

POSCO

**Separate 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 separate financial statements of POSCO (the "Company"), which comprise the separate statements of financial position as of December 31, 2020 and 2019, the separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2020 and 2019, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2020 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 4, 2021 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

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 Separate 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 separate 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

The key audit matter communicated below is a matter that, in our professional judgment, was of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2020. This matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of impairment on investments in subsidiaries, associates and joint ventures

As described in notes 3, 11 and 32 to the separate financial statements, the carrying amount of investments in subsidiaries, associates and joint ventures is ₩14,883,152 million as of December 31, 2020. The Company recognized impairment loss on investments in subsidiaries, associates and joint ventures of ₩360,894 million during the year ended December 31, 2020.

The Company identifies whether there is any indication for impairment at the end of each reporting period and performs impairment test over investments in subsidiaries, associates and joint ventures when impairment indicator exists. The Company measures the impairment loss as the difference between the recoverable amount and the carrying amount, if the carrying amount exceeds the recoverable amount. Recoverable amount is the greater of value-in-use and fair value less costs to sell. In estimating the value-in-use, management's judgment is involved in determining the key assumptions such as sales growth rate, discount rate and terminal growth rate each has a significant impact on the estimated value-in-use. Considering significant degree of management's judgements required in estimating value-in-use and likelihood of existence of management bias, we identified assessment of impairment on investments in subsidiaries, associates and joint ventures as a key audit matter.

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

- Assessing the qualification and objectivity of the external institution engaged by the Company to determine the value-in-use of certain investments;
- Testing certain internal controls over the Company's impairment assessment process of investments in subsidiaries, associates and joint ventures;
- Assessing whether the impairment tests have been completely performed on investments of which indication of impairment exists;
- Evaluating the reasonableness of the estimated sales growth rate by comparison with the latest financial budgets approved by the Board of Directors, historical performance and industry reports;
- Engaging our valuation specialists to assist us in evaluating the discount rates used in the valuation by comparing it against discount rates that were independently developed using observable information;
- Performing sensitivity analysis on the discount rates and terminal growth rates applied to assess the impact of changes in these key assumptions on the results of impairment assessments; and,

- Comparing the future cash flows forecasts prepared in prior year with the current year's performance to assess the Company's ability to appropriately forecast.

Other Matter

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

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

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

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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.

- Evaluate the appropriateness of accounting policies used in the preparation of the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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.

Seoul, Korea
March 4, 2021

KPMG Samjong Accounting Corp.

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 separate 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
Separate Statements of Financial Position
As of December 31, 2020 and 2019

(in millions of Won)

	<u>Notes</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets			
Cash and cash equivalents	4,5,22	₩ 1,822,660	978,139
Trade accounts and notes receivable, net	6,22,36	3,693,535	3,987,041
Other receivables, net	7,22,36	279,555	321,352
Other short-term financial assets	8,22	9,607,632	7,858,979
Inventories	9,33	4,093,829	4,988,530
Assets held for sale	10	32,244	53,924
Other current assets	15	50,498	28,101
Total current assets		<u>19,579,953</u>	<u>18,216,066</u>
Long-term trade accounts and notes receivable, net	6,22	2,456	6,014
Other receivables, net	7,22	84,037	56,468
Other long-term financial assets	8,22	1,072,817	1,257,896
Investments in subsidiaries, associates and joint ventures	11,32	14,883,152	15,069,857
Investment property, net	12	149,617	158,077
Property, plant and equipment, net	13,32	20,216,932	20,132,199
Intangible assets, net	14	621,926	708,915
Defined benefit assets, net	20	76,501	-
Other non-current assets	15	107,578	105,274
Total non-current assets		<u>37,215,016</u>	<u>37,494,700</u>
Total assets		<u>₩ 56,794,969</u>	<u>55,710,766</u>

See accompanying notes to the separate financial statements.

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

(in millions of Won)

	<u>Notes</u>		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Liabilities				
Trade accounts and notes payable	22,36	₩	1,258,470	667,551
Short-term borrowings and current installments of long-term borrowings	4,16,22,38		2,408,392	1,146,476
Other payables	17,22,36,38		1,127,323	1,113,003
Other short-term financial liabilities	18,22,38		12,788	10,969
Current income tax liabilities	34		137,858	237,293
Provisions	19		63,604	21,007
Other current liabilities	21		<u>80,676</u>	<u>135,147</u>
Total current liabilities			<u>5,089,111</u>	<u>3,331,446</u>
Long-term borrowings, excluding current installments	4,16,22,38		5,346,944	5,191,537
Other payables	17,22,38		220,612	222,802
Other long-term financial liabilities	18,22,38		122,154	46,925
Defined benefit liabilities, net	20		-	54,146
Deferred tax liabilities	34		848,317	1,190,553
Long-term provisions	19		52,602	53,942
Other non-current liabilities	21		<u>525</u>	<u>5,230</u>
Total non-current liabilities			<u>6,591,154</u>	<u>6,765,135</u>
Total liabilities			<u>11,680,265</u>	<u>10,096,581</u>
Equity				
Share capital	23		482,403	482,403
Capital surplus	23		1,339,289	1,252,220
Hybrid bonds	24		199,384	199,384
Reserves	25		(296,626)	(183,930)
Treasury shares	26		(2,391,523)	(1,508,303)
Retained earnings	27		<u>45,781,777</u>	<u>45,372,411</u>
Total equity			<u>45,114,704</u>	<u>45,614,185</u>
Total liabilities and equity		₩	<u>56,794,969</u>	<u>55,710,766</u>

See accompanying notes to the separate financial statements.

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

(in millions of Won, except per share information)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Revenue	28,36	₩ 26,509,920	30,373,511
Cost of sales	9,20,30,33,36	(24,323,352)	(26,700,874)
Gross profit		2,186,568	3,672,637
Selling and administrative expenses			
Reversal of (impairment loss) on trade accounts and notes receivable	22,33	(4,372)	4,535
Other administrative expenses	20,29,30,33	(807,626)	(851,140)
Selling expenses	29,33	(239,373)	(239,673)
Operating profit		<u>1,135,197</u>	<u>2,586,359</u>
Finance income and costs			
Finance income	22,31	1,230,684	868,682
Finance costs	22,31	(820,201)	(508,242)
Other non-operating income and expenses			
Reversal of (impairment loss) on other receivables	22,33	487	(286)
Other non-operating income	32	146,548	238,210
Other non-operating expenses	32,33	(674,835)	(1,353,474)
Profit before income tax		1,017,880	1,831,249
Income tax expense	34	(52,017)	(655,537)
Profit		965,863	1,175,712
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	20	53,816	(80,554)
Net changes in fair value of equity investments at fair value through other comprehensive income	8,22,25	(115,599)	14,955
Total comprehensive income		₩ <u>904,080</u>	<u>1,110,113</u>
Basic and diluted earnings per share (in Won)	35	₩ <u>12,123</u>	<u>14,592</u>

See accompanying notes to the separate financial statements.

POSCO

Separate Statements of Changes in Equity For the years ended December 31, 2020 and 2019

(in millions of Won)

	<u>Share capital</u>	<u>Capital surplus</u>	<u>Hybrid bonds</u>	<u>Reserves</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of January 1, 2019	₩ 482,403	1,154,775	199,384	(207,191)	(1,532,728)	45,175,459	45,272,102
Comprehensive income:							
Profit	-	-	-	-	-	1,175,712	1,175,712
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(80,555)	(80,555)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	23,261	-	(8,306)	14,955
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(400,006)	(400,006)
Interim dividends	-	-	-	-	-	(480,694)	(480,694)
Interest of hybrid bonds	-	-	-	-	-	(9,200)	(9,200)
Disposal of treasury shares	-	12,576	-	-	24,425	-	37,001
Business combination	-	84,869	-	-	-	-	84,869
Balance as of December 31, 2019	₩ <u>482,403</u>	<u>1,252,220</u>	<u>199,384</u>	<u>(183,930)</u>	<u>(1,508,303)</u>	<u>45,372,411</u>	<u>45,614,185</u>
Balance as of January 1, 2020	₩ 482,403	1,252,220	199,384	(183,930)	(1,508,303)	45,372,411	45,614,185
Comprehensive income:							
Profit	-	-	-	-	-	965,863	965,863
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	53,816	53,816
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(112,696)	-	(2,903)	(115,599)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(320,462)	(320,462)
Interim dividends	-	-	-	-	-	(277,723)	(277,723)
Interest of hybrid bonds	-	-	-	-	-	(9,225)	(9,225)
Aquisition of treasury shares	-	-	-	-	(883,220)	-	(883,220)
Others(Note 34)	-	87,069	-	-	-	-	87,069
Balance as of December 31, 2020	₩ <u>482,403</u>	<u>1,339,289</u>	<u>199,384</u>	<u>(296,626)</u>	<u>(2,391,523)</u>	<u>45,781,777</u>	<u>45,114,704</u>

See accompanying notes to the separate financial statements.

POSCO
Separate Statements of Cash Flows
For the years ended December 31, 2020 and 2019

(in millions of Won)

	Notes	2020	2019
Cash flows from operating activities			
Profit	₩	965,863	1,175,712
Adjustments for :			
Expenses related to post-employment benefit		126,191	119,177
Depreciation		2,273,633	2,160,124
Amortization		106,926	77,190
Impairment loss (reversal of) on trade and other receivables		3,885	(4,248)
Finance income		(779,150)	(598,303)
Finance costs		457,851	284,334
Loss on valuation of inventories		4,735	7,677
Gain on disposal of property, plant and equipment		(12,340)	(25,583)
Loss on disposal of property, plant and equipment		181,454	114,874
Impairment losses on property, plant and equipment		27,846	222,036
Gain on disposal of intangible assets		(197)	(1,013)
Gain on disposal of investments in subsidiaries, associates and joint ventures		(24,334)	(5,300)
Impairment losses on investments in subsidiaries, associates and joint ventures		360,894	865,769
Gain on disposal of assets held for sale		(22,734)	(30,262)
Loss on disposal of assets held for sale		5,383	-
Impairment loss on assets held for sale		9,093	8,021
Gain on disposal of emission rights		(24,566)	(6,122)
Gain on valuation of emission rights		-	(25,440)
Increase to provisions		73,037	(10,398)
Income tax expense		52,017	655,536
Others		9,733	5,624
Changes in operating assets and liabilities	38	1,550,039	(438,041)
Interest received		197,306	147,683
Interest paid		(230,537)	(160,950)
Dividends received		232,492	284,648
Income taxes paid		(386,850)	(1,221,790)
Net cash provided by operating activities	₩	<u>5,157,670</u>	<u>3,600,955</u>

See accompanying notes to the separate financial statements.

POSCO
Separate 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			
Decrease in deposits	₩	3,336,891	2,747,009
Proceeds from disposal of short-term financial instruments		36,302,634	32,210,156
Collection of short-term loans		2,709	62
Proceeds from disposal of current portion of debt security		360,109	54
Proceeds from disposal of equity securities		7,937	24,890
Proceeds from disposal of other securities		8,183	4,522
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		24,247	14,278
Proceeds from disposal of intangible assets		1,047	5,587
Proceeds from disposal of assets held for sale		225,292	523,128
Proceeds from disposal of emission rights		66,143	12,693
Proceeds from business combination		-	2,171
Increase in deposits		(3,380,247)	(2,792,821)
Acquisition of short-term financial instruments		(38,160,724)	(32,670,040)
Increase in long-term loans		(21,923)	(5,697)
Acquisition of debt securities		(220,110)	(290,102)
Acquisition of equity securities		-	(11,144)
Acquisition of other securities		(20,795)	(1,710)
Acquisition of investment in subsidiaries, associates and joint ventures		(236,226)	(491,175)
Acquisition of property, plant and equipment		(2,450,816)	(1,903,966)
Proceeds from disposal of property, plant and equipment		(102,354)	(41,003)
Acquisition of intangible assets		(101,427)	(132,661)
Payment for acquisition of business, net of cash acquired		-	(1,156,953)
Net cash used in investing activities	₩	<u>(4,359,430)</u>	<u>(3,952,722)</u>
Cash flows from financing activities			
Proceeds from borrowings		3,566,518	2,950,068
Increase in long-term financial liabilities		537	3,287
Proceeds from disposals of derivatives		5,873	9,682
Receipt of government grants		954	3,273
Repayment of borrowings		(1,941,838)	(959,404)
Repayment of lease liabilities		(63,684)	(39,194)
Decrease in long-term financial liabilities		(974)	(1,587)
Payment of cash dividends		(598,627)	(881,169)
Acquisition of treasury shares		(883,220)	-
Payment of interest of hybrid bonds		(9,225)	(9,200)
Net cash provided by financing activities	38 ₩	<u>76,314</u>	<u>1,075,756</u>
Effect of exchange rate fluctuation on cash held		(30,033)	(5,069)
Net increase in cash and cash equivalents		844,521	718,920
Cash and cash equivalents at beginning of the period	5	<u>978,139</u>	<u>259,219</u>
Cash and cash equivalents at end of the period	5 ₩	<u><u>1,822,660</u></u>	<u><u>978,139</u></u>

See accompanying notes to the separate financial statements.

POSCO

Notes to the Separate Financial Statements

As of December 31, 2020 and 2019

1. Reporting Entity

POSCO (the "Company") is the largest steel producer in Korea which 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 the Company have been listed on the Korea Exchange since June 10, 1988. The Company 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, major shareholders are as follows:

<u>Shareholder's name</u>	<u>Number of shares</u>	<u>Ownership (%)</u>
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>100.00</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 W5,000 per share.

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

(*3) The number of shares held by the shareholder in accordance with the status report of large-scale share and others on June 1, 2020.

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

2. Statement of Compliance

Statement of compliance

The separate 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.

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

The separate 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.

POSCO

Notes to the Separate Financial Statements, Continued

As of December 31, 2020 and 2019

Basis of measurement

The separate 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

These separate financial statements are presented in Korean Won, which is the Company's functional currency which is the currency of the primary economic environment in which the Company operates.

Use of estimates and judgments

The preparation of the separate 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.

(a) Judgments

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

- Note 11 - Investments in subsidiaries, associates and joint ventures
- Note 24 - Hybrid bonds

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

(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 - Inventories
- Note 11 - Investments in subsidiaries, associates and joint ventures
- Note 19 - Provisions
- Note 20 - Employee benefits
- Note 22 - Financial Instruments
- Note 34 - Income taxes
- Note 37 - 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.

- 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.

POSCO

Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

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 22 – 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 financial statements are the same as those applied by the Company in its 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 after 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.

The Company believes that the effect of the amendments to the financial statements is not significant.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

3. Summary of Significant Accounting Policies

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

Investments in subsidiaries, associates and joint ventures

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027 "Separate Financial Statements". The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with K-IFRS No. 1027. Dividends from a subsidiary, associate or joint venture are recognized in profit or loss when the right to receive the dividend is established.

Foreign currency transactions and translation

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 is 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.

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.

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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.

(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.

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(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 losses are 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.

(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.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(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 separate 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.

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

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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.

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.

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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:

- (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.

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 period are as follows:

Buildings	5-40 years
Structures	5-40 years
Machinery and equipment	15 years
Vehicles	4 years
Tools	4 years
Furniture and fixtures	4 years
Lease assets	4-20 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.

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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.

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 an having an indefinite useful life and not amortized.

Intellectual property rights	5-7 years
Development expense	4 years
Port facilities usage rights	4-75 years
Other intangible assets	4 years

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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.

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 separate 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 classified these leases as operating leases.

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

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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 effect. 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.

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.

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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.

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. 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.

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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 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.

Any impairment identified at the CGU level is used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. 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.

Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives that is not designated as a hedging instrument are measured at fair value, and changes therein are recognized 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 separate 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.

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(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 expire. 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.

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 12 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. The present value is determined by discounting the expected future cash flows using the interest rate of 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. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

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(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.

(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 total of cumulative unrecognized past service cost and present value of 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.

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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.

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.

Provision for restoration related to contaminated area is recognized when the area meets the Company's policy and legal standards of contamination.

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.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(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.

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 obligation 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 as of 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.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(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.

(a) Steel products

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. Only when the price discount period has passed, only the amount of the cumulative revenue that has already been recognized, income recognized including income.

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.

(b) Transportation services

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

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

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;
- 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 tax

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 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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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(a) Current tax

Current tax is the expected 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 tax

The measurement of deferred 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 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 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 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.

The carrying amount of a deferred 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 tax asset to be utilized.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

Deferred 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 tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

Earnings per share

Management calculates basic earnings per share ("EPS") data for the Company'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 the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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 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 and early application is permitted. The Company does not expect the effect of the amendments to the financial statements to be significant.

(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 financial statements to be significant.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

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

The amendment prohibits 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 financial statements to be significant.

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

The amendment clarifies 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 financial statements to be significant.

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 separate 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.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

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.

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.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

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 is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, Korean Won. 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. The Company reduces the foreign currency exposure by repayment of foreign currency borrowings subjected to investment in overseas when its maturities come.

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.

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

(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	₩	7,755,336	6,338,012
Less: Cash and cash equivalents		1,822,660	978,139
Net borrowings		5,932,676	5,359,873
Total equity	₩	45,114,704	45,614,185
Net borrowings-to-equity ratio		13.15%	11.75%

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
Demand deposits and checking accounts	₩	298,876	123,971
Time deposits		900,700	443,618
Other cash equivalents		623,084	410,550
	₩	1,822,660	978,139

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

6. Trade Accounts and Notes Receivable

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	₩ 3,707,860	3,999,991
Less: Allowance for doubtful accounts	(14,325)	(12,950)
	₩ 3,693,535	3,987,041
Non-current		
Trade accounts and notes receivable	₩ 3,780	9,530
Less: Present value discount	(344)	(2,501)
Less: Allowance for doubtful accounts	(980)	(1,015)
	₩ 2,456	6,014

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 2019, the carrying amounts of such secured borrowings are ₩520,310 million and ₩167,021 million, respectively, which are presented in the statements of financial position as the short-term borrowings.

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

7. Other Receivables

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

<i>(in millions of Won)</i>	2020	2019
Current		
Loans	₩ 2,950	2,950
Other accounts receivable	231,051	279,093
Others	50,822	47,257
Less: Allowance for doubtful accounts	(5,268)	(7,948)
	<u>₩ 279,555</u>	<u>321,352</u>
Non-current		
Loans	₩ 52,760	34,224
Long-term other accounts receivable	35,638	27,570
Others	4,001	3,555
Less: Allowance for doubtful accounts	(8,362)	(8,881)
	<u>₩ 84,037</u>	<u>56,468</u>

8. Other Financial Assets

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

<i>(in millions of Won)</i>	2020	2019
Current		
Short-term derivative assets	₩ -	15,603
Debt securities	153,370	290,559
Deposit instrument(*1)	1,337,881	1,294,525
Short-term financial instruments	8,116,381	6,258,292
	<u>₩ 9,607,632</u>	<u>7,858,979</u>
Non-current		
Long-term derivative assets	₩ 18,549	64,072
Equity securities	980,706	1,128,641
Debt securities	6,367	9,177
Other securities	67,161	55,972
Deposit instrument(*2)	34	34
	<u>₩ 1,072,817</u>	<u>1,257,896</u>

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

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

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

(b) Equity securities and available-for-sale securities (equity instruments) as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

	2020				2019		
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value	Book value
Marketable equity securities							
Nippon Steel Corporation	15,698,500	1.65	₩ 473,962	219,788	(254,174)	219,788	276,133
KB Financial group Inc.	3,863,520	0.93	178,839	167,677	(11,162)	167,677	184,097
Woori Financial Group Inc.	20,280,000	2.81	244,447	197,324	(47,123)	197,324	235,248
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	8,931	15,020	6,089	15,020	17,214
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82	11,911	8,868	(3,043)	8,868	6,778
DONGKUK STEEL MILL CO., LTD			-	-	-	-	8,571
Others (7 companies)			55,759	35,939	(19,820)	35,939	34,157
			973,849	644,616	(329,233)	644,616	762,198
Non-marketable equity securities							
CSN Mineracao S.A. (*1)	3,658,394	2.02	221,535	246,158	24,623	246,158	292,453
POSCO PLANTEC Co., Ltd.(*2)	18,337,912	10.99	19,437	19,437	-	19,437	-
Korea Nickel CO.LTD	75,600	14.00	10,194	10,194	-	10,194	10,194
Poongsan Special Metal Corp.	315,790	5.00	7,657	7,657	-	7,657	7,657
HANKUM.CO.LTD	21,000	4.99	4,599	4,599	-	4,599	4,599
Core-Industry Co., Ltd.	490,000	19.84	4,214	4,214	-	4,214	4,214
AJUSTEEL CO.,LTD	510,000	2.35	4,165	4,165	-	4,165	4,165
Others (29 companies)			144,195	39,666	(104,529)	39,666	43,161
			415,996	336,090	(79,906)	336,090	366,443
			₩ 1,389,845	980,706	(409,139)	980,706	1,128,641

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

(*2) During the year ended December 31, 2020, the investment in POSCO PLANTEC Co., Ltd., an associate of the Company, was reclassified from associates to equity securities as the issuance of common shares by POSCO PLANTEC Co., Ltd. reduced the Company's ownership percentage to less than 20%, resulting in a loss of significant influence over the investee.

9. Inventories

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

(in millions of Won)

	2020	2019
Finished goods	₩ 709,323	868,012
Semi-finished goods	1,167,330	1,474,153
By-products	3,460	10,763
Raw materials	885,222	1,139,517
Fuel and materials	518,151	646,396
Materials-in-transit	814,397	856,706
Others	681	660
	4,098,564	4,996,207
Less: Allowance for inventories valuation	(4,735)	(7,677)
	₩ 4,093,829	4,988,530

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

(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	₩ 7,677	12,169
Loss on valuation of inventories	4,735	7,677
Utilization on sale of inventories	(7,677)	(12,169)
Ending	₩ 4,735	7,677

10. Assets Held for Sale

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

<i>(in millions of Won)</i>	2020	2019
Assets		
Investments in subsidiaries(*1,2)	₩ -	17,603
Property, plant and equipment(*3,4)	32,244	36,321
	₩ 32,244	53,924

(*1) During the year ended December 31, 2020, the Company disposed a part of its interest in POSCO Thainox Public Company limited, a subsidiary of the Company, which was classified as assets held for sale and recognized ₩4,063 million of impairment loss for the difference between the carrying amount and net fair value of the interest. And, in addition, recognized ₩1,068 million of loss on disposal for the difference between the carrying amount and the proceeds from sale.

(*2) During the year ended December 31, 2020, the Company classified its investment in POSCO Family Strategy Fund, a subsidiary of the Company, as assets held for sale and liquidation and distribution of residual assets have been completed. The Company recognized ₩4,305 million of loss on disposal for the difference between the carrying amount and the proceeds of received from the liquidation during the year ended December 31, 2020.

(*3) 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 costs to sell and the carrying amount of the assets.

(*4) During the year ended December 31, 2019, the Company completed the sale of all assets, liabilities and rights other than LNG tanks under construction, which were to be disposed of, related to a LNG terminal business of the Company to POSCO ENERGY CO., LTD. The construction and disposal of LNG tanks were completed during the year ended December 31, 2020 and the Company recognized ₩22,303 million of gain on disposal for the difference between the carrying amount and the sale price.

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Notes to the Separate Financial Statements, Continued
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11. Investments in Subsidiaries, Associates and Joint ventures

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

<i>(in millions of Won)</i>		2020	2019
Investment in subsidiaries	₩	12,082,203	12,243,755
Investment in associates		742,710	742,120
Investment in joint ventures		<u>2,058,239</u>	<u>2,083,982</u>
	₩	<u>14,883,152</u>	<u>15,069,857</u>

There are no significant restrictions on the ability of subsidiaries, associates and joint ventures to transfer funds to the controlling company, such as in the forms of cash dividends and repayment of loans or payment of advances.

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Notes to the Separate Financial Statements, Continued

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(b) Details of subsidiaries and carrying amounts as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

	Country	Principal operations	Number of shares	Ownership (%)	2020			2019
					Net asset value	Acquisition cost	Book value	Book value
[Domestic]								
POSCO INTERNATIONAL Corporation(*1)	Korea	Trading	77,616,018	62.91	₩ 3,021,713	3,610,502	3,223,759	3,383,745
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Korea	Engineering and construction	22,073,568	52.80	2,881,530	1,014,314	1,014,314	1,014,314
POSCO ENERGY CO., LTD.	Korea	Power generation	40,234,508	89.02	1,293,399	658,176	658,176	658,176
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	3,412,000	56.87	224,977	108,421	108,421	108,421
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	19,700,000	95.00	158,241	103,780	103,780	103,780
POSCO CHEMICAL CO., LTD	Korea	Refractory manufacturing and sales	37,360,220	61.26	959,383	296,944	207,631	207,631
POSCO O&M Co., Ltd>(*2)	Korea	Business facility maintenance	902,946	47.17	230,636	73,374	73,374	73,374
POSCO ICT	Korea	Computer hardware and software distribution	99,403,282	65.38	389,653	70,990	70,990	70,990
POSCO M-TECH(*2)	Korea	Packing materials manufacturing and sales	20,342,460	48.85	96,401	107,278	107,278	107,278
POSCO Family Strategy Fund(*3)	Korea	Investment in venture companies	-	-	-	-	-	29,596
Busan E&E Co., Ltd.(*4)	Korea	Municipal solid waste fuel and power generation	6,029,660	70.00	51,216	30,148	30,148	30,148
Others (12 companies)	Korea				399,364	173,475	117,995	117,995
					<u>9,686,513</u>	<u>6,247,402</u>	<u>5,708,866</u>	<u>5,904,846</u>
[Foreign]								
PT. KRAKATAU POSCO(*5)	Indonesia	Steel manufacturing and sales	739,900	70.00	(247,284)	813,431	633,421	707,509
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	630,301,055	100.00	442,051	645,830	645,830	640,720
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	361,789,958	100.00	345,336	722,569	722,569	722,569
POSCO Canada Ltd.	Canada	Coal mine development	1,099,885	100.00	617,744	560,879	560,879	560,879
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	761,775	100.00	583,929	330,623	330,623	330,623
POSCO (Zhangjiagang) Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	2,285,407,454	58.60	545,277	283,845	283,845	283,845
POSCO Thainox Public Company Limited(*6)	Thailand	Stainless steel manufacturing and sales	5,812,634,019	74.56	322,761	443,758	178,785	212,339
POSCO-China Holding Corp.	China	Investment management	-	100.00	484,239	593,841	593,841	593,841
POSCO-India Private Limited	India	Steel manufacturing and sales	764,999,999	99.99	80,074	184,815	75,567	75,567
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	2,686,745,272	83.28	201,608	180,072	180,072	180,072
POSCO America Corporation	USA	Steel trading	437,941	99.45	82,712	192,156	192,156	192,156
POSCO-VIETNAM CO., Ltd.	Vietnam	Steel manufacturing and sales	-	100.00	6,808	160,572	160,572	160,572
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	-	95.65	36,195	144,573	144,573	144,573
POSCO(Guangdong) Automotive Steel Co., Ltd.	China	Plate steel manufacturing and sales	-	83.64	73,825	130,751	52,936	52,936
POSCO COATED STEEL (THAILAND) CO., LTD	Thailand	Plate steel manufacturing and sales	36,000,000	100.00	80,565	121,592	121,592	121,592
POSCO Asia Co., Ltd.	Hong Kong	Steel and raw material trading	9,360,000	100.00	199,415	117,710	117,710	117,710
POSCO ASSAN TST STEEL INDUSTRY(*7)	Turkey	Steel manufacturing and sales	144,579,160	60.00	(61,134)	92,800	71,707	92,800
POSCO JAPAN Co., Ltd.	Japan	Steel trading	90,438	100.00	175,048	68,436	68,436	68,436
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	-	70.00	109,473	65,982	65,982	65,982
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	-	90.00	145,760	62,494	62,494	62,494
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	1,390	100.00	32,031	50,297	50,297	50,297
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	144,772,000	81.79	(13,505)	45,479	45,479	45,479
POSCO Argentina S.A.U.	Argentina	Mineral exploration, manufacturing and sales	1,665,000	100.00	348,711	373,366	373,366	370,250
POSCO YAMATO VINA STEEL JOINT STOCK COMPANY (Formerly, POSCO SS VINA JOINT STOCK COMPANY)(*8)	Vietnam	Steel manufacturing and sales	425,606,598	51.00	215,712	453,147	130,526	-
Others (28 companies)					<u>777,966</u>	<u>510,483</u>	<u>510,079</u>	<u>485,668</u>
					<u>5,585,337</u>	<u>7,349,501</u>	<u>6,373,337</u>	<u>6,338,909</u>
					<u>₩ 15,271,850</u>	<u>13,596,903</u>	<u>12,082,203</u>	<u>12,243,765</u>

(*1) As of December 31, 2020, the Company performed the impairment test on investment in POSCO INTERNATIONAL Corporation due to evidences of impairment such as continuous decline in fair value. The recoverable amount was determined based on its value in use, which is estimated from the present value of estimated future cash flows discounted at 6.92%. As a result of the impairment test, the Company has recognized ₩159,985 million of impairment loss.

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

(*3) During the year ended December 31, 2020, the Company classified its investment in POSCO Family Strategy Fund, a subsidiary of the Company, as assets held for sale and liquidation and distribution of residual assets have been completed.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

- (*4) As of December 31, 2020 and December 31, 2019, the investments in a subsidiary amounting to ₩30,148 million were provided as collateral in relation to the loan agreement of Busan E&E Co., Ltd.
- (*5) As of December 31, 2020, the Company performed the impairment test on investment in PT. KRAKATAU POSCO. due to evidences of impairment such as continuous operating losses. Recoverable amount was determined based on its value in use, which is estimated from the present value of estimated future cash flows discounted at 7.76%. As a result of the impairment test, the Company has recognized ₩74,088 million of impairment loss.
- (*6) As of December 31, 2020, the Company performed the impairment test on investment in POSCO Thainox Public Company Limited. due to evidences of impairment such as continuous decline in fair value. Recoverable amount was determined based on its value in use, which is estimated from the present value of estimated future cash flows discounted at 9.15%. As a result of the impairment test, the Company has recognized ₩32,807 million of impairment loss
- (*7) As of December 31, 2020, the Company performed the impairment test on investment in POSCO ASSAN TST STEEL INDUSTRY. due to evidences of impairment such as continuous operating losses. Recoverable amount was determined based on its value in use, which is estimated from the present value of estimated future cash flows discounted at 10.76%. As a result of the impairment test, the Company has recognized ₩21,093 million of impairment loss.
- (*8) During the year ended December 31, 2020, POSCO SS VINA JOINT STOCK COMPANY changed its name to POSCO YAMATO VINA STEEL JOINT STOCK COMPANY. During the year ended December 31, 2020, the Company sold 49% of POSCO YAMATO VINA STEEL JOINT STOCK COMPANY and invested ₩130,526 million in capital increase.

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Notes to the Separate Financial Statements, Continued
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(c) Details of associates and carrying amounts as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

	Country	Principal operations	Number of shares	Ownership (%)	2020			2019
					Net asset value	Acquisition cost	Book value	Book value
[Domestic]								
EQP POSCO Global NO1 Natural Resources Private Equity Fund SNNC	Korea	Mine investment	169,316,307,504	34.43	₩ 472,840	169,316	169,316	169,316
	Korea	STS material manufacturing and sales	18,130,000	49.00	353,597	100,655	100,655	100,655
QSONE Co., Ltd.	Korea	Real estate rental business	200,000	50.00	172,008	85,550	85,550	85,550
Others (8 companies)					136,897	23,804	22,977	22,468
					<u>1,135,342</u>	<u>379,325</u>	<u>378,498</u>	<u>377,989</u>
[Foreign]								
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	3,234,698	49.00	136,255	189,197	189,197	189,197
9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.)(*1)	Canada	Mine investment	114,452,000	10.40	1,197,699	124,341	124,341	124,341
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	-	24.00	50,319	11,003	11,003	11,003
Others (6 companies)					82,000	48,136	39,671	39,590
					<u>1,466,273</u>	<u>372,677</u>	<u>364,212</u>	<u>364,131</u>
					<u>₩ 2,601,615</u>	<u>752,002</u>	<u>742,710</u>	<u>742,120</u>

(*1) As of December 31, 2020, it was classified as an associate even though the Company's ownership percentage is less than 20% since the Company has significant influence over the investee when considering its structure of the Board of Directors and others. During the year ended December 31, 2020, 7623704 Canada Inc. changed its name to 9404-5515 Quebec Inc.

(d) Details of joint ventures and carrying amounts as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

	Country	Principal operations	Number of shares	Ownership (%)	2020			2019
					Net asset value	Acquisition cost	Book value	Book value
Roy Hill Holdings Pty Ltd(*1)	Australia	Mine development	10,494,377	10.00	₩ 7,110,435	1,225,464	1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem(*2)	Brazil	Steel manufacturing and sales	1,483,752,032	20.00	(850,072)	656,884	296,720	322,463
POSCO-NPS Niobium LLC	USA	Mine development	325,050,000	50.00	707,247	364,609	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	2,010,719,185	50.00	108,801	98,962	98,962	98,962
Others (3 companies)					367,744	72,483	72,484	72,484
					<u>₩ 7,444,155</u>	<u>2,418,402</u>	<u>2,068,239</u>	<u>2,083,982</u>

(*1) As of December 31, 2020 and December 31, 2019, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to loans from project financing of Roy Hill Holdings Pty Ltd.

(*2) As of December 31, 2020, the Company performed the impairment test on investment in CSP - Companhia Siderurgica do Pecem due to evidences of impairment such as continuous operating losses. Recoverable amount was determined based on its value in use, which is estimated from the present value of estimated future cash flows discounted at 7.88%. As a result of the impairment test, the Company has recognized ₩71,921 million of impairment loss.

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Notes to the Separate Financial Statements, Continued
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12. Investment Property, Net

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

	2020				2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 91,313	-	(1,465)	89,848	93,203	-	(1,465)	91,738
Buildings	159,429	(107,989)	(23)	51,417	164,234	(106,983)	(23)	57,228
Structures	22,910	(14,558)	-	8,352	23,244	(14,133)	-	9,111
	₩ 273,652	(122,547)	(1,488)	149,617	280,681	(121,116)	(1,488)	158,077

The fair value of investment property as of December 31, 2020 is ₩628,122 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

(in millions of Won)	Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩ 91,738	-	(1,890)	89,848
Buildings	57,228	(4,033)	(1,778)	51,417
Structures	9,111	(609)	(150)	8,352
	₩ 158,077	(4,642)	(3,818)	149,617

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

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

2) For the year ended December 31, 2019

(in millions of Won)	Beginning	Business	Depreciation(*2)	Transfer(*3)	Ending
Land	₩ 44,637	41,195	-	5,906	91,738
Buildings	54,277	25	(4,070)	6,996	57,228
Structures	9,301	-	(620)	430	9,111
	₩ 108,215	41,220	(4,690)	13,332	158,077

(*1) This increases was due to business combination with POSCO Processing&Service.

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

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

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

13. 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	Accumulated impairment	Government grants	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Government grants	Book value
	(in millions of Won)										
Land	₩	1,401,605	-	-	-	1,401,605	1,398,081	-	-	-	1,398,081
Buildings		6,296,762	(4,199,534)	(12,551)	(3,834)	2,080,843	6,143,768	(4,027,360)	(15,905)	-	2,100,503
Structures		4,827,750	(2,745,351)	(9,302)	-	2,073,097	4,653,513	(2,610,927)	(11,733)	-	2,030,853
Machinery and equipment		39,602,537	(26,871,213)	(79,893)	-	12,651,431	38,572,881	(25,861,776)	(108,670)	-	12,602,435
Vehicles		211,444	(196,820)	-	(138)	14,486	206,190	(196,239)	-	-	9,951
Tools		211,212	(186,879)	-	-	24,333	208,791	(181,503)	-	-	27,288
Furniture and fixtures		269,039	(224,488)	(26)	(99)	44,426	260,204	(221,416)	(459)	-	38,329
Lease assets		452,908	(121,320)	-	-	331,588	323,330	(60,962)	-	-	262,368
Construction-in-progress		2,450,961	-	(850,838)	(5,000)	1,595,123	2,527,266	-	(856,551)	(8,324)	1,662,391
	₩	<u>55,724,218</u>	<u>(34,545,605)</u>	<u>(952,610)</u>	<u>(9,071)</u>	<u>20,216,932</u>	<u>54,294,024</u>	<u>(33,160,183)</u>	<u>(993,318)</u>	<u>(8,324)</u>	<u>20,216,932</u>

(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

		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
	(in millions of Won)							
Land	₩	1,398,081	-	(6)	-	-	3,530	1,401,605
Buildings		2,100,503	3,144	(2,397)	(207,818)	(271)	187,682	2,080,843
Structures		2,030,853	4,037	(6,349)	(174,343)	(883)	219,782	2,073,097
Machinery and equipment		12,602,435	48,747	(22,913)	(1,796,038)	(9,422)	1,828,622	12,651,431
Vehicles		9,951	1,497	(8)	(6,571)	-	9,617	14,486
Tools		27,288	4,007	(3)	(12,052)	-	5,093	24,333
Furniture and fixtures		38,329	4,399	(179)	(11,811)	-	13,688	44,426
Lease assets		262,368	21,920	-	(60,358)	-	107,658	331,588
Construction-in-progress		1,662,391	2,406,273	(4,872)	-	(17,270)	(2,451,399)	1,595,123
	₩	<u>20,132,199</u>	<u>2,494,024</u>	<u>(36,727)</u>	<u>(2,268,991)</u>	<u>(27,846)</u>	<u>(75,727)</u>	<u>20,216,932</u>

(*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, assets transferred from investment properties, assets transferred to assets held for sale, and others.

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

2) For the year ended December 31, 2019

<i>(in millions of Won)</i>	Business							
	Beginning	Acquisitions	Combination(*5)	Disposals	Depreciation	Impairment(*1)	Others(*2,*4)	Ending
Land	₩ 1,458,632	-	-	(1,805)	-	-	(58,746)	1,398,081
Buildings	2,199,429	7,157	67,751	(7,706)	(202,171)	(25,869)	61,912	2,100,503
Structures	2,244,099	10,777	39,783	(3,125)	(173,181)	(9,585)	(77,915)	2,030,853
Machinery and equipment	12,911,467	92,136	696,204	(21,616)	(1,717,864)	(176,295)	818,403	12,602,435
Vehicles	7,340	747	40	-	(6,244)	-	8,068	9,951
Tools	23,864	5,348	138	(24)	(11,499)	-	9,461	27,288
Furniture and fixtures	36,287	4,781	94	(9)	(9,805)	(137)	7,118	38,329
Lease assets(*3)	142,801	27,376	-	-	(34,669)	-	126,860	262,368
Construction-in-progress	1,130,415	1,838,490	696	-	-	(10,150)	(1,297,060)	1,662,391
	₩ 20,154,334	1,996,812	804,706	(34,285)	(2,155,433)	(222,036)	(401,899)	20,132,199

(*1) The Company estimated the recoverable amount of individual assets such as CEM and Fe-Si factories that it ceased their use due to the disposal plan and others by calculating net fair value based on the appraisal value or scrap value and recognized an impairment loss since recoverable amounts are less than their carrying amounts for the year ended December 31, 2019.

(*2) During the year ended December 31, 2019, the Company decided to sell the rights related to the operation of LNG Terminal to POSCO ENERGY Co., Ltd and reclassified to assets for sale and liabilities for sale directly related the operation. As of December 31, 2019, the Company recognized ₩28,626 million of gain on disposal was recognized for the difference between the carrying amount and the sale price.

(*3) Right-of-use assets of ₩128,610 million recognized on the date of initial application (January 1, 2019) of the K-IFRS No. 1116 "Lease" are included in other changes.

(*4) It consists of the replacement of the main account of assets under construction, replacement of assets held for sale, and amounts replaced with investment property and intangible assets.

(*5) This has increased due to the business combination between the company and POSCO ENERGY's by-product power generation business.

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

<i>(in millions of Won)</i>		2020	2019
Weighted average expenditure	₩	929,552	562,530
Borrowing costs capitalized		29,566	21,457
Capitalization rate		3.18%	3.81%

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(d) Information on lease agreements for which the Company is a lessee is as follows:

1) Right-of-use assets

- ① Changes in the carrying amount of right-of-use assets presented as property, plant and equipment for the year ended December 31, 2020 were as follows:

<i>(in millions of Won)</i>		Beginning	Acquisitions	Depreciation	Others	Ending
Land	₩	-	8,853	(150)	-	8,703
Buildings		71,921	6,075	(6,565)	-	71,431
Structures		64,434	-	(5,213)	-	59,221
Machinery and equipment		60,198	-	(5,500)	-	54,698
Vehicles		6,755	-	(500)	-	6,255
Ships		24,082	111,537	(29,064)	-	106,555
Furniture and fixtures		34,978	6,992	(13,366)	(3,879)	24,725
	₩	<u>262,368</u>	<u>133,457</u>	<u>(60,358)</u>	<u>(3,879)</u>	<u>331,588</u>

- ② Changes in the carrying amount of right-of-use assets presented as property, plant and equipment for year ended December 31, 2019 were as follows:

<i>(in millions of Won)</i>		The date of initial application (January 1, 2019)	Acquisitions	Depreciation	Others	Ending
Buildings		78,384	-	(6,463)	-	71,921
Structures		53,761	13,502	(2,829)	-	64,434
Machinery and equipment		65,698	-	(5,500)	-	60,198
Vehicles		7,256	-	(501)	-	6,755
Ships		26,499	-	(2,417)	-	24,082
Furniture and fixtures		39,813	13,874	(16,959)	(1,750)	34,978
	₩	<u>271,411</u>	<u>27,376</u>	<u>(34,669)</u>	<u>(1,750)</u>	<u>262,368</u>

2) Amount recognized in profit or loss

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	₩	10,172	8,709
Expenses relating to short-term leases		3,544	1,898
Expenses relating to leases of low-value assets		6,100	6,881
	₩	<u>19,816</u>	<u>17,488</u>

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Notes to the Separate Financial Statements, Continued
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14. Intangible Assets, Net

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

(in millions of Won)

	2020				2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Intellectual property rights	₩ 47,028	(24,270)	-	22,758	49,052	(24,507)	-	24,545
Membership	84,483	-	(2,688)	81,795	85,929	-	(3,272)	82,657
Development expense	619,411	(394,557)	-	224,854	431,984	(345,961)	-	86,023
Port facilities usage rights	682,305	(448,858)	-	233,447	683,387	(405,315)	-	278,072
Construction-in-progress	34,924	-	-	34,924	137,273	-	-	137,273
Other intangible assets	303,695	(267,715)	(11,832)	24,148	376,212	(264,035)	(11,832)	100,345
₩	<u>1,771,846</u>	<u>(1,135,400)</u>	<u>(14,520)</u>	<u>621,926</u>	<u>1,763,837</u>	<u>(1,039,818)</u>	<u>(15,104)</u>	<u>708,915</u>

(b) Changes in the carrying amount of 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	Transfer(*2)	Ending
Intellectual property rights	₩ 24,545	-	(3,609)	(6,140)	7,962	22,758
Membership(*1)	82,657	-	(862)	-	-	81,795
Development expense	86,023	1,579	(16)	(50,827)	188,095	224,854
Port facilities usage rights	278,072	-	-	(44,625)	-	233,447
Construction-in-progress	137,273	88,376	-	-	(190,725)	34,924
Other intangible assets	100,345	19,785	(61,446)	(5,334)	(29,202)	24,148
₩	<u>708,915</u>	<u>109,740</u>	<u>(65,933)</u>	<u>(106,926)</u>	<u>(23,870)</u>	<u>621,926</u>

(*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, and others.

2) For the year ended December 31, 2019

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Transfer(*2)	Ending
Intellectual property rights	₩ 24,377	-	(1,270)	(5,678)	7,116	24,545
Membership(*1)	73,183	9,204	(6)	-	276	82,657
Development expense	91,758	2,205	-	(41,793)	33,853	86,023
Port facilities usage rights	305,710	-	(4,674)	(22,964)	-	278,072
Construction-in-progress	58,561	114,638	-	-	(35,926)	137,273
Other intangible assets	91,633	615	(4,568)	(6,755)	19,420	100,345
₩	<u>645,222</u>	<u>126,662</u>	<u>(10,518)</u>	<u>(77,190)</u>	<u>24,739</u>	<u>708,915</u>

(*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, and others.

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15. Other Assets

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

<i>(in millions of Won)</i>	2020	2019
Current		
Advance payments	₩ 4,263	6,252
Prepaid expenses	26,011	21,849
Emission rights purchased from the market	20,224	-
	<u>₩ 50,498</u>	<u>28,101</u>
Non-current		
Long-term prepaid expenses	₩ 4,312	5,088
Others(*1)	103,266	100,186
	<u>₩ 107,578</u>	<u>105,274</u>

(*1) As of December 31, 2020 and 2019, the Company recognized tax assets amounting to ₩100,852 million and ₩97,185 million based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years' tax audits and claim for rectification are finalized.

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

16. Borrowings

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

(in millions of Won)

		2020	2019
Short-term borrowings			
Short-term borrowings	₩	1,029,363	167,021
Current portion of debentures		1,379,739	980,460
Less: Current portion of discount on debentures issued		(710)	(1,005)
	₩	<u>2,408,392</u>	<u>1,146,476</u>
Long-term borrowings			
Long-term borrowings	₩	1,110	1,181
Debentures		5,373,840	5,216,681
Less: Discount on debentures issued		(28,006)	(26,325)
	₩	<u>5,346,944</u>	<u>5,191,537</u>

(b) Short-term borrowings as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)		2020	2019
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	₩	520,310	167,021
Borrowings in foreign trade	MUFG and others	2020.10.14~ 2020.12.28	2021.01.12~ 2021.03.26	0.59~1.09		509,053	-
					₩	<u>1,029,363</u>	<u>167,021</u>

(c) Current portion of long-term borrowings as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate		2020	2019
Debentures	Domestic debentures 304-2 and others	2011.11.28~ 2018.07.05	2021.05.03~ 2021.11.28	1.88~4.12	₩	459,811	169,930
Foreign debentures	Global debentures 3 and others	2011.04.14~ 2011.12.22	2021.04.14~ 2021.12.22	2.70~5.25		919,218	809,525
					₩	<u>1,379,029</u>	<u>979,455</u>

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

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate		2020	2019
Borrowings	-	-	-	-	₩	-	-
Foreign borrowings	KOREA ENERGY AGENCY	2007.12.27~ 2008.12.29	-	3 year Government bond		1,110	1,181
Debentures	Domestic debentures 306-3 and others	2013.10.04~ 2019.10.16	2022.07.17~ 2029.10.16	1.56~3.64		2,046,166	2,504,194
Foreign debentures	Global debentures 4 and others	2018.08.01~ 2020.01.17	2021.11.22~ 2025.01.17	0.50~4.00		3,299,668	2,686,162
					₩	<u>5,346,944</u>	<u>5,191,537</u>

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

17. Other Payables

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

(in millions of Won)

		2020	2019
Current			
Accounts payable	₩	606,902	630,162
Accrued expenses		412,976	432,835
Dividend payable		1,854	2,296
Lease liabilities		94,904	40,463
Withholdings		10,687	7,247
	₩	<u>1,127,323</u>	<u>1,113,003</u>
Non-current			
Long-term accrued expenses	₩	54	842
Lease liabilities		217,458	216,508
Long-term withholdings		3,100	5,452
	₩	<u>220,612</u>	<u>222,802</u>

18. Other Financial Liabilities

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

(in millions of Won)

		2020	2019
Current			
Derivative liabilities	₩	3,087	-
Financial guarantee liabilities		9,701	10,969
	₩	<u>12,788</u>	<u>10,969</u>
Non-current			
Derivative liabilities	₩	92,273	8,285
Financial guarantee liabilities		29,881	38,640
	₩	<u>122,154</u>	<u>46,925</u>

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

19. 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(*1,2)	₩ 14,518	34,461	14,020	35,816
Provision for restoration(*3)	5,136	12,425	6,783	15,942
Provision for legal contingencies and claims(*4)	4,937	2,052	204	2,184
Emission liability(*5)	20,224	-	-	-
Provision for product warranties(*6)	18,789	3,664	-	-
	₩ <u>63,604</u>	<u>52,602</u>	<u>21,007</u>	<u>53,942</u>

(*1) Represents the provision for bonuses limited to 33%~67% of annual salaries for executives.

(*2) During the December 31, 2020 and 2019, the Company measured the present value of the estimated future payments based on actuarial evaluations of the Long Term Service Awards in operation, and provisions were recognized at ₩33,146 million and ₩29,999 million, respectively.

(*3) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery as provisions for restoration as of 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 discount rates of 1.23%~1.43% to assess present value of these costs.

(*4) As of December 31, 2020, the Company has recognized provisions for certain litigations and other contingencies.

(*5) The Company has recognized emission liabilities for greenhouse gas emissions exceeding the quantity of free quota emission rights expected to be submitted as of December 31, 2020.

(*6) As of December 31, 2020, the Company recognized the expected claim cost to be charged as a provision.

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

(b) Changes in provisions 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>Beginning</u>	<u>Increase</u>	<u>Reversal</u>	<u>Utilization</u>	<u>Ending</u>
Provision for bonus payments	₩ 49,836	25,853	-	(26,710)	48,979
Provision for restoration	22,725	363	(340)	(5,187)	17,561
Provision for legal contingencies and claims	2,388	4,937	(285)	(51)	6,989
Emission liability	-	20,648	(424)	-	20,224
Provision for product warranties	-	48,137	-	(25,684)	22,453
	<u>₩ 74,949</u>	<u>99,938</u>	<u>(1,049)</u>	<u>(57,632)</u>	<u>116,206</u>

2) For the year ended December 31, 2019

(in millions of Won)

	<u>Beginning</u>	<u>Increase</u>	<u>Reversal</u>	<u>Utilization</u>	<u>Transfer</u>	<u>Ending</u>
Provision for bonus payments	₩ 36,749	23,523	-	(18,038)	7,602	49,836
Provision for restoration	29,703	549	(277)	(7,250)	-	22,725
Provision for legal contingencies and claims	46,432	538	(11,207)	(33,375)	-	2,388
	<u>₩ 112,884</u>	<u>24,610</u>	<u>(11,484)</u>	<u>(58,663)</u>	<u>7,602</u>	<u>74,949</u>

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

20. Employee Benefits

(a) Defined contribution plans

The expense 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>		2020	2019
Expense related to post-employment benefit plans under defined contribution plans	₩	37,913	33,598

(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	₩	1,378,597	1,435,942
Fair value of plan assets		(1,455,098)	(1,381,796)
Net defined benefit liabilities	₩	(76,501)	54,146

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 obligation at the beginning of period	₩	1,435,942	1,265,675
Current service costs		125,706	119,957
Interest costs		27,712	31,567
Remeasurement :		(74,678)	104,442
- Loss (gain) from change in financial assumptions		(74,276)	72,730
- Loss (gain) from change in demographic assumptions		(4,608)	94
- Loss from change in others		4,206	31,618
Amount transferred from associate		1,104	-
Business combination		-	317
Reclassification to liabilities directly related to assets held for sale		-	(1,448)
Benefits paid		(137,189)	(84,568)
Defined benefit obligation at the end of period	₩	1,378,597	1,435,942

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

3) Changes in the fair value of plan 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>
Fair value of plan assets at the beginning of period	₩	1,381,796	1,264,812
Interest on plan assets		27,227	32,347
Remeasurement of plan assets		(450)	(6,668)
Contributions to plan assets		178,000	161,500
Amount transferred from associate		1,104	-
Business combination		-	670
Reclassification to liabilities directly related to assets held for sale		-	(1,448)
Benefits paid		(132,579)	(69,417)
Fair value of plan assets at the end of period	₩	<u>1,455,098</u>	<u>1,381,796</u>

The Company expects to make an estimated contribution of ₩50,000 million to the defined benefit plan assets in 2021.

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

<i>(in millions of Won)</i>		<u>2020</u>	<u>2019</u>
Debt instruments	₩	455,224	755,228
Deposits		999,733	626,282
Others		141	286
	₩	<u>1,455,098</u>	<u>1,381,796</u>

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

<i>(in millions of Won)</i>		<u>2020</u>	<u>2019</u>
Current service costs	₩	125,706	119,957
Net interest costs(*1)		485	(780)
	₩	<u>126,191</u>	<u>119,177</u>

(*1) The actual return on plan assets amounted to ₩26,777 million and ₩25,679 million for the years ended December 31, 2020 and 2019, respectively.

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

The above expenses by function were as follows:

<i>(in millions of Won)</i>	<u>2020</u>	<u>2019</u>
Cost of sales	₩ 100,278	91,478
Selling and administrative expenses	25,044	26,855
Others	869	844
	<u>₩ 126,191</u>	<u>119,177</u>

6) Remeasurements of defined benefit plans, net of tax recognized in other comprehensive income (loss) for the years ended December 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>	<u>2020</u>	<u>2019</u>
Beginning	₩ (369,181)	(288,627)
Remeasurements of defined benefit plans	74,228	(111,110)
Tax effects	(20,413)	30,556
Ending	<u>₩ (315,366)</u>	<u>(369,181)</u>

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

	<u>2020</u>	<u>2019</u>
Discount rate	2.40%	2.10%
Expected future increases in salaries(*1)	4.40%	4.80%

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

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 assumption, holding the other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

<i>(in millions of Won)</i>		<u>1% Increase</u>		<u>1% Decrease</u>	
		<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>
Discount rate	₩	(94,212)	(6.8)	110,532	8.0
Expected future increases in salaries		112,196	8.1	(97,196)	(7.1)

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

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	₩	157,375	551,136	254,440	431,422	253,169	1,647,542

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

21. Other Liabilities

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

<i>(in millions of Won)</i>		2020	2019
Current			
Advances received	₩	41,901	5,112
Withholdings		24,253	106,474
Unearned revenue		14,522	23,561
	₩	<u>80,676</u>	<u>135,147</u>
Non-current			
Unearned revenue	₩	525	5,230

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

22. 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					
Derivate assets	₩ 18,549	-	18,549	-	18,549
Short term financial instruments	8,116,381	-	8,116,381	-	8,116,381
Debt securities	8,050	-	-	8,050	8,050
Other securities	67,161	-	-	67,161	67,161
Other receivables	2,000	-	-	2,000	2,000
Fair value through other comprehensive income					
Equity securities	980,706	644,616	-	336,090	980,706
Debt securities	1,687	-	-	1,687	1,687
Financial assets measured at amortized cost(*1)					
Cash and cash Equivalents	1,822,660	-	-	-	-
Trade accounts and notes receivable	3,685,573	-	-	-	-
Debt securities	150,000	-	-	-	-
Other receivables	272,846	-	-	-	-
Deposit instruments	1,337,915	-	-	-	-
	₩ <u>16,463,528</u>	<u>644,616</u>	<u>8,134,930</u>	<u>414,988</u>	<u>9,194,534</u>
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 95,360	-	95,360	-	95,360
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	1,258,470	-	-	-	-
Borrowings	7,755,336	-	8,026,373	-	8,026,373
Financial guarantee liabilities	39,582	-	-	-	-
Others	1,335,672	-	-	-	-
	₩ <u>10,484,420</u>	<u>-</u>	<u>8,121,733</u>	<u>-</u>	<u>8,121,733</u>

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

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

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					
Derivate assets	₩ 79,675	-	79,675	-	79,675
Short-term financial instruments	6,258,292	-	6,258,292	-	6,258,292
Debt securities	8,050	-	-	8,050	8,050
Other securities	55,972	-	-	55,972	55,972
Other receivables	2,000	-	-	2,000	2,000
Fair value through other comprehensive income					
Equity securities	1,128,641	762,198	-	366,443	1,128,641
Debt securities	1,686	-	-	1,686	1,686
Financial assets measured at amortized cost(*1)					
Cash and cash Equivalents	978,139	-	-	-	-
Trade accounts and notes receivable	3,983,573	-	-	-	-
Debt securities	290,000	-	-	-	-
Other receivables	202,819	-	-	-	-
Deposit instruments	1,294,559	-	-	-	-
	₩ 14,283,406	762,198	6,337,967	434,151	7,534,316
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 8,285	-	8,285	-	8,285
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	667,551	-	-	-	-
Borrowings	6,338,012	-	6,525,464	-	6,525,464
Financial guarantee liabilities	49,609	-	-	-	-
Others	1,325,336	-	-	-	-
	₩ 8,388,793	-	6,533,749	-	6,533,749

(*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 financial instruments are calculated based on the derivatives instrument valuation model such as market approach method and discounted cash flow method. Inputs of the financial instrument valuation model include interest rate, exchange rate, spot price of underlying assets, volatility and others. It 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	₩ 246,158	Discounted cash flows	Discount rate	7.80%	As discount rate increases, fair value decreases
at fair value	168,830	Asset value approach	-	-	

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

- 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 discount rate ₩	15,304	13,992

- 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	₩ 434,151	302,709
Acquisition	41,547	30,623
Gain or loss on valuation of financial assets	(5,012)	(3,677)
Other comprehensive income	(46,296)	109,460
Disposal and others	(9,402)	(4,964)
Ending	₩ <u>414,988</u>	<u>434,151</u>

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Notes to the Separate Financial Statements, Continued

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- 4) Financial liabilities were recognized in connection with financial guarantee contracts as of December 31, 2020. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount		
		Foreign currency	Won equivalent	Foreign currency	Won equivalent	
Subsidiaries						
POSCO Maharashtra	SC	USD	19,784,000	21,525	19,784,000	21,525
Steel Private Limited	SMBC	USD	35,000,000	38,080	35,000,000	38,080
	DBS	USD	35,000,000	38,080	35,000,000	38,080
	BNP	USD	30,000,000	32,640	30,000,000	32,640
	Citi	USD	20,000,000	21,760	20,000,000	21,760
POSCO ASSAN TST	BNP	USD	24,527,500	26,686	22,074,750	24,017
STEEL INDUSTRY	SOCIETE GENERALE	USD	42,000,000	45,696	37,800,000	41,126
	CITI	USD	40,000,000	43,520	36,000,000	39,168
	ING	USD	40,000,000	43,520	36,000,000	39,168
POSCO Asia Co., Ltd.	Credit Agricole	USD	50,000,000	54,400	50,000,000	54,400
	Mizuho	USD	50,000,000	54,400	50,000,000	54,400
POSCO MEXICO S.A. DE C.V	Citi BANAMEX	USD	30,000,000	32,640	30,000,000	32,640
	BOA	USD	30,000,000	32,640	30,000,000	32,640
	SMBC	USD	20,000,000	21,760	20,000,000	21,760
	MIZUHO	USD	20,000,000	21,760	20,000,000	21,760
	ANZ	USD	20,000,000	21,760	20,000,000	21,760
POSCO-VIETNAM Co., Ltd.	SMBC	USD	50,000,000	54,400	50,000,000	54,400
	Credit Agricole	USD	40,000,000	43,520	40,000,000	43,520
	BTMU	USD	26,000,000	28,288	26,000,000	28,288
	Citi	USD	20,000,000	21,760	20,000,000	21,760
	MIZUHO	USD	20,000,000	21,760	20,000,000	21,760
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	567,000,000	616,896	330,240,725	359,302
	SMBC	USD	140,000,000	152,320	81,665,652	88,852
	BTMU	USD	119,000,000	129,472	68,295,652	74,306
	MIZUHO	USD	105,000,000	114,240	60,260,870	65,564
	SCB	USD	107,800,000	117,286	63,185,652	68,746
	Credit Suisse AG	USD	91,000,000	99,008	52,226,087	56,822
	HSBC	USD	91,000,000	99,008	52,226,087	56,822
	ANZ	USD	73,500,000	79,968	43,500,435	47,328
	BOA	USD	35,000,000	38,080	20,086,957	21,855
	The Tokyo Star Bank, Ltd	USD	21,000,000	22,848	12,052,174	13,113
POSCO COATED STEEL (THAILAND) CO., LTD.	Citi	THB	801,000,000	29,108	801,000,000	29,108
	ANZ	THB	1,175,000,000	42,700	1,175,000,000	42,700
	MUFG	THB	1,175,000,000	42,700	1,175,000,000	42,700
	SC	THB	1,175,000,000	42,700	1,175,000,000	42,700
	SMBC	THB	1,175,000,000	42,700	1,175,000,000	42,700
Associates						
LLP POSUK Titanium	SMBC	USD	13,500,000	14,688	13,500,000	14,688
Nickel Mining Company SAS	SMBC	EUR	46,000,000	61,559	46,000,000	61,559
Joint ventures						
CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea	USD	182,000,000	198,016	162,149,671	176,419
	Santander	USD	47,600,000	51,789	41,713,206	45,384
	BNP	USD	47,600,000	51,789	41,713,206	45,384
	MIZUHO	USD	47,600,000	51,789	41,713,206	45,384
	Credit Agricole	USD	20,000,000	21,760	17,526,564	19,069
	SOCIETE GENERALE	USD	20,000,000	21,760	17,526,564	19,069
	KfW	USD	20,000,000	21,760	17,526,564	19,069
	BBVA Seoul	USD	17,600,000	19,149	15,423,360	16,781
	ING	USD	17,600,000	19,149	15,423,360	16,781
	BNDES	BRL	464,060,000	97,207	464,060,000	97,207
		USD	2,446,111,500	2,661,370	1,815,614,742	1,975,390
		EUR	46,000,000	61,559	46,000,000	61,559
		THB	5,501,000,000	199,908	5,501,000,000	199,908
		BRL	464,060,000	97,207	464,060,000	97,207

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- 5) 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)

	Finance income and costs						Total	Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others		
Financial assets at fair value through profit or loss	₩ 155,458	-	-	(1,582)	(40,816)	-	113,060	-
Financial assets at fair value through other comprehensive income	-	36,728	-	-	-	-	36,728	(115,599)
Financial assets measured at amortized cost	43,334	-	(137,626)	2	-	-	(94,290)	-
Financial liabilities at fair value through profit or loss	-	-	-	517	(75,780)	-	(75,263)	-
Financial liabilities measured at amortized cost	(220,090)	-	387,406	-	-	13,170	180,486	-
	₩ (21,298)	36,728	249,780	(1,063)	(116,596)	13,170	180,721	(115,599)

- (* 1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩249,762 million for the year ended December 31, 2020.

② For the year ended December 31, 2019

(in millions of Won)

	Finance income and costs						Total	Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others		
Financial assets at fair value through profit or loss	₩ 131,743	-	-	760	83,610	-	216,113	-
Financial assets at fair value through other comprehensive income	-	60,264	-	-	-	-	60,264	14,955
Financial assets measured at amortized cost	39,469	-	78,190	-	-	-	117,659	-
Financial liabilities at fair value through profit or loss	-	-	-	805	26,459	-	27,264	-
Financial liabilities measured at amortized cost	(158,810)	-	(125,398)	-	-	9,184	(275,024)	-
	₩ 12,402	60,264	(47,208)	1,565	110,069	9,184	146,276	14,955

- (* 1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩214,164 million for the year ended December 31, 2019.

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(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:

<i>(in millions of Won)</i>		2020	2019
Cash and cash equivalents	₩	1,822,660	978,139
Derivative assets		18,549	79,675
Short-term financial instrument		8,116,381	6,258,292
Debt securities		159,737	299,736
Other securities		67,161	55,972
Other receivables		274,846	204,819
Trade accounts and notes receivable		3,685,573	3,983,573
Deposit instruments		1,337,915	1,294,559
	₩	<u>15,482,822</u>	<u>13,154,765</u>

The Company provided financial guarantee for the repayment of loans of subsidiaries, associates, and joint ventures. As of December 31, 2020 and 2019, the maximum exposure to credit risk caused by financial guarantee amounted to ₩2,334,064 million and ₩2,974,847 million, respectively.

2) Impairment losses on financial assets

The Company assesses the expected credit loss on trade accounts and notes receivable, and other receivables by estimating the default rates based on the following three years of credit loss experience and overdue conditions. The Company assesses the credit loss individually for credit-impaired assets and some other receivables.

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

<i>(in millions of Won)</i>		2020	2019
Trade accounts and notes receivable	₩	15,305	13,965
Other accounts receivable		2,588	5,268
Loans		11,042	11,561
	₩	<u>28,935</u>	<u>30,794</u>

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

(in millions of Won)

		<u>2020</u>	<u>2019</u>
Bad debt expenses	₩	3,885	(4,248)

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

(in millions of Won)

	<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	₩ 3,640,063	990	3,972,557	1,060
Over due less than 1 month	13,702	-	3,326	40
1 month - 3 months	17,241	-	242	-
3 months - 12 months	8,914	-	21	-
Over 12 months	20,958	14,315	21,392	12,865
	₩ <u>3,700,878</u>	<u>15,305</u>	<u>3,997,538</u>	<u>13,965</u>

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

(in millions of Won)

	<u>2020</u>		<u>2019</u>	
	<u>Loans and other account receivable</u>	<u>Allowance for doubtful accounts</u>	<u>Loans and other account receivable</u>	<u>Allowance for doubtful accounts</u>
Not due	₩ 227,578	8,092	158,950	8,611
Over due less than 1 month	502	-	443	-
1 month - 3 months	-	-	4	-
3 months - 12 months	20	10	3,082	-
Over 12 months	5,553	5,528	8,357	8,218
	₩ <u>233,653</u>	<u>13,630</u>	<u>170,836</u>	<u>16,829</u>

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

(in millions of Won)

		<u>2020</u>	<u>2019</u>
Beginning	₩	30,794	39,424
Bad debt expenses		3,885	(4,248)
Others		(5,744)	(4,382)
Ending	₩	<u>28,935</u>	<u>30,794</u>

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(c) Liquidity risk

Contractual maturities for non-derivative financial liabilities, including estimated interest, are as follows:

(in millions of Won)

	Book value	Contractual cash flow	Within 3 months	3 months - 6 months	6 months - 1 year	1 year - 5 years	After 5 years
Trade accounts and notes payable	₩ 1,258,470	1,258,470	1,258,470	-	-	-	-
Borrowings	7,755,336	8,208,377	930,010	981,859	649,059	5,261,093	386,356
Financial guarantee liabilities(*1)	39,582	2,334,064	2,334,064	-	-	-	-
Lease liabilities	312,362	356,259	67,747	11,711	22,599	126,892	127,310
Others	1,118,670	1,115,583	1,009,469	-	10,687	95,427	-
	₩ 10,484,420	13,272,753	5,599,760	993,570	682,345	5,483,412	513,666

(*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.

(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:

(in millions of Won)

		2020		2019	
		Assets	Liabilities	Assets	Liabilities
USD	₩	1,631,569	4,975,002	1,514,066	3,653,541
JPY		51,445	162,493	54,371	173,559
CNY		214,842	137,043	402,515	1,144
INR		246,805	-	293,015	-
EUR		16,197	669,629	30,701	1,504
Others		310,531	87,160	224,077	95,818
	₩	2,471,389	6,031,327	2,518,745	3,925,566

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:

(in millions of Won)

		2020		2019	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	(334,343)	334,343	(213,948)	213,948
JPY		(11,105)	11,105	(11,919)	11,919
CNY		7,780	(7,780)	40,137	(40,137)
INR		24,681	(24,681)	29,302	(29,302)
EUR		(65,343)	65,343	2,920	(2,920)

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(e) Interest rate risk

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

(in millions of Won)

		<u>2020</u>	<u>2019</u>
Fixed rate			
Financial assets	₩	11,481,360	8,856,339
Financial liabilities		<u>(8,066,588)</u>	<u>(6,593,802)</u>
	₩	<u>3,414,772</u>	<u>2,262,537</u>
Variable rate			
Financial liabilities	₩	(1,110)	(1,181)

- 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:

(in millions of Won)

		<u>2020</u>		<u>2019</u>	
		<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
Variable rate					
financial instruments	₩	(11)	11	(12)	12

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23. Share Capital and Capital Surplus

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

<i>(in Won, except share information)</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 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 par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(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
Gain(loss) from merger	80,628	(6,441)
Loss on disposal of hybrid bonds	(1,787)	(1,787)
	<u>₩ 1,339,289</u>	<u>1,252,220</u>

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

24. Hybrid Bonds

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

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Rate of interest (%)	2020	2019
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60	200,000	200,000
Issuance cost				(616)	(616)
				₩ 199,384	199,384

(*1) Details of hybrid bonds as of December 31, 2020 are as follows:

	Hybrid bond 1-2
Maturity date	30 years (The Company has a right to extend the maturity date)
Interest rate	Issue date ~ 2023-06-12 : 4.60% Reset every 10 years as follows; · After 10 years : return on government bond of the Republic of Korea (10 years) + 1.40% · After 10 years : additionally + 0.25% according to Step-up clauses · After 30 years : additionally + 0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to the Company)
Others	The Company can call the hybrid bond at 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, and subordinate to other creditors. The interest accumulated but not paid on the hybrid bonds as of December 31, 2020 amounts to ₩479 million.

25. Reserves

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

<i>(in millions of Won)</i>	2020	2019
Changes in fair value of equity investments at fair value through other comprehensive income	₩ (296,626)	(183,930)

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

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

(in millions of Won)

		<u>2020</u>	<u>2019</u>
Beginning balance	₩	(183,930)	(207,191)
Changes in fair value of equity investments		(159,446)	20,628
Reclassification to profit or loss upon disposal		4,003	11,457
Tax effects		42,747	(8,824)
Ending balance	₩	<u>(296,626)</u>	<u>(183,930)</u>

26. Treasury Shares

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

(shares, in millions of Won)

	<u>2020</u>		<u>2019</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
Beginning	7,071,194	₩ 1,508,303	7,185,703	₩ 1,532,728
Acquisition of treasury shares	4,100,169	883,220	-	-
Disposal of treasury shares	-	-	(114,509)	(24,425)
Ending	<u>11,171,363</u>	<u>₩ 2,391,523</u>	<u>7,071,194</u>	<u>₩ 1,508,303</u>

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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Notes to the Separate Financial Statements, Continued
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27. Retained Earnings

(a) Retained earnings as of December 31, 2020 and 2019 are summarized as follows:

(in millions of Won)

	2020	2019
Legal reserve	₩ 241,202	241,202
Reserve for business rationalization	918,300	918,300
Appropriated retained earnings for business expansion	43,310,500	42,610,500
Appropriated retained earnings for dividends	-	412,243
Unappropriated retained earnings	1,311,775	1,190,166
	<u>₩ 45,781,777</u>	<u>45,372,411</u>

(b) Statements of appropriation of retained earnings as of December 31, 2020 and 2019 are as follows:

(in millions of Won)

	2020	2019
Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year	₩ 581,946	593,208
Remeasurements of defined benefit plans	53,816	(80,554)
Loss on disposal of equity securities	(2,902)	(8,306)
Interests of hybrid bonds	(9,225)	(9,200)
Interim dividends	(277,723)	(480,694)
(Dividends (ratio) per share		
₩3,500 (70%) in 2020		
₩6,000 (120%) in 2019)		
Profit for the period	965,863	1,175,712
	<u>1,311,775</u>	<u>1,190,166</u>
Transfer from discretionary reserve		
Appropriated retained earnings for dividends	-	412,243
	<u>-</u>	<u>412,243</u>
Appropriation of retained earnings		
Dividends	342,565	320,463
(Dividends (ratio) per share		
₩4,500 (90%) in 2020		
₩4,000 (80%) in 2019)		
Appropriated retained earnings for business expansion	370,000	700,000
	<u>712,565</u>	<u>1,020,463</u>
Unappropriated retained earnings carried forward to subsequent year	<u>₩ 599,210</u>	<u>581,946</u>

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Notes to the Separate Financial Statements, Continued
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28. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the years ended December 31, 2020 and 2019 are as follows:

(in millions of Won)

		2020	2019
Types of revenue			
Sales of steel product	₩	25,656,942	29,359,408
Transportation services		687,099	776,589
Others		165,879	237,514
	₩	<u>26,509,920</u>	<u>30,373,511</u>
Timing of revenue recognition			
Revenue recognized at a point in time	₩	25,760,905	29,528,658
Revenue recognized over time		749,015	844,853
	₩	<u>26,509,920</u>	<u>30,373,511</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)

		2020	2019
Receivables			
Account receivables	₩	3,685,573	3,983,573
Contract assets			
Account receivables		10,418	9,482
Contract liabilities			
Advance received		41,901	5,112
Unearned income		14,855	28,484

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Notes to the Separate Financial Statements, Continued
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29. 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	₩	225,665	227,203
Expenses related to post-employment benefits		26,617	29,097
Other employee benefits		53,355	55,536
Travel		8,123	14,345
Depreciation		27,702	26,011
Amortization		45,557	36,833
Rental		50,074	48,316
Repairs		8,414	12,275
Advertising		59,397	66,993
Research & development		66,141	75,550
Service fees		169,615	175,181
Supplies		705	3,654
Vehicles maintenance		4,513	6,209
Industry association fee		5,366	5,283
Training		19,438	25,010
Conference		4,116	5,576
Others		32,828	38,068
	₩	<u>807,626</u>	<u>851,140</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	₩	127,988	133,400
Operating expenses for distribution center		6,087	8,276
Sales commissions		96,150	85,171
Sales advertising		1,367	1,258
Sales promotion		1,407	4,451
Sample		523	911
Sales insurance premium		5,851	6,206
	₩	<u>239,373</u>	<u>239,673</u>

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

30. 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>
Selling and administrative expenses	₩	66,141	75,550
Cost of sales		346,427	383,338
	₩	<u>412,568</u>	<u>458,888</u>

31. Finance Income and Costs

Details of 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)	₩	198,792	171,212
Dividend income		286,490	274,428
Gain on foreign currency transactions		444,970	270,379
Gain on foreign currency translations		260,189	20,039
Gain on valuation of derivatives		8,814	122,031
Gain on derivative transactions		12,437	805
Others		18,992	9,788
	₩	<u>1,230,684</u>	<u>868,682</u>
Finance costs			
Interest expenses	₩	220,090	158,810
Loss on foreign currency transactions		358,757	221,079
Loss on foreign currency translations		96,622	116,547
Loss on valuation of derivatives		120,398	8,285
Loss on derivative transactions		15,892	-
Others		8,442	3,521
	₩	<u>820,201</u>	<u>508,242</u>

(*1) Interest income calculated using the effective interest method for the years ended December 31, 2020 and 2019 were ₩43,334 million and ₩39,469 million, respectively.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

32. 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 property, plant and equipment	₩ 12,340	25,583
Gain on disposals of intangible assests	197	1,013
Gain on disposal of investments in subsidiaries, associates and joint venture	24,334	5,300
Premium income	23,861	964
Gain on disposals of assets held for sale	22,734	30,262
Reversal of other provisions	284	11,484
Gain on valuation of emission rights	-	25,440
Gain on disposals of emission rights	24,566	6,122
Others(*1)	38,232	132,042
	₩ <u>146,548</u>	<u>238,210</u>
Other non-operating expenses		
Loss on disposals of property, plant and equipment	₩ 181,454	114,874
Impairment loss on property, plant and equipment	27,846	222,036
Impairment loss on investment in subsidiaries, associates and joint ventures	360,894	865,769
Loss on disposal of assets held for sale	5,383	-
Impairment Loss on disposal of assets held for sale	9,093	8,021
Donations	31,989	41,202
Others	58,176	101,572
	₩ <u>674,835</u>	<u>1,353,474</u>

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

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

33. Expenses by Nature

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

<i>(in millions of Won)</i>		2020	2019
Changes in inventories(*1)	₩	469,872	139,584
Raw materials and consumables used		16,222,143	18,267,051
Employee benefits expenses(*3)		1,781,503	1,768,081
Outsourced processing cost		2,380,287	2,405,048
Depreciation(*2)		2,273,633	2,160,124
Amortization		106,926	77,190
Electricity and water		236,090	486,347
Service fees		262,282	267,994
Rental		87,947	72,043
Advertising		59,397	66,993
Freight and custody		742,801	878,683
Sales commissions		96,150	85,171
Loss on disposals of property, plant and equipment		181,454	114,874
Impairment loss on property, plant and equipment		27,846	222,036
Impairment loss on investments in subsidiaries, associates and joint ventures		360,894	865,769
Other expenses		759,846	1,263,948
	₩	<u>26,049,071</u>	<u>29,140,936</u>

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

(*2) Includes depreciation of investment property.

(*3) 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	₩	1,616,721	1,613,344
Expenses related to post-employment benefits		164,782	154,737
	₩	<u>1,781,503</u>	<u>1,768,081</u>

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34. Income Taxes

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

<i>(in millions of Won)</i>	<u>2020</u>	<u>2019</u>
Current income taxes(*1)	₩ 283,750	617,114
Deferred income taxes	(342,236)	10,881
Items credited directly to equity	110,503	27,541
Income tax expense	<u>₩ 52,017</u>	<u>655,536</u>

(*1) Refund (additional payment) of income taxes when filing a final corporation tax return 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>	<u>2020</u>	<u>2019</u>
Changes in fair value of equity investments		
at fair value through other comprehensive income(*1) ₩	43,847	(5,673)
Remeasurements of defined benefit plans(*1)	(20,413)	30,556
Gain on combination(*2)	87,069	2,658
	<u>₩ 110,503</u>	<u>27,541</u>

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

(*2) During the year ended December 31, 2019, the Company merged with Off-gas Power Station Business Sector of POSCO ENERGY CO., LTD., which is a subsidiary of the company. During the year ended December 31, 2020, the Company changed its estimation about the recoverability of deductible temporary differences resulting from the business combination, and recognized additional ₩87,069 million of deferred tax assets. The tax effect was reflected directly in equity as gain from merger.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(c) The calculated income tax expense based on statutory rates compared to the actual amount of taxes recorded by the Company for the years ended December 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		<u>2020</u>	<u>2019</u>
Profit before income tax expense	₩	1,017,880	1,831,249
Income tax expense computed at statutory rate		269,555	493,231
Adjustments:			
Tax credit		(60,466)	(31,296)
Additional Income tax expense for prior years (refund related to prior years)		(21,277)	(15,320)
Investment in subsidiaries, associates and joint ventures		108,842	237,764
Tax effect due to permanent differences		(3,252)	(28,843)
Others(*1)		(241,385)	-
		<u>(217,538)</u>	<u>162,305</u>
Income tax expense	₩	<u>52,017</u>	<u>655,536</u>
Effective tax rate (%)		5.1%	35.8%

(*1) This is the effect of income tax due to changes estimates of the recoverability of temporary differences related to impairment loss of Synthetic Natural Gas (SNG) facilities recognized in 2018.

(d) The movements in deferred tax assets (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>		
	<u>December 31, 2019</u>	<u>Increase (decrease)</u>	<u>December 31, 2020</u>	<u>December 31, 2018</u>	<u>Increase (decrease)</u>	<u>December 31, 2019</u>
Deferred income tax due to temporary differences						
Reserve for special repairs	₩ (11,014)	158	(10,856)	(11,387)	373	(11,014)
PPE - Depreciation	5,400	4,760	10,160	(1,994)	7,394	5,400
Impairment loss on investments	128,088	(35,661)	92,427	214,713	(86,625)	128,088
Prepaid expenses	15,118	4,620	19,738	17,177	(2,059)	15,118
PPE - Revaluation	(1,830,793)	82,849	(1,747,944)	(1,873,320)	42,527	(1,830,793)
Gain or loss on foreign currency translation	10,771	(58,239)	(47,468)	(24,630)	35,401	10,771
Defined benefit liabilities	(138,943)	4,473	(134,470)	(117,831)	(21,112)	(138,943)
Accrued revenue	(12,274)	1,642	(10,632)	(4,127)	(8,147)	(12,274)
PPE - Impairment loss	137,326	245,982	383,308	76,913	60,413	137,326
Others	284,345	71,487	355,832	342,377	(58,032)	284,345
	<u>(1,411,976)</u>	<u>322,071</u>	<u>(1,089,905)</u>	<u>(1,382,109)</u>	<u>(29,867)</u>	<u>(1,411,976)</u>
Deferred tax from deficit and tax credit						
Deficit carried over	11,623	(2,169)	9,454	14,369	(2,746)	11,623
Deferred income taxes recognized directly to equity						
Net changes in fair value of equity investments at fair value through other comprehensive income	69,766	42,747	112,513	78,590	(8,824)	69,766
Remeasurements of defined	140,034	(20,413)	119,621	109,478	30,556	140,034
	<u>209,800</u>	<u>22,334</u>	<u>232,134</u>	<u>188,068</u>	<u>21,732</u>	<u>209,800</u>
	₩ <u>(1,190,553)</u>	<u>342,236</u>	<u>(848,317)</u>	<u>(1,179,672)</u>	<u>(10,881)</u>	<u>(1,190,553)</u>

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(e) Deferred tax assets (liabilities) as of 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						
Reserve for special repairs	₩ -	(10,856)	(10,856)	-	(11,014)	(11,014)
PPE - Depreciation	17,810	(7,650)	10,160	17,946	(12,546)	5,400
Impairment loss on investments	92,427	-	92,427	128,088	-	128,088
Prepaid expenses	19,738	-	19,738	15,118	-	15,118
PPE - Revaluation	-	(1,747,944)	(1,747,944)	-	(1,830,793)	(1,830,793)
Gain or loss on foreign currency translation	100,518	(147,986)	(47,468)	135,515	(124,744)	10,771
Defined benefit liabilities	254,678	(389,148)	(134,470)	227,229	(366,172)	(138,943)
Accrued revenue	-	(10,632)	(10,632)	-	(12,274)	(12,274)
PPE - Impairment loss	383,308	-	383,308	137,326	-	137,326
Others	511,690	(155,858)	355,832	345,336	(60,991)	284,345
	<u>1,380,169</u>	<u>(2,470,074)</u>	<u>(1,089,905)</u>	<u>1,006,558</u>	<u>(2,418,534)</u>	<u>(1,411,976)</u>
Deferred tax from deficit and tax credit						
Deficit carried over	9,454	-	9,454	11,623	-	11,623
Deferred income taxes						
Net changes in fair value of equity investments						
at fair value through other comprehensive income	121,564	(9,051)	112,513	158,817	(89,051)	69,766
Remeasurements of defined	119,621	-	119,621	140,034	-	140,034
	<u>241,185</u>	<u>(9,051)</u>	<u>232,134</u>	<u>298,851</u>	<u>(89,051)</u>	<u>209,800</u>
₩	<u>1,630,808</u>	<u>(2,479,125)</u>	<u>(848,317)</u>	<u>1,317,032</u>	<u>(2,507,585)</u>	<u>(1,190,553)</u>

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

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

35. Earnings Per Share

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

<i>(in Won, except share information)</i>		2020	2019
Profit for the period	₩	965,863,440,351	1,175,712,402,299
Interests of hybrid bonds, net of tax		(6,688,273,972)	(6,669,999,999)
Weighted-average number of common shares outstanding(*1)		79,120,963	80,113,759
Basic and diluted earnings per share	₩	12,123	14,592

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

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

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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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

36. Related Party Transactions

(a) Significant transactions with 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 are mainly consist of sales of steel products to subsidiaries, associates and joint ventures.

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

(*3) As of December 31, 2020, the Company provided guarantees to related parties (Note 22).

(*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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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

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. W	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>88,683</u>	<u>116,576</u>	<u>1,904,753</u>	<u>306,927</u>	<u>15,089</u>	<u>115,493</u>
W	<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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Notes to the Separate Financial Statements, Continued

As of December 31, 2020 and 2019

(b) The related account balances of significant transactions with 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. W	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	36,846	18	37,226
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	-	2,095	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	387	71,704	-	-	-	-
POSCO Maharashtra Steel Private Limited	173,285	2,006	175,291	-	-	-	-
Others(*1)	557,841	29,962	587,803	41,664	32,785	86,891	161,240
	1,732,030	36,831	1,768,861	65,482	327,907	153,462	546,851
Associates and jointventures							
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
	924	70,186	71,110	242,008	-	-	242,008
W	1,732,954	107,017	1,839,971	307,490	327,907	153,462	788,859

(*1) As of December 31, 2020, the Company has loans amounting to ₩2,950 million 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. W	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
	2,130,850	39,395	2,170,245	50,887	333,939	172,829	557,655
Associates and jointventures							
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
	1,323	781	2,104	117,070	50,097	-	167,167
W	2,132,173	40,176	2,172,349	167,957	384,036	172,829	724,822

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

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

<i>(in millions of Won)</i>		2020	2019
Short-term benefits	₩	41,693	47,813
Long-term benefits		4,212	5,952
Retirement benefits		8,261	12,025
	₩	<u>54,166</u>	<u>65,790</u>

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

37. 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 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).

The 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.

The 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 provisions, management considers whether the Company has an obligation as a result of a past event, whether it is probable that an outflow or 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 obligation.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(b) Commitments

- 1) The Company entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of December 31, 2020, 57 million tons of iron ore and 10 million tons of coal remained to be purchased under such long-term contracts.
 - 2) The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing 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.
 - 3) The Company entered into consecutive voyage charter (CVC) contract for the transportation of raw materials. As of December 31, 2020, there are 38 vessels under contract and the average remaining contract period is about 9 years.
 - 4) As of December 31, 2020, the Company entered into commitments with KOREA ENERGY AGENCY for long-term foreign currency borrowing, which is 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 borrowing depends on the success of the project. The Company is not liable for the repayment of full or part of the money borrowed if the respective project fail. The Company 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.
 - 5) The Company has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to the construction of new power plant by POSCO ENERGY CO., LTD.
 - 6) The Company provides a supplementary fund of up to ₩9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., at the request of creditors such as the Korea Development Bank.
- (c) As of December 31, 2020, the Company has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.

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Notes to the Separate Financial Statements, Continued As of December 31, 2020 and 2019

(d) Litigation in progress

The Company is involved in 30 lawsuits, claim for employee right aggregating to ₩48.7 billion as defendant as of December 31, 2020, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩2.1 billion for one of 30 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company does not believe it has a present obligation as of December 31, 2020.

38. Statements of Cash Flows

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

(in millions of Won)

	2020	2019
Trade accounts and notes receivable, net	₩ 253,745	1,112
Other accounts receivable	110,385	(91,374)
Inventories	904,970	274,674
Prepaid expenses	(4,435)	(2,389)
Other current assets	(3,014)	(1,310)
Long-term guarantee deposits	(440)	(594)
Derivative assets	9,719	-
Other non-current assets	1,631	1,498
Trade accounts and notes payable	600,622	(457,490)
Other accounts payable	(4,358)	5,570
Accrued expenses	(27,008)	(18,025)
Advances received	1,083	(1,594)
Withholdings	(82,221)	81,319
Unearned revenue	(9,071)	(5,592)
Other current liabilities	(24,323)	(23,755)
Derivative liabilities	11,295	-
Payments of severance benefits	(137,189)	(84,568)
Plan assets	(45,421)	(92,083)
Other non-current liabilities	(5,931)	(23,440)
	₩ <u>1,550,039</u>	<u>(438,041)</u>

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Notes to the Separate Financial Statements, Continued
As of December 31, 2020 and 2019

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

1) December 31, 2020

(in millions of Won)

		Liabilities					
		Short-term borrowings	long-term borrowings	Dividend payable	Lease liabilities	Long-term financial liabilities	Derivatives that hedge long-term borrowings
Beginning	₩	167,021	6,170,991	2,296	256,971	12,685	10,083
Changes from financing cash flows		884,768	739,913	(607,853)	(63,684)	(436)	5,873
The effect of changes in foreign exchange rates		(22,426)	(197,679)	-	(5,512)	-	-
Changes in fair values		-	-	-	-	-	111,061
Other changes:							
Decrease in retained earnings		-	-	607,411	-	-	-
Interest expense		-	12,748	-	10	-	-
Increase in lease assets		-	-	-	124,577	-	-
Ending	₩	1,029,363	6,725,973	1,854	312,362	12,249	127,017

2) December 31, 2019

(in millions of Won)

		Liabilities					
		Short-term borrowings	long-term borrowings	Dividend payable	Lease liabilities	Long-term financial liabilities	Derivatives that hedge long-term borrowings
Beginning	₩	476,612	3,794,358	2,764	141,761	10,985	73,584
Changes from financing cash flows		(309,029)	2,299,693	(890,369)	(39,194)	1,700	9,683
The effect of changes in foreign exchange rates		(562)	71,370	-	168	-	-
Changes in fair values		-	-	-	-	-	(73,184)
Other changes:							
Decrease in retained earnings		-	-	889,900	-	-	-
Interest expense		-	5,570	-	-	-	-
Initial application of K-IFRS No.1116		-	-	-	128,610	-	-
Increase in lease assets		-	-	-	25,626	-	-
Increase due to business combination		-	-	1	-	-	-
Ending	₩	167,021	6,170,991	2,296	256,971	12,685	10,083

39. Events after the Reporting Period

The Company decided to participate in POSCO CHEMICAL CO., LTD's capital increase through resolutions of Board of Directors on November 11, 2020 and January 20, 2021, and paid ₩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.

Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2020 and the audit of internal accounting control system pursuant to Article 8-7 of the Act on External Audit for Joint-stock Companies of the Republic of Korea.

Independent Auditors' Report on Internal Control over Financial Reporting

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
POSCO:

Opinion on Internal Control over Financial Reporting

We have audited POSCO's (the "Company") internal control over financial reporting ("ICFR") as of December 31, 2020 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2020, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, and our report dated March 4, 2021 expressed an unmodified opinion on those separate financial statements.

Basis for Opinion

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting 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.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Operating Status of Internal Control over Financial Reporting.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Seoul, Korea
March 4, 2021

<p>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 internal control over financial reporting. 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.</p>

Report on Operating Status of Internal Control over Financial Reporting

English Translation of a Report Originally Issued in Korean

To the Shareholders, Board of Directors and Audit Committee of POSCO

We, as the Chief Executive Officer and the Internal Control Officer of the Company, assessed operating status of the Company's Internal Control over Financial Reporting("ICFR") for the year ending December 31, 2020.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Control Officer (collectively, "We").

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the'Guidelines for Internal Control over Financial Reporting'for evaluating design and operation of the Company's ICFR, established by the Operating Committee of Internal Control over Financial Reporting in Korea (the"ICFR Committee").

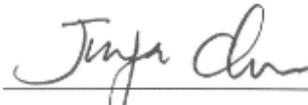
Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2020, in all material respects, in accordance with the'Guidelines for Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

January 28, 2021



Choi, Jeong-Woo, Chief Executive Officer



Chon, Jung-Son, Internal Control Officer