated contract revenue | 32,554,257 | 294,947 | 30,786,436 | 294,647 |

(b) Details of due from customers for contract work and due to customers for contract work as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | 2020 | | 2019 | |
|--------------------------------------|----------------------|----------|----------------------|----------|
| | Construction segment | Others | Construction segment | Others |
| Due from customers for contract work | ₩ 915,285 | 33,594 | 1,087,119 | 49,317 |
| Due to customers for contract work | (765,818) | (41,647) | (639,130) | (36,924) |
| | ₩ 149,467 | (8,053) | 447,989 | 12,393 |

(c) Details of the provisions of construction loss as of December 31, 2020 and December 31, 2019 are as follows:

(in millions of Won)

| | 2020 | 2019 |
|----------------------|----------|--------|
| Construction segment | ₩ 70,818 | 35,526 |
| Others | 437 | 406 |
| | ₩ 71,255 | 35,932 |

(d) Due to the factors causing the variation of costs during the year ended December 31, 2020, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profit before income taxes for the year ended December 31, 2020 and future periods are as follows:

(in millions of Won)

| | Changes in estimated total contract costs | Changes in profit (loss) of contract | | |
|----------------------|---|--------------------------------------|---------------------|---------|
| | | Net income | Future income(loss) | Total |
| Construction segment | ₩ 122,857 | 51,825 | 151,754 | 203,579 |
| Others | 18,552 | 12,551 | (8,665) | 3,886 |
| | ₩ 141,409 | 64,376 | 143,089 | 207,465 |

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

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(e) As of December 31, 2020, revenue expected to be recognized in the future in relation to performance obligations that have not been fulfilled (or partially fulfilled) is as follows:

| <i>(in millions of Won)</i> | | 2021 | 2022 | 2023 | After 2024 | Total |
|-----------------------------|---|------------------|------------------|------------------|-------------------|-------------------|
| Construction segment | ₩ | 6,248,724 | 5,123,655 | 2,709,750 | 1,702,354 | 15,784,483 |
| Others | | 109,138 | 57,325 | 46,384 | 44,910 | 257,757 |
| | ₩ | 6,357,862 | 5,180,980 | 2,756,134 | 1,747,264 | 16,042,240 |

(f) Uncertainty of estimates

1) Total contract revenues

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

2) Total contract costs

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

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

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

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30. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|--------------------|------------------|
| Wages and salaries | ₩ 828,667 | 840,599 |
| Expenses related to post-employment benefits | 83,037 | 88,880 |
| Other employee benefits | 187,075 | 177,908 |
| Travel | 17,513 | 42,692 |
| Depreciation | 146,483 | 131,337 |
| Amortization | 115,254 | 112,171 |
| Communication | 10,390 | 11,150 |
| Electricity | 7,968 | 8,799 |
| Taxes and public dues | 59,274 | 78,932 |
| Rental | 34,966 | 39,886 |
| Repairs | 8,952 | 13,454 |
| Entertainment | 8,328 | 11,123 |
| Advertising | 71,743 | 82,574 |
| Research & Development | 116,273 | 110,315 |
| Service fees | 156,530 | 193,486 |
| Vehicles maintenance | 4,880 | 7,660 |
| Industry association fee | 9,586 | 9,609 |
| Conference | 11,576 | 15,104 |
| Increase to provisions | 12,285 | 18,071 |
| Others | 48,822 | 47,536 |
| | ₩ <u>1,939,602</u> | <u>2,041,286</u> |

(b) Selling expenses

Selling expenses for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|------------------|----------------|
| Freight and custody | ₩ 180,503 | 180,341 |
| Operating expenses for distribution center | 6,977 | 9,222 |
| Sales commissions | 86,851 | 73,941 |
| Sales advertising | 1,284 | 1,552 |
| Sales promotion | 7,086 | 9,989 |
| Sample | 1,650 | 2,287 |
| Sales insurance premium | 30,364 | 32,632 |
| Contract cost | 46,247 | 38,081 |
| Others | 15,977 | 20,273 |
| | ₩ <u>376,939</u> | <u>368,318</u> |

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31. Research and Development Expenditures Recognized as Expenses

Research and development expenditures recognized as expenses for the years ended December 31, 2020 and 2019 were as follows:

(in millions of Won)

| | <u>2020</u> | <u>2019</u> |
|-------------------------|------------------|----------------|
| Administrative expenses | ₩ 116,273 | 110,315 |
| Cost of sales | 351,861 | 389,460 |
| | <u>₩ 468,134</u> | <u>499,775</u> |

32. Finance Income and Costs

Details of other finance income and costs for the years ended December 31, 2020 and 2019 were as follows:

(in millions of Won)

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|------------------|
| Finance income | | |
| Interest income(*1) | ₩ 372,174 | 352,384 |
| Dividend income | 38,348 | 75,455 |
| Gain on foreign currency transactions | 1,147,692 | 824,565 |
| Gain on foreign currency translations | 574,463 | 206,019 |
| Gain on derivatives transactions | 352,005 | 195,933 |
| Gain on valuations of derivatives | 115,642 | 163,491 |
| Gain on disposals of financial assets at fair value through profit or loss | 15,550 | 8,525 |
| Gain on valuations of financial assets at fair value through profit or loss | 51,581 | 42,297 |
| Others | 10,044 | 3,474 |
| | <u>₩ 2,677,499</u> | <u>1,872,143</u> |
| Finance cost | | |
| Interest expense | ₩ 638,797 | 755,711 |
| Loss on foreign currency transactions | 1,067,907 | 746,603 |
| Loss on foreign currency translations | 425,479 | 319,470 |
| Loss on derivatives transactions | 410,008 | 228,144 |
| Loss on valuations of derivatives | 229,524 | 47,447 |
| Loss on disposals of trade accounts and notes receivable | 15,816 | 36,935 |
| Loss on disposals of financial assets at fair value through profit or loss | 5,571 | 2,969 |
| Loss on valuations of financial assets at fair value through profit or loss | 67,464 | 65,848 |
| Others | 31,836 | 38,936 |
| | <u>₩ 2,892,402</u> | <u>2,242,063</u> |

(*1) Interest income calculated using the effective interest method for the years ended December 31, 2020 and 2019 were ₩207,014 million and ₩209,511 million, respectively.

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33. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2020 and 2019 were as follows:

(in millions of Won)

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Other non-operating income | | |
| Gain on disposals of assets held for sale | ₩ 841 | 37,461 |
| Gain on disposals of investment in subsidiaries, associates and joint ventures | 88,836 | 27,836 |
| Gain on disposals of property, plant and equipment | 15,548 | 49,367 |
| Gain on disposals of intangible assets | 815 | 1,896 |
| Gain on valuation of firm commitment | 107,511 | 60,201 |
| Gain on valuation of emission rights | - | 25,440 |
| Gain on disposals of emission rights | 24,851 | 11,141 |
| Reversal of other provisions | 5,154 | 36,522 |
| Premium income | 25,253 | 3,326 |
| Others(*1) | 133,527 | 197,701 |
| | <u>₩ 402,336</u> | <u>450,891</u> |
| Other non-operating expenses | | |
| Impairment loss on assets held for sale | ₩ 5,030 | 38,328 |
| Loss on disposals of investments in subsidiaries, associates and joint ventures | 14,632 | 6,539 |
| Loss on disposals of property, plant and equipment | 142,126 | 120,227 |
| Impairment loss on property, plant and equipment | 27,040 | 442,700 |
| Impairment loss on investment property | - | 32,642 |
| Impairment loss on intangible assets | 197,776 | 191,021 |
| Loss on valuation of firm commitment | 93,098 | 37,685 |
| Expenses of assets not in use | 19,276 | 34,152 |
| Increase to provisions | 30,536 | 23,074 |
| Donations | 45,652 | 51,567 |
| Others | 70,408 | 112,029 |
| | <u>₩ 645,574</u> | <u>1,089,964</u> |

(*1) During the year ended December 31, 2019, the Company recognized non-operating income of refunded amount of ₩74,044 million as a result of request for judgment on value added tax related to imported LNG.

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34. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other operating expenses in the statements of comprehensive income for the years ended December 31, 2020 and 2019 were as follows (excluding finance costs and income tax expense):

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|---------------------|-------------------|
| Raw material used, changes in inventories and others | ₩ 34,829,420 | 38,934,261 |
| Employee benefits expenses(*2) | 3,624,953 | 3,623,611 |
| Outsourced processing cost | 7,808,343 | 8,250,372 |
| Electricity and water | 656,121 | 912,832 |
| Depreciation(*1) | 3,156,181 | 3,029,868 |
| Amortization | 465,558 | 431,247 |
| Freight and custody | 1,428,012 | 1,446,628 |
| Sales commissions | 86,851 | 73,941 |
| Loss on disposal of property, plant and equipment | 142,126 | 120,227 |
| Impairment loss on property, plant and equipment | 27,040 | 442,700 |
| Impairment loss on intangible assets | 197,776 | 191,021 |
| Donations | 45,652 | 51,567 |
| Other expenses | 3,638,393 | 4,168,470 |
| | <u>₩ 56,106,426</u> | <u>61,676,745</u> |

(*1) Includes depreciation expense of investment property.

(*2) The details of employee benefits expenses for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|--------------------|------------------|
| Wages and salaries | ₩ 3,316,364 | 3,313,642 |
| Expenses related to post-employment benefits | 308,589 | 309,969 |
| | <u>₩ 3,624,953</u> | <u>3,623,611</u> |

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35. Income Taxes

(a) Income tax expense for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|------------------|------------------|
| Current income taxes(*1) | ₩ 692,869 | 913,286 |
| Deferred income tax due to temporary differences | (468,640) | 146,350 |
| Items recorded directly in equity | 12,705 | 11,005 |
| Income tax expense | ₩ <u>236,934</u> | <u>1,070,641</u> |

(*1) Refund (additional payment) of income taxes when filing a final corporation tax return is credited (charged) directly to current income taxes.

(b) The income taxes credited (charged) directly to equity for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | 2020 | 2019 |
|--|-----------------|---------------|
| Net changes in fair value of equity investments | | |
| at fair value through other comprehensive income(*1) | ₩ 26,850 | (26,744) |
| Remeasurements of defined benefit plans(*1) | (13,327) | 38,167 |
| Others | (818) | (418) |
| | ₩ <u>12,705</u> | <u>11,005</u> |

(*1) Those amounts were recognized in other comprehensive income.

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(c) The following table reconciles the calculated income tax expense based on POSCO's statutory rate (27.5%) to the actual amount of taxes recorded by the Company for the years ended December 31, 2020 and 2019.

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|--|---|------------------|------------------|
| Profit before income tax expense | ₩ | 2,025,086 | 3,053,278 |
| Income tax expense computed at statutory rate | | 546,537 | 829,289 |
| Adjustments: | | | |
| Tax credit | | (90,093) | (39,709) |
| Additional Income tax expense for prior years (Refund related to prior years) | | (14,362) | (35,389) |
| Tax effect from tax audit | | 11,796 | 14,775 |
| Investment in subsidiaries, associates and joint ventures | | 147,874 | 317,977 |
| Tax effect due to permanent differences | | 2,591 | (5,588) |
| Others(*1) | | (367,409) | (10,714) |
| | | <u>(309,603)</u> | <u>241,352</u> |
| Income tax expense | ₩ | <u>236,934</u> | <u>1,070,641</u> |
| Effective tax rate (%) | | <u>11.7%</u> | <u>35.1%</u> |

(*1) Due to changes in estimation on deductibility of temporary difference related to Synthetic Natural Gas (SNG) facility and Business Combination of Off-gas Power Station Business Sector, ₩328,453 million of income tax benefit is recognized for the year ended December 31, 2020.

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(d) The movements in deferred tax assets (liabilities) for the years ended December 31, 2020 and 2019 were as follows:

(in millions of Won)

| | 2020 | | | 2019 | | |
|--|--------------------|------------------------|------------------|------------------|------------------------|------------------|
| | Beginning | Increase (decrease) | Ending | Beginning | Increase (decrease) | Ending |
| Deferred income tax due to temporary differences | | | | | | |
| Allowance for doubtful accounts | ₩ 153,136 | (5,912) | 147,224 | 181,143 | (28,007) | 153,136 |
| PPE - Depreciation | 22,211 | 10,025 | 32,236 | 9,837 | 12,374 | 22,211 |
| Share of profit or loss of equity-accounted investees | 119,114 | 100,317 | 219,431 | 227,594 | (108,480) | 119,114 |
| Allowance for inventories valuation | 9,445 | 2,097 | 11,542 | 10,676 | (1,231) | 9,445 |
| PP&E - Revaluation | (1,818,461) | 84,462 | (1,733,999) | (1,861,712) | 43,251 | (1,818,461) |
| Prepaid expenses | 15,212 | 4,619 | 19,831 | 17,259 | (2,047) | 15,212 |
| PP&E - Impairment loss | 137,326 | 246,177 | 383,503 | 76,577 | 60,749 | 137,326 |
| Gain or loss on foreign currency translation | 7,036 | (58,681) | (51,645) | (38,010) | 45,046 | 7,036 |
| Defined benefit liabilities | (95,683) | (26,137) | (121,820) | (73,589) | (22,094) | (95,683) |
| Provision for construction losses | 7,303 | 10,302 | 17,605 | 7,405 | (102) | 7,303 |
| Provision for construction warranty | 61,801 | 1,714 | 63,515 | 70,318 | (8,517) | 61,801 |
| Accrued income | (30,816) | (10,360) | (41,176) | (13,094) | (17,722) | (30,816) |
| Others | 432,799 | 112,243 | 545,042 | 471,050 | (38,251) | 432,799 |
| | <u>(979,577)</u> | <u>470,866</u> | <u>(508,712)</u> | <u>(914,546)</u> | <u>(65,031)</u> | <u>(979,577)</u> |
| Deferred income taxes recognized directly to equity | | | | | | |
| Net changes in fair value of equity investments at fair value through other comprehensive income | 130,141 | 26,850 | 156,991 | 156,885 | (26,744) | 130,141 |
| Others | 168,021 | (14,145) | 153,876 | 130,272 | 37,749 | 168,021 |
| | <u>298,162</u> | <u>12,705</u> | <u>310,867</u> | <u>287,157</u> | <u>11,005</u> | <u>298,162</u> |
| Deferred tax from tax credit | | | | | | |
| Tax credit carry-forward and others | 91,839 | (19,433) | 72,406 | 115,589 | (23,750) | 91,839 |
| Investments in subsidiaries, associates and joint ventures | | | | | | |
| Investments in subsidiaries, associates and joint ventures | 135,364 | 4,503 | 139,867 | 203,938 | (68,574) | 135,364 |
| | <u>₩ (454,212)</u> | <u>468,641</u> | <u>14,428</u> | <u>(307,862)</u> | <u>(146,350)</u> | <u>(454,212)</u> |

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(e) Deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 are as follows:

(in millions of Won)

| | 2020 | | | 2019 | | |
|--|--------------------|--------------------|------------------|------------------|--------------------|------------------|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Deferred income tax due to temporary differences | | | | | | |
| Allowance for doubtful accounts | ₩ 147,243 | (19) | 147,224 | 153,136 | - | 153,136 |
| PPE - Depreciation | 84,890 | (52,654) | 32,236 | 68,649 | (46,438) | 22,211 |
| Share of profit or loss of | 281,049 | (61,618) | 219,431 | 177,467 | (58,353) | 119,114 |
| Allowance for inventories valuation | 11,542 | - | 11,542 | 9,445 | - | 9,445 |
| PP&E - Revaluation | - | (1,733,999) | (1,733,999) | - | (1,818,461) | (1,818,461) |
| Prepaid expenses | 19,859 | (28) | 19,831 | 15,212 | - | 15,212 |
| PP&E - Impairment loss | 383,503 | - | 383,503 | 137,326 | - | 137,326 |
| Gain or loss on foreign currency translation | 101,244 | (152,889) | (51,645) | 136,360 | (129,324) | 7,036 |
| Defined benefit liabilities | 478,144 | (599,964) | (121,820) | 426,930 | (522,613) | (95,683) |
| Provision for construction losses | 17,605 | - | 17,605 | 7,303 | - | 7,303 |
| Provision for construction warranty | 63,515 | - | 63,515 | 61,801 | - | 61,801 |
| Accrued income | - | (41,176) | (41,176) | - | (30,816) | (30,816) |
| Others | 726,516 | (181,474) | 545,042 | 510,635 | (77,836) | 432,799 |
| | <u>2,315,110</u> | <u>(2,823,821)</u> | <u>(508,712)</u> | <u>1,704,264</u> | <u>(2,683,841)</u> | <u>(979,577)</u> |
| Deferred income taxes recognized directly to equity | | | | | | |
| Net changes in fair value of equity investments at fair value through other comprehensive income | 167,070 | (10,079) | 156,991 | 220,276 | (90,135) | 130,141 |
| Others | 177,938 | (24,062) | 153,876 | 193,384 | (25,363) | 168,021 |
| | <u>345,008</u> | <u>(34,141)</u> | <u>310,867</u> | <u>413,660</u> | <u>(115,498)</u> | <u>298,162</u> |
| Deferred tax from tax credit | | | | | | |
| Tax credit carry-forward and others | 72,406 | - | 72,406 | 91,839 | - | 91,839 |
| Investments in subsidiaries, associates and joint ventures | | | | | | |
| Investments in subsidiaries, associates and joint ventures | 422,338 | (282,471) | 139,867 | 441,172 | (305,808) | 135,364 |
| | <u>₩ 3,154,862</u> | <u>(3,140,433)</u> | <u>14,428</u> | <u>2,650,935</u> | <u>(3,105,147)</u> | <u>(454,212)</u> |

(f) As of December 31, 2020, deductible temporary differences of ₩7,928,964 million and taxable temporary differences of ₩7,041,140 million related to investments in subsidiaries and associates were not recognized as deferred tax assets or liabilities, because it is not probable they will reverse in the foreseeable future.

(g) The Company recognized current tax payable or receivable at the amount expected to be paid or received that reflects uncertainty related to income taxes.

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36. Earnings Per Share

Basic earnings per share for the years ended December 31, 2020 and 2019 were as follows:

(in Won, except share information)

| | 2020 | 2019 |
|--|---------------------|-------------------|
| Profit attribute to controlling interest | ₩ 1,602,147,657,531 | 1,835,086,521,187 |
| Interests of hybrid bonds | (6,688,273,972) | (6,669,999,999) |
| Weighted-average number of common shares outstanding (*1) | <u>79,120,963</u> | <u>80,113,759</u> |
| Basic and diluted earnings per share | <u>₩ 20,165</u> | <u>22,823</u> |

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

(Shares)

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Total number of common shares issued | 87,186,835 | 87,186,835 |
| Weighted-average number of treasury shares | <u>(8,065,872)</u> | <u>(7,073,076)</u> |
| Weighted-average number of common shares outstanding | <u>79,120,963</u> | <u>80,113,759</u> |

Since there were no potential shares of common stock which had dilutive effects as of December 31, 2020 and 2019, diluted earnings per share is equal to basic earnings per share.

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37. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

(in millions of Won)

| | Sales and others(*1) | | Purchase and others(*2) | | | |
|--|----------------------|----------------|-------------------------|--------------------------|----------------------------|----------------|
| | Sales | Others | Purchase of material | Purchase of fixed assets | Outsourced processing cost | Others |
| Subsidiaries(*3) | | | | | | |
| POSCO ENGINEERING & CONSTRUCTION CO.,LTD. ₩ | 6,790 | 11,123 | 15 | 772,846 | 220 | 63,467 |
| POSCO COATED & COLOR STEEL Co., Ltd. | 418,619 | 1,820 | - | - | 28,523 | 639 |
| POSCO ICT(*4) | 2,747 | 4,996 | - | 374,914 | 41,384 | 181,554 |
| eNtoB Corporation | 15 | 60 | 214,750 | 34,217 | 76 | 25,870 |
| POSCO CHEMICAL CO., LTD | 258,154 | 34,944 | 456,780 | 23,003 | 304,135 | 4,816 |
| POSCO ENERGY CO., LTD. | 1,262 | 2,396 | 14,011 | 3 | - | 23,336 |
| POSCO INTERNATIONAL Corporation | 5,644,017 | 56,322 | 342,520 | - | 11,371 | 4,375 |
| POSCO Thainox Public Company Limited | 311,924 | 137 | 2,538 | - | - | - |
| POSCO America Corporation | 121,377 | - | - | - | - | 1,249 |
| POSCO Canada Ltd. | - | 1,325 | 162,385 | - | - | - |
| POSCO Asia Co., Ltd. | 1,514,154 | 1,060 | 151,373 | 4,331 | 1,508 | 3,915 |
| Qingdao Pohang Stainless Steel Co., Ltd. | 145,006 | 66 | - | - | - | 305 |
| POSCO JAPAN Co., Ltd. | 1,076,987 | - | 37,210 | 5,277 | - | 6,225 |
| POSCO-VIETNAM Co., Ltd. | 253,060 | 605 | - | - | - | 96 |
| POSCO MEXICO S.A. DE C.V. | 168,188 | 403 | - | - | - | 2,000 |
| POSCO Maharashtra Steel Private Limited | 328,943 | 2,507 | - | - | - | 479 |
| POSCO(Suzhou) Automotive Processing Center Co., Ltd. | 112,925 | - | - | - | - | - |
| POSCO VST CO., LTD. | 208,464 | 218 | - | - | - | 156 |
| POSCO INTERNATIONAL SINGAPORE PTE LTD. | - | - | 600,580 | - | - | - |
| Others | 1,331,672 | 23,017 | 73,575 | 45,695 | 270,821 | 135,698 |
| | <u>11,904,304</u> | <u>140,999</u> | <u>2,055,737</u> | <u>1,260,286</u> | <u>658,038</u> | <u>454,180</u> |
| Associates and joint ventures(*3) | | | | | | |
| POSCO PLANTEC Co., Ltd.(*5) | 65 | 41 | 916 | 84,839 | 4,086 | 12,431 |
| SNNC | 5,651 | 4,739 | 545,001 | - | - | - |
| POSCO-SAMSUNG-Slovakia Processing Center | 40,512 | - | - | - | - | - |
| Roy Hill Holdings Pty Ltd | - | 91,188 | 1,300,296 | - | - | - |
| Others | 34,555 | 69,110 | 63,945 | - | - | 31,637 |
| | <u>80,783</u> | <u>165,078</u> | <u>1,910,158</u> | <u>84,839</u> | <u>4,086</u> | <u>44,068</u> |
| ₩ | <u>11,985,087</u> | <u>306,077</u> | <u>3,965,895</u> | <u>1,345,125</u> | <u>662,124</u> | <u>498,248</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 December 31, 2020, the company provided guarantees to related parties (Note 38)

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

(*5) During the year ended, 2020, the Company has lost significant influence over the investee.

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2) For the year ended December 31, 2019

(in millions of Won)

| | Sales and others | | Purchase and others | | | |
|--|-------------------|----------------|----------------------|--------------------------|----------------------------|----------------|
| | Sales | Others | Purchase of material | Purchase of fixed assets | Outsourced processing cost | Others |
| Subsidiaries | | | | | | |
| POSCO ENGINEERING & CONSTRUCTION CO., LTD. | ₩ 6,688 | 11,137 | 4,725 | 416,734 | 57 | 24,174 |
| POSCO COATED & COLOR STEEL Co., Ltd. | 468,070 | 2,014 | 95 | - | 20,298 | 724 |
| POSCO ICT | 2,924 | 4,994 | - | 344,977 | 34,638 | 181,128 |
| eNtoB Corporation | 15 | 60 | 304,846 | 64,845 | 126 | 25,754 |
| POSCO CHEMICAL CO., LTD. | 389,731 | 35,592 | 522,493 | 17,549 | 315,530 | 4,561 |
| POSCO ENERGY CO., LTD. | 148,205 | 2,211 | 5,123 | 94 | - | 7,561 |
| POSCO INTERNATIONAL Corporation | 6,025,938 | 46,661 | 541,002 | - | 49,506 | 7,149 |
| POSCO Thainox Public Company Limited | 265,374 | 13,795 | 10,037 | - | - | 3 |
| POSCO America Corporation | 300,598 | - | - | - | - | 2,994 |
| POSCO Canada Ltd. | 1,067 | 1,833 | 306,552 | - | - | - |
| POSCO Asia Co., Ltd. | 1,781,841 | 1,352 | 390,056 | 1,338 | 1,574 | 7,561 |
| Qingdao Pohang Stainless Steel Co., Ltd. | 146,468 | - | - | - | - | 110 |
| POSCO JAPAN Co., Ltd. | 1,509,631 | 36 | 38,631 | 6,269 | - | 5,835 |
| POSCO-VIETNAM CO., Ltd. | 265,849 | 368 | - | - | - | 66 |
| POSCO MEXICO S.A. DE C.V. | 303,924 | 159 | - | - | - | 809 |
| POSCO Maharashtra Steel Private Limited | 644,652 | 311 | - | - | - | 800 |
| POSCO(Suzhou) Automotive Processing Center Co., Ltd. | 121,633 | 27 | 2,189 | - | - | - |
| POSCO VST CO., LTD. | 299,307 | - | - | - | - | 114 |
| POSCO INTERNATIONAL SINGAPORE PTE LTD. | - | 154 | 694,600 | - | - | - |
| Others | 964,532 | 20,679 | 134,296 | 34,444 | 246,184 | 169,849 |
| | <u>13,646,447</u> | <u>141,383</u> | <u>2,954,645</u> | <u>886,250</u> | <u>667,913</u> | <u>439,192</u> |
| Associates and joint ventures | | | | | | |
| POSCO PLANTEC Co., Ltd. | 1,364 | 86 | 2,882 | 306,927 | 15,089 | 30,317 |
| SNNC | 5,527 | 4,100 | 588,276 | - | - | 9 |
| POSCO-SAMSUNG-Slovakia Processing Center | 65,688 | - | - | - | - | - |
| Roy Hill Holdings Pty Ltd | - | - | 1,237,168 | - | - | - |
| Others | 16,084 | 112,390 | 76,427 | - | - | 85,167 |
| | <u>88,663</u> | <u>116,576</u> | <u>1,904,753</u> | <u>306,927</u> | <u>15,089</u> | <u>115,493</u> |
| ₩ | <u>13,735,110</u> | <u>257,959</u> | <u>4,859,398</u> | <u>1,193,177</u> | <u>683,002</u> | <u>554,685</u> |

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(b) The related account balances of significant transactions between the controlling company and related companies as of December 31, 2020 and 2019 are as follows:

1) December 31, 2020

(in millions of Won)

| | Receivables | | | Payables | | | |
|---|-------------------------------------|----------------|------------------|----------------------------------|------------------|----------------|----------------|
| | Trade accounts and notes receivable | Others | Total | Trade accounts and notes payable | Accounts payable | Others | Total |
| Subsidiaries | | | | | | | |
| POSCO ENGINEERING & CONSTRUCTION CO.,LTD. ₩ | 6,010 | 11 | 6,021 | - | 81,608 | 394 | 82,002 |
| POSCO COATED & COLOR STEEL Co., Ltd. | 63,520 | - | 63,520 | - | 180 | 3,709 | 3,889 |
| POSCO ICT | 245 | 1 | 246 | 2,820 | 118,720 | 31,411 | 152,951 |
| eNtoB Corporation | - | - | - | 1,361 | 35,846 | 18 | 37,225 |
| POSCO CHEMICAL CO., LTD | 19,406 | 3,434 | 22,840 | 13,066 | 55,515 | 18,531 | 87,112 |
| POSCO ENERGY CO., LTD. | 261 | 122 | 383 | - | 2,995 | 12,508 | 15,503 |
| POSCO INTERNATIONAL Corporation | 534,531 | - | 534,531 | 2,713 | - | - | 2,713 |
| POSCO Thainox Public Company Limited | 39,920 | - | 39,920 | - | - | - | - |
| POSCO America Corporation | 19 | - | 19 | - | - | - | - |
| POSCO Asia Co., Ltd. | 239,847 | 898 | 240,745 | 3,958 | 258 | - | 4,216 |
| Qingdao Pohang Stainless Steel Co., Ltd. | 25,838 | - | 25,838 | - | - | - | - |
| POSCO MEXICO S.A. DE C.V. | 71,307 | 397 | 71,704 | - | - | - | - |
| POSCO Maharashtra Steel Private Limited | 173,285 | 2,006 | 175,291 | - | - | - | - |
| Others(*1) | 557,841 | 29,962 | 587,803 | 41,564 | 32,785 | 86,891 | 161,240 |
| | <u>1,732,030</u> | <u>36,831</u> | <u>1,768,861</u> | <u>65,482</u> | <u>327,907</u> | <u>153,462</u> | <u>546,851</u> |
| Associates and joint ventures | | | | | | | |
| SNNC | 106 | 228 | 334 | 33,380 | - | - | 33,380 |
| Roy Hill Holdings Pty Ltd | - | 52,076 | 52,076 | 201,924 | - | - | 201,924 |
| Others | 818 | 17,882 | 18,700 | 6,704 | - | - | 6,704 |
| | <u>924</u> | <u>70,186</u> | <u>71,110</u> | <u>242,008</u> | <u>-</u> | <u>-</u> | <u>242,008</u> |
| ₩ | <u>1,732,954</u> | <u>107,017</u> | <u>1,839,971</u> | <u>307,490</u> | <u>327,907</u> | <u>153,462</u> | <u>788,859</u> |

(*1) As of December 31, 2020, the Company has loans amounting to ₩2,950 million granted to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company, and its loss allowance recognized is amounting to ₩2,950 million.

2) December 31, 2019

(in millions of Won)

| | Receivables | | | Payables | | | |
|---|-------------------------------------|---------------|------------------|----------------------------------|------------------|----------------|----------------|
| | Trade accounts and notes receivable | Others | Total | Trade accounts and notes payable | Accounts payable | Others | Total |
| Subsidiaries | | | | | | | |
| POSCO ENGINEERING & CONSTRUCTION CO.,LTD. ₩ | 5,702 | 65 | 5,767 | - | 78,512 | 385 | 78,897 |
| POSCO COATED & COLOR STEEL Co., Ltd. | 57,792 | - | 57,792 | - | 11 | 3,828 | 3,839 |
| POSCO ICT | 225 | 1 | 226 | 1,147 | 129,424 | 42,844 | 173,415 |
| eNtoB Corporation | - | - | - | 3,459 | 27,431 | - | 30,890 |
| POSCO CHEMICAL CO., LTD | 35,102 | 3,578 | 38,680 | 17,839 | 52,710 | 19,369 | 89,918 |
| POSCO ENERGY CO., LTD. | 1,876 | 4 | 1,880 | - | 3,229 | 14,912 | 18,141 |
| POSCO INTERNATIONAL Corporation | 633,073 | - | 633,073 | 345 | 2,218 | 3,839 | 6,402 |
| POSCO Thainox Public Company Limited | 52,826 | 2 | 52,828 | 916 | - | - | 916 |
| POSCO America Corporation | 8,448 | - | 8,448 | - | - | - | - |
| POSCO Asia Co., Ltd. | 508,962 | 748 | 509,710 | 12,784 | 171 | - | 12,955 |
| Qingdao Pohang Stainless Steel Co., Ltd. | 29,842 | - | 29,842 | - | - | - | - |
| POSCO MEXICO S.A. DE C.V. | 90,351 | 702 | 91,053 | - | - | - | - |
| POSCO Maharashtra Steel Private Limited | 235,917 | 444 | 236,361 | - | - | - | - |
| Others | 470,734 | 33,851 | 504,585 | 14,397 | 40,233 | 87,652 | 142,282 |
| | <u>2,130,850</u> | <u>39,395</u> | <u>2,170,245</u> | <u>50,887</u> | <u>333,939</u> | <u>172,829</u> | <u>557,655</u> |
| Associates and joint ventures | | | | | | | |
| POSCO PLANTEC Co., Ltd. | 84 | 10 | 94 | 471 | 49,511 | - | 49,982 |
| SNNC | 297 | 65 | 362 | 19,769 | - | - | 19,769 |
| Roy Hill Holdings Pty Ltd | - | - | - | 93,383 | - | - | 93,383 |
| Others | 942 | 706 | 1,648 | 3,447 | 586 | - | 4,033 |
| | <u>1,323</u> | <u>781</u> | <u>2,104</u> | <u>117,070</u> | <u>50,097</u> | <u>-</u> | <u>167,167</u> |
| ₩ | <u>2,132,173</u> | <u>40,176</u> | <u>2,172,349</u> | <u>167,957</u> | <u>384,036</u> | <u>172,829</u> | <u>724,822</u> |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(c) Significant transactions between the Company, excluding the controlling company, and related companies for the years ended December 31, 2020 and 2019 were as follows:

1) For the year ended December 31, 2020

(in millions of Won)

| | Sales and others | | Purchase and others | |
|---|------------------|---------|----------------------|---------|
| | Sales | Others | Purchase of material | Others |
| Associates and joint ventures | | | | |
| POSCO PLANTEC Co., Ltd. | ₩ 2,558 | - | 5 | - |
| New Songdo International City Development, LLC | 125,909 | 26,451 | - | 137 |
| SNNC | 61,332 | 30 | 48,764 | 126,060 |
| Chuncheon Energy Co., Ltd. | 213 | 211 | - | - |
| Noeul Green Energy Co., Ltd. | 6,059 | - | - | 829 |
| CSP - Companhia Siderurgica do Pecem | 47,243 | 11,432 | 165,269 | 14,399 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | 42,189 | - | 37,509 | 151 |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | - | - | 5,780 | - |
| POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd | 8,757 | - | - | - |
| PT. Batutua Tembaga Raya | - | 1,061 | 28,174 | - |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 29,964 | - | 384 | - |
| DMSA/AMSA | - | - | 29,189 | - |
| South-East Asia Gas Pipeline Company Ltd. | 7 | 71,299 | - | - |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 31,068 | 19,530 | 3,608 | 701 |
| Samcheok BluePower Co.,Ltd (Formerly POSPower Co., Ltd.) | 220,372 | - | - | - |
| TK CHEMICAL CORPORATION | 104,749 | - | 26,863 | - |
| Others | 182,151 | 71,955 | 49,315 | 37,582 |
| | ₩ 862,571 | 201,969 | 394,860 | 179,859 |

2) For the year ended December 31, 2019

(in millions of Won)

| | Sales and others | | Purchase and others | |
|---|------------------|---------|----------------------|---------|
| | Sales | Others | Purchase of material | Others |
| Associates and joint ventures | | | | |
| POSCO PLANTEC Co., Ltd. | ₩ 15,637 | - | 39 | 14,778 |
| New Songdo International City Development, LLC | 33,885 | 44,131 | - | 36 |
| SNNC | 74,034 | - | 35,910 | 65,503 |
| Chuncheon Energy Co., Ltd. | 1,156 | - | - | - |
| Noeul Green Energy Co., Ltd. | 6,579 | - | - | 1,217 |
| USS-POSCO Industries | 4 | - | 1,835 | - |
| CSP - Companhia Siderurgica do Pecem | 98,330 | 12,718 | 416,541 | 23,398 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd | 34,895 | - | 39,733 | - |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | 10 | - | 4,222 | - |
| POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd | 11,500 | - | - | - |
| PT. Batutua Tembaga Raya | - | 772 | 45,841 | - |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 30,083 | - | 353 | - |
| Sebang Steel | - | - | 4,862 | - |
| DMSA/AMSA | - | - | 71,275 | - |
| South-East Asia Gas Pipeline Company Ltd. | 64 | 42,010 | - | - |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 88,506 | 16,424 | 4,769 | 2,144 |
| Samcheok BluePower Co.,Ltd (Formerly POSPower Co., Ltd.) | 163,167 | - | - | - |
| TK CHEMICAL CORPORATION | 172,133 | - | 63,836 | - |
| Others | 252,125 | 53,596 | 31,460 | 28,039 |
| | ₩ 982,108 | 169,651 | 720,676 | 135,115 |

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

(d) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of December 31, 2020 and 2019 are as follows:

1) December 31, 2020

(in millions of Won)

| | Receivables(*1) | | | | Payables | | |
|--|-------------------------------------|----------------|----------------|----------------|----------------------------------|---------------|---------------|
| | Trade accounts and notes receivable | Loans | Others | Total | Trade accounts and notes payable | Others | Total |
| Associates and joint ventures | | | | | | | |
| New Songdo International City Development, LLC | 23,866 | - | 20,592 | 44,458 | - | 3 | 3 |
| Chuncheon Energy Co., Ltd. | - | - | - | - | 444 | - | 444 |
| Samcheok BluePower Co., Ltd. (Formerly POSPower Co., Ltd.) | 92,715 | - | - | 92,715 | - | 40,536 | 40,536 |
| Nickel Mining Company SAS | - | 62,420 | 143 | 62,563 | - | - | - |
| CSP - Companhia Siderurgica do Pecem | 19,704 | - | - | 19,704 | - | - | - |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. | 6,534 | - | - | 6,534 | 1,023 | 150 | 1,173 |
| PT. Batutua Tembaga Raya | - | 35,355 | - | 35,355 | - | - | - |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 13,889 | - | - | 13,889 | 193 | - | 193 |
| South-East Asia Gas Pipeline Company Ltd. | - | 91,003 | - | 91,003 | - | - | - |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 2,799 | - | - | 2,799 | 783 | - | 783 |
| TK CHEMICAL CORPORATION | 21,916 | - | - | 21,916 | 429 | - | 429 |
| Others | 78,752 | 166,572 | 111,083 | 356,407 | 7,035 | 11,446 | 18,481 |
| ₩ | 280,175 | 355,350 | 131,818 | 747,343 | 9,907 | 52,135 | 62,042 |

(*1) As of December 31, 2020, the Company recognizes bad-debt allowance for receivables amounting to ₩133,997 million.

2) December 31, 2019

(in millions of Won)

| | Receivables(*1) | | | | Payables | | |
|--|-------------------------------------|----------------|----------------|------------------|----------------------------------|---------------|---------------|
| | Trade accounts and notes receivable | Loans | Others | Total | Trade accounts and notes payable | Others | Total |
| Associates and joint ventures | | | | | | | |
| POSCO PLANTEC Co., Ltd. | ₩ 4,121 | - | 205 | 4,326 | 791 | 8 | 799 |
| New Songdo International City Development, LLC | 23,626 | - | 20,592 | 44,218 | - | 10 | 10 |
| Chuncheon Energy Co., Ltd. | - | 8,234 | - | 8,234 | 657 | - | 657 |
| Samcheok BluePower Co., Ltd. (Formerly POSPower Co., Ltd.) | 34,945 | - | - | 34,945 | - | 67,543 | 67,543 |
| Nickel Mining Company SAS | - | 60,516 | 120 | 60,636 | - | - | - |
| CSP - Companhia Siderurgica do Pecem | 244,700 | - | 14,264 | 258,964 | - | 33 | 33 |
| Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. | 10,273 | - | - | 10,273 | 633 | - | 633 |
| PT. Batutua Tembaga Raya | - | 36,291 | 19,993 | 56,284 | 56 | - | 56 |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 7,035 | - | - | 7,035 | 101 | - | 101 |
| DMSA/AMSA | - | 57,999 | 1,672 | 59,671 | - | - | - |
| South-East Asia Gas Pipeline Company Ltd. | 14 | 147,367 | - | 147,381 | - | - | - |
| POSCO MITSUBISHI CARBON TECHNOLOGY | 8,078 | - | - | 8,078 | 916 | - | 916 |
| TK CHEMICAL CORPORATION | 37,373 | - | - | 37,373 | 110 | - | 110 |
| Others | 94,914 | 138,663 | 97,804 | 331,381 | 7,128 | 13,379 | 20,507 |
| ₩ | 465,079 | 449,070 | 154,650 | 1,068,799 | 10,392 | 80,973 | 91,365 |

(*1) As of December 31, 2019, the Company recognizes bad-debt allowance for receivables amounting to ₩132,554 million.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(e) Significant financial transactions between the Company, excluding the controlling company, and related companies for the years ended December 31, 2020 and 2019 were as follows:

1) December 31, 2020

(in millions of Won)

| | <u>Beginning</u> | <u>Lend</u> | <u>Collect</u> | <u>Others(*2)</u> | <u>Ending</u> |
|---|------------------|---------------|-----------------|-------------------|----------------|
| Associates and joint ventures | | | | | |
| UITrans LRT Co., Ltd. | ₩ 10,579 | 12,873 | - | - | 23,452 |
| DMSA/AMSA(*1) | 57,999 | - | - | (57,999) | - |
| South-East Asia Gas Pipeline Company Ltd. | 147,367 | - | (47,539) | (8,825) | 91,003 |
| PT. Batutua Tembaga Raya | 36,291 | - | - | (936) | 35,355 |
| PT. Tanggamus Electric Power | 4,580 | - | - | (276) | 4,304 |
| PT. Wampu Electric Power | 5,519 | - | - | (333) | 5,186 |
| PT. POSMI Steel Indonesia | 2,316 | - | - | (140) | 2,176 |
| Nickel Mining Company SAS | 60,516 | - | - | 1,904 | 62,420 |
| KRAKATAU POS-CHEM DONG-SUH CHEMICAL | 6,947 | - | (1,239) | (268) | 5,440 |
| POS-SeaAH Steel Wire (Thailand) Co., Ltd. | 6,947 | - | - | (419) | 6,528 |
| AMCI (WA) PTY LTD | 78,553 | 5,550 | - | (812) | 83,291 |
| POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD | 5,789 | - | - | (349) | 5,440 |
| POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD | 9,262 | - | - | (558) | 8,704 |
| Hyo-chun Co., Ltd. | 2,382 | - | - | - | 2,382 |
| Chun-cheon Energy Co., Ltd. | 8,234 | - | (8,234) | - | - |
| POS-AUSTEM Suzhou Automotive Co., Ltd | 5,789 | 11,805 | - | (1,274) | 16,320 |
| CAML RESOURCES PTY LTD | - | 3,219 | - | 93 | 3,312 |
| Shinahn wind power generation | - | 37 | - | - | 37 |
| | ₩ <u>449,070</u> | <u>33,484</u> | <u>(57,012)</u> | <u>(70,192)</u> | <u>355,350</u> |

(*1) During the year ended December 31, 2020, loans amounting to ₩60,278 million have been converted to shares of DMSA/AMSA, which is presented in others.

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

2) December 31, 2019

(in millions of Won)

| | <u>Beginning</u> | <u>Lend</u> | <u>Collect</u> | <u>Others(*2)</u> | <u>Ending</u> |
|---|------------------|---------------|-----------------|-------------------|----------------|
| Associates and joint ventures | | | | | |
| UITrans LRT Co., Ltd. | ₩ 5,695 | 4,884 | - | - | 10,579 |
| DMSA/AMSA(*1) | 64,297 | 15,451 | - | (21,749) | 57,999 |
| South-East Asia Gas Pipeline Company Ltd. | 191,107 | - | (48,027) | 4,287 | 147,367 |
| PT. Batutua Tembaga Raya | 35,100 | - | - | 1,191 | 36,291 |
| PT. Tanggamus Electric Power | 4,423 | - | - | 157 | 4,580 |
| PT. Wampu Electric Power | 5,330 | - | - | 189 | 5,519 |
| PT. POSM Steel Indonesia | 2,236 | - | - | 80 | 2,316 |
| Nickel Mining Company SAS | 59,664 | - | - | 852 | 60,516 |
| KRAKATAU POS-CHEMDONG-SUH CHEMICAL | 6,709 | - | - | 238 | 6,947 |
| POSCO SeAH Steel Wire(Nantong) Co., Ltd. | 3,354 | - | (3,354) | - | - |
| POS-SeaAH Steel Wire (Thailand) Co., Ltd. | 6,709 | - | - | 238 | 6,947 |
| AMCI (WA) PTY LTD | 90,480 | 4,669 | - | (16,596) | 78,553 |
| POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD | 5,590 | - | - | 199 | 5,789 |
| POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD | 8,945 | - | - | 317 | 9,262 |
| Hyo-chun Co., Ltd. | - | - | - | 2,382 | 2,382 |
| Chun-cheon Energy Co., Ltd. | - | 8,234 | - | - | 8,234 |
| POS-AUSTEM Suzhou Automotive Co., Ltd | - | 5,827 | - | (38) | 5,789 |
| | ₩ <u>489,639</u> | <u>39,065</u> | <u>(51,381)</u> | <u>(28,253)</u> | <u>449,070</u> |

(*1) During the year ended December 31, 2019, loans amounting to ₩23,682 million have been converted to shares of DMSA/AMSA, which is presented in others.

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(f) For the years ended December 31, 2020 and 2019, details of compensation to key management officers were as follows:

(in millions of Won)

| | <u>2020</u> | <u>2019</u> |
|---------------------|------------------|----------------|
| Short-term benefits | ₩ 109,546 | 119,658 |
| Long-term benefits | 15,288 | 21,231 |
| Retirement benefits | 16,238 | 13,562 |
| | <u>₩ 141,072</u> | <u>154,451</u> |

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

38. Commitments and Contingencies

(a) Contingent liabilities

Contingent liabilities may develop in a way not initially expected. Therefore, management continuously assesses contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Management makes estimates and assumptions that affect disclosures of commitments and contingencies. All estimates and assumptions are based on the evaluation of current circumstances and appraisals with the supports of internal specialists or external consultants.

Management regularly analyzes current information about these matters and provides for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for a provision, management considers whether the Company has an obligation as a result of a past event, whether it is probable that an outflow of cash or other resources embodying economic benefits will be required to settle the obligation and the ability to make a reliable estimate of the amount of the obligation.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

(b) Details of guarantees

Contingent liabilities on outstanding guarantees and others provided by the Company as of December 31, 2020 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. | Credit Agricole and others | USD | 100,000,000 | 108,800 | 100,000,000 | 108,800 |
| | POSCO-VIETNAM Co., Ltd. | SMBC and others | USD | 156,000,000 | 169,728 | 156,000,000 | 169,728 |
| | POSCO MEXICO S.A. DE C.V. | BIA and others | USD | 120,000,000 | 130,560 | 120,000,000 | 130,560 |
| | POSCO COATED STEEL (THAILAND) CO., LTD. | SMBC and others | THB | 5,501,000,000 | 199,908 | 5,501,000,000 | 199,908 |
| | POSCO Maharashtra Steel Private Limited | SMBC and others | USD | 139,784,000 | 152,085 | 139,784,000 | 152,085 |
| | PT. KRAKATAU POSCO | Export-Import Bank of Korea and others | USD | 1,350,300,000 | 1,469,126 | 783,740,291 | 852,710 |
| | POSCO ASSAN TST STEEL INDUSTRY | SOCIETE GENERALE and others | USD | 146,527,500 | 159,422 | 131,874,750 | 143,479 |
| POSCO INTERNATIONAL Corporation | POSCO INTERNATIONAL GLOBAL DEVELOPMENT PTE. LTD. (Formerly, Daewoo Global Development. Pte., Ltd) | Export-Import Bank of Korea and others | USD | 186,625,000 | 203,048 | 178,750,000 | 194,480 |
| | POSCO INTERNATIONAL POWER (PNG) LAE LIMITED | KDB bank | USD | 43,117,404 | 46,912 | 33,167,234 | 36,086 |
| | GOLDEN LACE POSCO INTERNATIONAL CO., LTD. PT. Bio Inti Agrindo | Shinhan Bank and others | USD | 11,000,000 | 11,968 | 11,000,000 | 11,968 |
| | | Export-Import Bank of Korea and others | USD | 148,476,103 | 161,542 | 146,341,912 | 159,220 |
| | POSCO ASSAN TST STEEL INDUSTRY | ING | USD | 14,652,750 | 15,942 | 14,652,750 | 15,942 |
| | POSCO INTERNATIONAL AMERICA Corp. | | | | | | |
| | POSCO INTERNATIONAL SINGAPORE Pte. Ltd. | | | | | | |
| | POSCO INTERNATIONAL MEXICO S.A. de C.V. | | | | | | |
| | POSCO INTERNATIONAL Japan Corp. | Bank Mendes Gans | USD | 50,000,000 | 54,400 | 29,545,000 | 32,145 |
| | POSCO INTERNATIONAL Malaysia SDN BHD | | | | | | |
| | POSCO INTERNATIONAL Deutschland GmbH | | | | | | |
| | POSCO INTERNATIONAL Italia S.R.L. | | | | | | |
| | GRAIN TERMINAL HOLDING PTE. LTD. | Export-Import Bank of Korea and others | USD | 27,000,000 | 29,376 | 27,000,000 | 29,376 |
| POSCO ENGINEERING & CONSTRUCTION CO., LTD. | POSCO E&C Vietnam Co., Ltd. | POSCO Asia Co., Ltd. | USD | 42,000,000 | 45,696 | 42,000,000 | 45,696 |
| | Songdo Posco family Housing JB CLARK HILLS | and others | | | | | |
| | | Shinyoung securities | KRW | 20,000 | 20,000 | 20,000 | 20,000 |
| | | KOREA INVESTMENT&SECURITIES Co., Ltd. | KRW | 60,000 | 60,000 | 60,000 | 60,000 |
| | PT.POSCO E&C INDONESIA | POSCO Asia Co., Ltd. and others | USD | 25,900,000 | 28,179 | 25,900,000 | 28,179 |
| POSCO ICT | PT.POSCO ICT INDONESIA | POSCO Asia Co., Ltd. and others | USD | 1,500,000 | 1,632 | 900,000 | 979 |
| POSCO CHEMICAL CO., LTD | PT.Krakatau Posco Chemical Calcination (formerly, PT.Krakatau Posco Chemtech Calcination) | POSCO Asia Co., Ltd. and others | USD | 15,200,000 | 16,538 | 10,000,000 | 10,880 |
| POSCO COATED & COLOR STEEL Co., Ltd. | Myanmar POSCO C&C Company, Limited. | POSCO Asia Co., Ltd. | USD | 13,986,947 | 15,218 | 13,986,947 | 15,218 |
| POSCO ENERGY CO., LTD | PT. KRAKATAU POSCO ENERGY | POSCO Asia Co., Ltd. and others | USD | 88,903,407 | 96,727 | 88,903,407 | 96,727 |
| POSCO Asia Co., Ltd. | POSCO America Corporation | SMBC | USD | 70,000,000 | 76,160 | 70,000,000 | 76,160 |
| POSCO America Corporation | POSCO AMERICA COMERCIALIZADORA S DE RL DE CV | Bank of America N.A. | USD | 37,400,000 | 40,691 | 37,400,000 | 40,691 |
| [Associates and joint ventures] | | | | | | | |
| POSCO | CSP - Companhia Siderurgica do Pecem | Export-Import Bank of Korea and others | USD | 420,000,000 | 456,961 | 370,715,701 | 403,340 |
| | LLP POSUK Titanium | BNDES | BRL | 464,060,000 | 97,207 | 464,060,000 | 97,207 |
| | Nickel Mining Company SAS | SMBC | USD | 13,500,000 | 14,688 | 13,500,000 | 14,688 |
| | GLOBAL KOMSCO Daewoo LLC | SMBC | EUR | 46,000,000 | 61,559 | 46,000,000 | 61,559 |
| POSCO INTERNATIONAL Corporation | New Songdo International City Development, LLC | Hana Bank | USD | 8,225,000 | 8,949 | 7,700,000 | 8,378 |
| POSCO ENGINEERING & CONSTRUCTION CO., LTD. | POHANG E&E Co., LTD | Others | KRW | 686,000 | 686,000 | 637,200 | 637,200 |
| | UITrans LRT Co., Ltd. | Heungkuk Life Insurance Co., Ltd. | KRW | 71,930 | 71,930 | 59,425 | 59,425 |
| | RPSD | Kookmin Bank and others | KRW | 125,845 | 98,284 | 98,284 | 98,284 |
| | Metropolitan Outer Ring Expressway Co., Ltd | Plan-up Sinsajeilcha Co., Ltd | KRW | 45,000 | 45,000 | 37,000 | 37,000 |
| | Pureun Tongyeong Enviro Co., Ltd. | Woori Bank and others | KRW | 275,989 | 275,989 | 14,486 | 14,486 |
| | Pure Gimpo Co., Ltd | KDB Bank and others | KRW | 22,714 | 22,714 | 15,062 | 15,062 |
| | Clean Iksan Co., Ltd | KDB Bank and others | KRW | 44,740 | 44,740 | 31,036 | 31,036 |
| | | SAMSUNG FIRE & MARINE INSURANCE CO.,LTD and others | KRW | 44,054 | 44,054 | 29,730 | 29,730 |
| | NEXTRAIN Co., Ltd | Kookmin Bank and others | KRW | 634,752 | 634,752 | 9,600 | 9,600 |
| | Chun-cheon Energy Co., Ltd. | Kookmin Bank and others | KRW | 149,200 | 149,200 | 145,300 | 145,300 |
| POSCO ICT | UITrans LRT Co., Ltd. | Kookmin Bank | KRW | 50,249 | 50,249 | 39,820 | 39,820 |
| | Hyochun Co., Ltd. | Kyobo Securities | KRW | 10,325 | 10,325 | 10,325 | 10,325 |
| | Shinahn wind power generation | NH INVESTMENT & SECURITIES CO.,LTD. and others | KRW | 17,860 | 17,860 | 17,124 | 17,124 |
| | Metropolitan Outer Ring Expressway Co., Ltd | Woori Bank | KRW | 24,920 | 24,920 | 1,308 | 1,308 |
| | Western Inland highway CO.,LTD. | Kookmin Bank | KRW | 47,348 | 47,348 | | |
| POSCO CHEMICAL CO., LTD | KRAKATAU POS-CHEM DONG-SUH CHEMICAL | Hana Bank | USD | 1,140,000 | 1,240 | 31,667 | 34 |
| [Others] | | | | | | | |
| POSCO INTERNATIONAL Corporation | SHERITT INTERNATIONAL CORP. | Export-Import Bank of Korea | USD | 21,818,182 | 23,738 | 3,019,552 | 3,285 |
| POSCO ENGINEERING & CONSTRUCTION CO., LTD. | Ecocity CO.,LTD and others | Kookmin Bank and others | KRW | 4,236,319 | 4,236,319 | 2,284,596 | 2,284,596 |
| POSCO ICT | BLT Enterprise and others | Hana Bank and others | KRW | 192,847 | 192,847 | 116,106 | 116,106 |
| POSCO AUSTRALIA PTY LTD | Department of Trade and Investment (NSW Government) and others | Woori Bank and others | AUD | 11,637,271 | 9,735 | 11,637,271 | 9,735 |
| PT. Bio Inti Agrindo | KSU Mandob | Bank Muamalat | IDR | 80,000,000,000 | 6,192 | 80,000,000,000 | 6,192 |
| POSCO Maharashtra Steel Private Limited | MAHARASHTRA STATE ELECTRICITY and others | HSBC and others | INR | 188,156,806 | 2,796 | 188,156,806 | 2,796 |
| | | | USD | 3,253,056,293 | 3,539,326 | 2,555,913,211 | 2,780,834 |
| | | | KRW | 6,760,092 | 6,760,092 | 3,626,402 | 3,626,402 |
| | | | IDR | 80,000,000,000 | 6,192 | 80,000,000,000 | 6,192 |
| | | | INR | 188,156,806 | 2,796 | 188,156,806 | 2,796 |
| | | | THB | 5,501,000,000 | 199,908 | 5,501,000,000 | 199,908 |
| | | | EUR | 46,000,000 | 61,559 | 46,000,000 | 61,559 |
| | | | AUD | 11,637,271 | 9,735 | 11,637,271 | 9,735 |
| | | | BRL | 464,060,000 | 97,207 | 464,060,000 | 97,207 |

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2020 and 2019

(c) Other commitments

Details of other commitments of the Company as of December 31, 2020 are as follows:

| | 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 December 31, 2020, 57 million tons of iron ore and 10 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>POSCO has long-term service contracts for the transportation of raw materials. As of December 31, 2020, there are 38 vessels under contracts, and the average remaining contract period is about 9 years.</p> <p>As of December 31, 2020, 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 in full or in 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 December 31, 2020, 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 ₩9.8 billion fund supplement agreement for Busan E&E Co., LTD. a subsidiary of our company, at the request of creditors, including the Korea Development Bank.</p> |
| POSCO INTERNATIONAL Corporation | <p>POSCO INTERNATIONAL Corporation operates a ship-to-ship business in which ships are chartered from ship's owners and leased out to shippers. The Company has entered into a ship purchase agreement with the ship owners and the shippers, which obliges the shippers to pay the agreed amount either at the end of the contract terms or at the agreed termination and to take over the ownership of the vessel from the ship owners. Only if the shipper fails to fulfill its obligation including payment obligation for the purchase of the vessel, the Company is obliged to take over the ship based on the condition that the shipper's contractual obligations and rights are transferred to the Company. As of December 30, 2021, the amount which is exposed to the ship purchase agreements entered into is USD 208 million.</p> <p>The Company invested in the Ambatovy Nickel Project (DMSA/AMSA) in Madagascar through the Korea Ambatovy Consortium (KAC) formed with Korea Mineral Resources Corporation (KORES) and STX Corporation. SHERRITT INTERNATIONAL CORP., the operator, transferred a portion of the project's interests to Sumitomo and AHL (Ambatovy Holdings Limited) in November 2017, and transferred the remaining interests of the project to Sumitomo and AHL2 (Ambatovy Holdings II Limited) in August 2020. KAC has the rights and obligations to the 15.5% stake held by AHL and AHL2.</p> |
| POSCO ENGINEERING & CONSTRUCTION CO., LTD. | <p>As of December 31, 2020, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantee of up to USD 2,495 million and uses USD 830 million with Woori Bank and others.</p> <p>As of December 31, 2020, the out standing balance of loans related to major liability compliance agreements is ₩165 billion from development of Pangyo the First Park Project. If the responsibility is not fulfilled, the obligation is to compensate for damages of principal and interest. In addition, according to the project agreements related to redevelopment and reconstruction projects, the Company has an agreement to compensate the Korea Housing and Urban Guarantee Corporation for damages of principal and interest amounting to ₩1,249,107 million (limited to ₩2,396,320 million). Furthermore, the Company provides agreements of construction completion (compensation for non-performance) in connection with a number of implementation and union business projects.</p> |
| POSCO ICT | <p>As of December 31, 2020, the company is provided with a guarantee of ₩134,170 million and ₩8,324 million and ₩305 million, respectively, from the Software credit union and the Seoul guarantee insurance company and Engineering credit union.</p> <p>In connection with 5 projects, including the construction of the Hanam Smart Building, the company is responsible for fulfilling its obligations. If the responsibility is not fulfilled, the Company is liable for damages of principal and interest of lenders (financial institutions that lend to the developer). Outstanding loans related to the liability compliance agreement are worth ₩298.4 billion (loan ceiling ₩352.9 billion) as of December 31, 2020. The company has the right to request the trustee to sell the trust property in the event of a certain reason in the trust contract, such as repaying the liability to the lenders.</p> |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(d) Litigation in progress

1) Request for Arbitration of NSC Investment and TGC

In March 2019, NSC Investment and TGC("Applicant"), a former joint venture partner of POSCO ENGINEERING & CONSTRUCTION CO., LTD., in connection with the Songdo International City Development Project in Incheon, filed an arbitration (mediation price: approximately USD 2 billion) for alleged violations of contract by POSCO ENGINEERING & CONSTRUCTION CO., LTD. As of December 31, 2020, the Company has determined that the applicant's claim is without merit, and did not recognize a provision.

2) Other litigation

As of December 31, 2020, litigations in progress that POSCO and certain subsidiaries are defendants in legal actions arising from the normal course of business are as follows:

(in millions of Won, in thousands of foreign currencies)

| Company | Legal actions | Claim amount | Won equivalent | Description |
|--|---------------|--------------|----------------|---|
| POSCO | 30 | KRW | 48,719 | Lawsuit on claim for employee right and others(*1) |
| | 1 | BRL | 72,774 | Lawsuit on claim for payment for goods |
| | 1 | CAD | 79,000 | Lawsuit on claim for damages |
| | 2 | INR | 4,469,396 | Lawsuit on claim for payment on guarantees and others(*1) |
| | 5 | KRW | 25,092 | Litigation for confirmation of deposit bond and others |
| | 4 | USD | 22,966 | Lawsuit on claim for damages and others |
| | 1 | PKR | 124,775 | Lawsuit on claim for damages |
| POSCO ENGINEERING & CONSTRUCTION CO., LTD. | 105 | KRW | 470,021 | Lawsuit on claim for damages and others(*1) |
| POSCO ICT | 2 | BRL | 7,965 | Lawsuit on claim for damage(*1) |
| | 7 | KRW | 4,938 | Lawsuit on claim for damages and others(*1) |
| POSCO A&C | 8 | KRW | 8,668 | Lawsuit on claim for payment on construction and others(*1) |
| POSCO ENERGY CO., LTD. | 4 | KRW | 11,940 | Lawsuit on claim for damages and others |
| | 2 | USD | 400,000 | Lawsuit on claim for damages |
| POSCO E&C CHINA CO., LTD. | 4 | CNY | 43,163 | Lawsuit over contract dispute and others(*1) |
| POSCO O&M Co., Ltd. | 2 | KRW | 1,080 | Lawsuit on claim for damages |
| POSCO ENGINEERING (THAILAND) CO., LTD. | 2 | THB | 187,648 | Lawsuit on claim for payment on construction and others |
| | 1 | USD | 221 | Lawsuit on claim for payment on construction |
| eNtoB Corporation | 2 | KRW | 31 | Lawsuit on claim for damages |
| POSCO E&C Vietnam Co., Ltd. | 1 | USD | 211 | Lawsuit on claim for payment on construction |
| | 1 | VND | 90,158,406 | Lawsuit on claim for payment on construction |
| Pos-Sea Pte Ltd | 2 | USD | 15,900 | Lawsuit over contract dispute |
| POSCO TNPC Otomotiv Celik San. Ve Tic. A.S | 6 | TRY | 307 | Lawsuit over industrial accidents and others(*1) |
| POSCO India Steel Distribution Center Private Ltd. | 1 | INR | 223,795 | Lawsuit on claim for tax restitution |
| Brazil Sao Paulo Steel Processing Center | 4 | BRL | 3,844 | Lawsuit on claim for labor and others |
| POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA | 85 | BRL | 147,667 | Lawsuit on claim for payment on construction and others(*1) |
| POSCO ASSAN TST STEEL INDUSTRY | 1 | USD | 325 | Lawsuit on compensation(*1) |
| POSCO TMC INDIA PRIVATE LIMITED | 2 | INR | - | Lawsuit on claim for employee laid-off |
| POSCO America Corporation | 1 | USD | - | Lawsuit on claim for labor |
| POSCO Center Beijing | 1 | CNY | 741 | Lawsuit on claim for Deposit Return |
| POSCO INDIA PROCESSING | 1 | INR | 54,420 | Lawsuit on claim for damages |
| POSCO-India Pune Processing | 1 | INR | 2,197,800 | Lawsuit over contract dispute |
| POSCO CHEMICAL CO., LTD | 1 | KRW | 15,383 | Calculation of stock purchase value |
| POSCO M-TECH | 2 | KRW | 101 | Lawsuit on claim for damages |
| POSCO Engineering and Construction India Private Limited | 2 | INR | 522,800 | Lawsuit on claim for payment |
| POSCO INTERNATIONAL AMERICA Corp. | 2 | USD | 12,106 | Lawsuit on claim for damages |
| HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd. | 1 | KRW | 3,305 | Lawsuit on claim for payment |
| POSCO Thainox Public Company Limited | 1 | KRW | 3,506 | Lawsuit on invalidation of a check |
| POSCO SPS CORPORATION | 1 | KRW | 3,229 | Lawsuit on claim for damages |

(*1) The Company made a reliable estimate in 85 lawsuits by considering the possibility and amount of expected outflow of resources and recognized ₩59,211 million as provision for legal contingencies and claims.

For all the other lawsuits and claims, management does not believe the Company has any present obligations and therefore, the Company has not recognized any provisions as of December 31, 2020 for the matters.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(e) Other contingent circumstances

Other major contingencies for the Company as of December 31, 2020 are as follows:

| Company | Description |
|--|--|
| POSCO | POSCO has provided 3 blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings. |
| POSCO INTERNATIONAL Corporation | As of December 31, 2020, POSCO INTERNATIONAL Corporation has provided 30 blank promissory notes and 17 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 December 31, 2020, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 32 blank checks and 4 blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩6,066,568 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others. |
| POSCO ICT | As of December 31, 2020, POSCO ICT has provided 6 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others. |

39. Statements of Cash Flows

(a) Changes in operating assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

| <i>(in millions of Won)</i> | <u>2020</u> | <u>2019</u> |
|-------------------------------------|--------------------|-----------------|
| Trade accounts and notes receivable | ₩ 816,797 | 430,206 |
| Other receivables | 210,630 | (163,234) |
| Inventories | 1,717,885 | 793,883 |
| Other current assets | 51,750 | 42,337 |
| Other non-current assets | (92,068) | (30,010) |
| Trade accounts and notes payable | 594,414 | (732,741) |
| Other payables | (78,997) | 2,762 |
| Other current liabilities | (27,932) | 94,121 |
| Provisions | (82,146) | (78,183) |
| Payments of severance benefits | (225,293) | (152,275) |
| Plan assets | (94,121) | (217,953) |
| Other non-current liabilities | 12,667 | (29,702) |
| | <u>₩ 2,803,586</u> | <u>(40,789)</u> |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(b) Changes in liabilities arising from financial activities for the year ended December 31, 2020 and 2019 were as follows:

1) December 31, 2020

(in millions of Won)

| | Liabilities | | | | Derivatives that hedge borrowings |
|--|-----------------------|----------------------|------------------|---------------------------|-----------------------------------|
| | Short-term borrowings | Long-term borrowings | Dividend payable | Finance lease liabilities | |
| Beginning | ₩ 5,486,333 | 14,955,280 | 3,105 | 675,470 | 15,524 |
| Changes from financing cash flows | 35,525 | 766,330 | (675,684) | (217,312) | 4,096 |
| Changes arising from obtaining or losing control of subsidiaries or other business | - | - | - | - | - |
| The effect of changes in foreign exchange rates | (327,463) | (432,082) | - | (29,728) | - |
| Changes in fair values | - | - | - | - | 159,368 |
| Other changes: | | | | | |
| Decrease in retained earnings | - | - | 607,411 | - | - |
| Decrease in non-controlling interest | - | - | 67,871 | - | - |
| Interest expenses | - | 13,684 | - | 10 | - |
| Increase in lease assets | - | - | - | 311,235 | - |
| Ending | ₩ 5,194,395 | 15,303,212 | 2,703 | 739,675 | 178,988 |

2) December 31, 2019

(in millions of Won)

| | Liabilities | | | | Derivatives that hedge borrowings |
|--|-----------------------|----------------------|------------------|---------------------------|-----------------------------------|
| | Short-term borrowings | Long-term borrowings | Dividend payable | Finance lease liabilities | |
| Beginning | ₩ 7,487,780 | 12,721,490 | 8,673 | 94,754 | 83,523 |
| Changes from financing cash flows | (2,194,727) | 1,900,132 | (962,712) | (167,427) | 7,657 |
| Changes arising from obtaining or losing control of subsidiaries or other business | (45,589) | (88,966) | 324 | - | - |
| The effect of changes in foreign exchange rates | 238,869 | 415,028 | (649) | (1,867) | - |
| Changes in fair values | - | - | - | - | (75,656) |
| Other changes: | | | | | |
| Decrease in retained earnings | - | - | 889,900 | - | - |
| Decrease in non-controlling interest | - | - | 67,569 | - | - |
| Interest expenses | - | 7,596 | - | - | - |
| Initial application of K-IFRS No. 1116 | - | - | - | 677,370 | - |
| Increase in lease assets | - | - | - | 72,640 | - |
| Ending | ₩ 5,486,333 | 14,955,280 | 3,105 | 675,470 | 15,524 |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

40. Operating Segments and Geographic Information

- (a) 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, 2020.
- (b) The segment profit or loss does not reflect the consolidation adjustments allocated to each entity and is determined in the same way as the consolidated net income determined by K-IFRS. Segment assets and liabilities are determined based on separate financial statements. There are various transactions of transactions between reporting segments, including disposal of property, plant and equipment and provision of construction services.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(c) Information about reportable segments as of and for the years ended December 31, 2020 and 2019 were as follows:

1) As of and for the year ended December 31, 2020

| <i>(in millions of Won)</i> | | Steel | Trading | Construction | Others | Total |
|---|---|--------------|----------------|---------------------|---------------|--------------|
| External revenues | ₩ | 28,892,877 | 19,345,222 | 6,576,170 | 2,978,527 | 57,792,796 |
| Internal revenues | | 15,365,443 | 12,946,803 | 1,033,821 | 2,609,941 | 31,956,008 |
| Including inter segment revenue | | 10,545,577 | 6,413,835 | 965,409 | 2,442,961 | 20,367,782 |
| Total revenues | | 44,258,320 | 32,292,025 | 7,609,991 | 5,588,468 | 89,748,804 |
| Interest income | | 233,833 | 44,528 | 103,974 | 22,607 | 404,942 |
| Interest expenses | | (467,767) | (127,800) | (60,768) | (69,152) | (725,487) |
| Depreciation and amortization | | (3,040,316) | (313,134) | (71,144) | (236,763) | (3,661,357) |
| Impairment loss on property, plant and equipment and others | | (37,623) | (8,226) | (32,184) | (224) | (78,257) |
| Share of loss of equity-accounted investees, net | | (409,889) | (116,074) | (65,409) | (17,631) | (609,003) |
| Income tax expense | | (77,682) | (92,589) | (57,178) | (72,929) | (300,378) |
| Segment profit | | 711,883 | 157,152 | 150,021 | 293,513 | 1,312,569 |
| Segment total assets | | 71,105,618 | 13,152,462 | 7,658,130 | 9,356,528 | 101,272,738 |
| Investment in subsidiaries, associates and joint ventures | | 15,425,607 | 1,958,333 | 603,752 | 907,645 | 18,895,337 |
| Acquisition of non-current assets | | 2,819,217 | 180,005 | 36,385 | 451,158 | 3,486,765 |
| Segment total liabilities | | 20,976,864 | 8,804,555 | 4,260,003 | 4,896,040 | 38,937,462 |

2) As of and for the year ended December 31, 2019

| <i>(in millions of Won)</i> | | Steel | Trading | Construction | Others | Total |
|---|---|--------------|----------------|---------------------|---------------|--------------|
| External revenues | ₩ | 32,078,453 | 22,157,131 | 6,944,629 | 3,186,635 | 64,366,848 |
| Internal revenues | | 17,729,990 | 15,467,687 | 743,376 | 2,796,306 | 36,737,359 |
| Including inter segment revenue | | 12,184,743 | 8,130,503 | 686,881 | 2,638,449 | 23,640,576 |
| Total revenues | | 49,808,443 | 37,624,818 | 7,688,005 | 5,982,941 | 101,104,207 |
| Interest income | | 211,715 | 41,739 | 118,102 | 28,036 | 399,592 |
| Interest expenses | | (529,743) | (183,129) | (77,005) | (81,778) | (871,655) |
| Depreciation and amortization | | (2,892,901) | (276,817) | (29,266) | (226,693) | (3,425,677) |
| Impairment loss on property, plant and equipment and others | | (497,583) | (131,914) | (1,490) | (3,758) | (634,745) |
| Share of loss of equity-accounted investees, net | | (865,769) | (76,038) | (85,628) | - | (1,027,435) |
| Income tax expense | | (725,448) | (119,044) | (86,106) | (105,171) | (1,035,769) |
| Segment profit | | 585,948 | 165,348 | 27,789 | 544,961 | 1,324,046 |
| Segment total assets | | 71,153,809 | 14,482,538 | 7,653,637 | 9,212,225 | 102,502,209 |
| Investment in subsidiaries, associates and joint ventures | | 15,650,654 | 1,409,764 | 527,418 | 1,062,215 | 18,650,051 |
| Acquisition of non-current assets | | 2,275,103 | 192,805 | 30,563 | 404,963 | 2,903,434 |
| Segment total liabilities | | 21,101,474 | 10,184,521 | 4,584,423 | 4,454,502 | 40,324,920 |

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As of December 31, 2020 and 2019

(d) Reconciliations of total segment revenues, profit or loss, assets and liabilities, and other significant items to their respective consolidated financial statement line items are as follows:

1) Revenues

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|---------------------------------------|---|---------------------|---------------------|
| Total revenue for reportable segments | ₩ | 89,748,804 | 101,104,207 |
| Elimination of inter-segment revenue | | <u>(31,956,008)</u> | <u>(36,737,359)</u> |
| | ₩ | <u>57,792,796</u> | <u>64,366,848</u> |

2) Profit

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|---------------------------------------|---|------------------|------------------|
| Total profit for reportable segments | ₩ | 1,312,569 | 1,324,046 |
| Goodwill and corporate FV adjustments | | (74,685) | (80,218) |
| Elimination of inter-segment profit | | 550,268 | 738,809 |
| Income tax expense | | 236,934 | 1,070,641 |
| Profit before income tax expense | ₩ | <u>2,025,086</u> | <u>3,053,278</u> |

3) Assets

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|--|---|---------------------|---------------------|
| Total assets for reportable segments | ₩ | 101,272,738 | 102,502,209 |
| Investment in subsidiaries, associates and joint ventures | | (14,697,612) | (14,400,831) |
| Goodwill and corporate FV adjustments | | 2,518,590 | 2,622,409 |
| Elimination of inter-segment assets | | <u>(10,006,743)</u> | <u>(11,665,126)</u> |
| | ₩ | <u>79,086,973</u> | <u>79,058,661</u> |

4) Liabilities

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|---|---|--------------------|--------------------|
| Total liabilities for reportable segments | ₩ | 38,937,462 | 40,324,920 |
| Goodwill and corporate FV adjustments | | 263,490 | 292,124 |
| Elimination of inter-segment liabilities | | <u>(7,788,571)</u> | <u>(9,353,090)</u> |
| | ₩ | <u>31,412,381</u> | <u>31,263,954</u> |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

5) Other significant items

a) December 31, 2020

(in millions of Won)

| | <u>Total segment</u> | <u>Goodwill and corporate FV adjustments</u> | <u>Elimination of inter-segment transactions</u> | <u>Consolidated</u> |
|--|----------------------|--|--|---------------------|
| Interest income | ₩ 404,942 | - | (32,768) | 372,174 |
| Interest expenses | (725,487) | 806 | 85,884 | (638,797) |
| Depreciation and amortization | (3,661,357) | (102,385) | 142,002 | (3,621,740) |
| Share of profit of equity-accounted investees, net | (609,003) | - | 742,300 | 133,297 |
| Income tax expense | (300,378) | 27,655 | 35,789 | (236,934) |
| Impairment loss on property, plant and equipment and others | (78,257) | (761) | (150,828) | (229,846) |

b) December 31, 2019

(in millions of Won)

| | <u>Total segment</u> | <u>Goodwill and corporate FV adjustments</u> | <u>Elimination of inter-segment transactions</u> | <u>Consolidated</u> |
|--|----------------------|--|--|---------------------|
| Interest income | ₩ 399,592 | - | (47,208) | 352,384 |
| Interest expenses | (871,655) | 806 | 115,138 | (755,711) |
| Depreciation and amortization | (3,425,677) | (109,941) | 74,503 | (3,461,115) |
| Share of profit of equity-accounted investees, net | (1,027,435) | - | 1,301,176 | 273,741 |
| Income tax expense | (1,035,769) | 28,917 | (63,789) | (1,070,641) |
| Impairment loss on property, plant and equipment and others | (634,745) | - | (70,011) | (704,756) |

(e) Revenue by geographic area for the years ended December 31, 2020 and 2019 was as follows:

(in millions of Won)

| | <u>2020</u> | <u>2019</u> |
|---------------|---------------------|-------------------|
| Domestic | ₩ 36,806,651 | 40,890,972 |
| Japan | 1,788,839 | 2,202,075 |
| China | 7,238,063 | 7,165,271 |
| Indonesia | 1,385,059 | 1,704,493 |
| Asia-other | 6,511,982 | 7,272,100 |
| North America | 1,308,943 | 1,711,859 |
| Europe | 1,649,140 | 1,937,829 |
| Others | 1,104,119 | 1,482,249 |
| | <u>₩ 57,792,796</u> | <u>64,366,848</u> |

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2020 and 2019

(f) Non-current assets by geographic area as of December 31, 2020 and 2019 are as follows:

| <i>(in millions of Won)</i> | | 2020 | 2019 |
|-----------------------------|---|-------------------|-------------------|
| Domestic | ₩ | 27,652,233 | 27,742,370 |
| Japan | | 168,269 | 175,719 |
| China | | 1,245,181 | 1,307,847 |
| Indonesia | | 2,386,862 | 2,734,512 |
| Asia-other | | 1,897,618 | 2,182,263 |
| North America | | 275,245 | 221,565 |
| Europe | | 266,368 | 306,351 |
| Others | | 952,578 | 1,042,046 |
| | ₩ | <u>34,844,354</u> | <u>35,712,673</u> |

Non-current assets by geographic area include investment property, property, plant and equipment, goodwill and other intangible assets.

(g) There are no customers whose revenue is 10% or more of the consolidated revenue.

41. Events after the Reporting Period

(a) POSCO CHEMICAL CO., LTD, a subsidiary of the Company, carried out capital increase after the reporting period, and received ₩1,273.5 billion from the increase (including POSCO ₩688.1 billion) on January 21, 2021. The capital increase is part of the company's mid- to long-term strategy to expand the production facilities of anode materials in response to the demand of lithium-ion battery market.

(b) Myanmar's military launched a coup in February 2021, alleging election irregularities in the ruling party, and declared state of emergency for a year with detention of Myanmar's national adviser Aung San Suu Kyi and senior members of the ruling party's National League for Democracy. The Company cannot estimate the impact on the Myanmar Gas Field business of POSCO INTERNATIONAL Corporation caused by the coup.