

POSCO

**Condensed Separate Interim Financial Statements
(Unaudited)
June 30, 2020**

(With Independent Auditors' Review Report Thereon)

Table of Contents

	Page
Independent Auditors' Review Report	1
Condensed Separate Interim Financial Statements	
Condensed Separate Interim Statements of Financial Position	3
Condensed Separate Interim Statements of Comprehensive Income	5
Condensed Separate Interim Statements of Changes in Equity.....	6
Condensed Separate Interim Statements of Cash Flows	7
Notes to the Condensed Separate Interim Financial Statements	9

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO (the "Company"), which comprise the condensed separate interim statement of financial position as of June 30, 2020, the condensed separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, the condensed separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2020 and 2019, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

The separate statement of financial position of the Company as of December 31, 2019, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 12, 2020, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2019, presented for comparative purposes, is consistent, in all material respect, with the audited separate financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
August 13, 2020

This report is effective as of August 13, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO

Condensed Separate Interim Statements of Financial Position As of June 30, 2020 and December 31, 2019 (Unaudited)

(in millions of Won)

	Notes	June 30, 2020	December 31, 2019
Assets			
Cash and cash equivalents	20	₩ 2,446,945	978,139
Trade accounts and notes receivable, net	4,14,20,25,32	3,142,894	3,987,041
Other receivables, net	5,20,32	380,258	321,352
Other short-term financial assets	6,20	9,727,533	7,858,979
Inventories	7,29	4,215,794	4,988,530
Assets held for sale	8	69,757	53,924
Other current assets	13	33,560	28,101
Total current assets		20,016,741	18,216,066
Long-term trade accounts and notes receivable, net	4,20	6,003	6,014
Other receivables, net	5,20	89,055	56,468
Other long-term financial assets	6,20	1,176,466	1,257,896
Investments in subsidiaries, associates and joint ventures	9	15,216,814	15,069,857
Investment property, net	10	156,378	158,077
Property, plant and equipment, net	11	20,187,097	20,132,199
Intangible assets, net	12	667,491	708,915
Other non-current assets	13	104,064	105,274
Total non-current assets		37,603,368	37,494,700
Total assets		₩ 57,620,109	55,710,766

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Financial Position, Continued As of June 30, 2020 and December 31, 2019 (Unaudited)

(in millions of Won)

	Notes	June 30, 2020	December 31, 2019
Liabilities			
Trade accounts and notes payable	20,32	₩ 855,533	667,551
Short-term borrowings			
and current installments of long-term borrowings	4,14,20	2,464,650	1,146,476
Other payables	15,20,32	1,015,323	1,113,003
Other short-term financial liabilities	16,20	7,556	10,969
Current income tax liabilities		221,791	237,293
Provisions	17	40,125	21,007
Other current liabilities	19,25	132,620	135,147
Total current liabilities		4,737,598	3,331,446
Long-term borrowings,			
excluding current installments	14,20	6,097,332	5,191,537
Other payables	15,20	234,005	222,802
Other long-term financial liabilities	16,20	36,411	46,925
Defined benefit liabilities, net	18	58,875	54,146
Deferred tax liabilities		1,003,013	1,190,553
Long-term provisions	17,33	49,573	53,942
Other non-current liabilities	19,25	540	5,230
Total non-current liabilities		7,479,749	6,765,135
Total liabilities		12,217,347	10,096,581
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,252,220	1,252,220
Hybrid bonds	22	199,384	199,384
Reserves	23	(341,677)	(183,930)
Treasury shares	24	(1,573,126)	(1,508,303)
Retained earnings		45,383,558	45,372,411
Total equity		45,402,762	45,614,185
Total liabilities and equity		₩ 57,620,109	55,710,766

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Comprehensive Income For the three-month and six-month periods ended June 30, 2020 and 2019 (Unaudited)

(in millions of Won, except per share informations)

	Notes	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Revenue	25,32	₩ 5,884,824	7,475,854	12,854,680	15,292,325
Cost of sales	7,29,32	(5,742,816)	(6,484,077)	(11,973,220)	(13,211,583)
Gross profit		142,008	991,777	881,460	2,080,742
Selling and administrative expenses	29,32				
Reversal of (Impairment loss) on trade accounts and notes receivable		(5,231)	26	(4,967)	4,636
Other administrative expenses	26	(192,762)	(209,610)	(391,531)	(416,430)
Selling expenses	26	(52,490)	(57,895)	(135,326)	(112,183)
Operating profit (loss)		(108,475)	724,298	349,636	1,556,765
Finance income and costs	20,27				
Finance income		110,535	281,485	784,852	575,194
Finance costs		(37,305)	(156,029)	(497,720)	(268,292)
Other non-operating income and expenses	32				
Reversal of (impairment loss) on other receivables		169	(140)	(327)	(272)
Other non-operating income	28	81,598	35,915	105,723	56,840
Other non-operating expenses	28,29	(97,259)	(140,046)	(175,945)	(252,694)
Profit (loss) before income tax		(50,737)	745,483	566,219	1,667,541
Income tax income (expense)	30	57,383	(200,101)	(106,553)	(450,987)
Profit		6,646	545,382	459,666	1,216,555
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	18	2,627	(1,010)	(393)	(1,882)
Net changes in fair value of equity investments at fair value through other comprehensive income	6,20,23	30,838	37,713	(160,650)	25,590
Total comprehensive income		₩ 40,111	582,085	298,623	1,240,263
Basic and diluted earnings per share (in Won)	31	₩ 62	6,787	5,700	15,144

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Changes in Equity For the six-month periods ended June 30, 2020 and 2019 (Unaudited)

(in millions of Won)

	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
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	-	-	-	-	-	1,216,555	1,216,555
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(1,882)	(1,882)
Net changes in fair value of equity investments							
at fair value through other comprehensive income, net of tax	-	-	-	31,592	-	(6,002)	25,590
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(400,006)	(400,006)
Interim dividends	-	-	-	-	-	(160,231)	(160,231)
Interest of hybrid bonds	-	-	-	-	-	(4,562)	(4,562)
Disposal of treasury shares	-	12,576	-	-	24,425	-	37,001
Business combination	-	408,490	-	-	-	-	408,490
Balance as of June 30, 2019	₩ 482,403	1,575,841	199,384	(175,599)	(1,508,303)	45,819,331	46,393,057
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	-	-	-	-	-	459,666	459,666
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(393)	(393)
Net changes in fair value of equity investments							
at fair value through other comprehensive income, net of tax	-	-	-	(157,747)	-	(2,903)	(160,650)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(320,462)	(320,462)
Interim dividends	-	-	-	-	-	(120,174)	(120,174)
Interest of hybrid bonds	-	-	-	-	-	(4,587)	(4,587)
Acquisition of treasury shares	-	-	-	-	(64,823)	-	(64,823)
Balance as of June 30, 2020	₩ 482,403	1,252,220	199,384	(341,677)	(1,573,126)	45,383,558	45,402,762

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Cash Flows For the six-month periods ended June 30, 2020 and 2019 (Unaudited)

(in millions of Won)

	Notes	June 30, 2020	June 30, 2019
Cash flows from operating activities			
Profit	₩	459,666	1,216,555
Adjustments for :			
Expenses related to post-employment benefit		63,801	59,749
Depreciation		1,126,547	1,071,915
Amortization		50,851	38,426
Impairment loss (reversal of) on trade and other receivables		5,295	(4,364)
Finance income		(551,380)	(456,317)
Finance costs		360,312	177,194
Loss on valuation of inventories		40,802	1,442
Gain on disposal of property, plant and equipment		(6,054)	(14,685)
Loss on disposal of property, plant and equipment		94,234	38,537
Impairment losses on property, plant and equipment		22,687	161,496
Gain on disposal of Intangible assets		(131)	(1,011)
Gain on disposal of investments in subsidiaries, associates and joint venture		(21,907)	(1,194)
Impairment losses on investments in subsidiaries, associates and joint ventures		-	10,422
Gain on disposal of assets held for sale		(26,942)	(715)
Impairment loss on assets held for sale		8,945	1,794
Gain on disposal of emission rights		(24,566)	-
Gain on valuation of emission rights		-	(25,440)
Increase to provisions		38,674	1,053
Income tax expense		106,553	450,987
Others		(3,631)	(592)
Changes in operating assets and liabilities	34	1,572,924	(618,543)
Interest received		83,513	74,330
Interest paid		(106,974)	(81,228)
Dividends received		152,172	200,840
Income taxes paid		(247,633)	(755,923)
Net cash provided by operating activities	₩	3,197,758	1,544,728

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Cash Flows, Continued For the six-month periods ended June 30, 2020 and 2019 (Unaudited)

(in millions of Won)

	Notes	June 30, 2020	June 30, 2019
Cash flows from investing activities			
Decrease in deposits	₩	2,137,923	1,500,369
Proceeds from disposal of short-term financial instruments		16,810,440	14,496,900
Collection of short-term loans		807	-
Proceeds from disposal of current portion of debt security		235,068	3
Proceeds from disposal of equity securities		7,938	22,616
Proceeds from disposal of other securities		990	2,772
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		1,292	4,055
Proceeds from disposal of intangible assets		66,614	5,579
Proceeds from disposal of assets held for sale		161,422	-
Proceeds from business combination		-	2,171
Increase in deposits		(2,676,730)	(1,549,036)
Acquisition of short-term financial instruments		(17,649,928)	(13,719,309)
Increase in long-term loans		(14,852)	(613)
Acquisition of debt securities		(627,159)	(235,011)
Acquisition of other securities		(9,266)	(110)
Acquisition of investment in subsidiaries, associates and joint ventures		(194,275)	(41,798)
Acquisition of property, plant and equipment		(1,322,802)	(703,192)
Proceeds from disposal of property, plant and equipment		(49,934)	(6,886)
Acquisition of intangible assets		(68,813)	(79,223)
Net cash used in investing activities	₩	(3,191,265)	(300,713)
Cash flows from financing activities			
Proceeds from borrowings		2,433,096	300,000
Increase in long-term financial liabilities		209	2,975
Proceeds from disposals of derivatives		-	4,515
Receipt of government grants		540	-
Repayment of borrowings		(409,587)	(666,981)
Repayment of lease liabilities		(31,654)	(19,660)
Decrease in long-term financial liabilities		(284)	(1,357)
Payment of cash dividends		(440,648)	(560,255)
Acquisition of treasury shares		(64,823)	-
Payment of interest of hybrid bonds		(4,613)	(4,587)
Net cash provided by (used in) financing activities	₩	1,482,236	(945,350)
Effect of exchange rate fluctuation on cash held		(19,923)	(1,443)
Net increase in cash and cash equivalents		1,468,806	297,222
Cash and cash equivalents at beginning of the period		978,139	259,219
Cash and cash equivalents at end of the period	₩	2,446,945	556,441

See accompanying notes to the condensed separate interim financial statements.

POSCO

Notes to the Condensed Separate Interim Financial Statements

As of June 30, 2020

(Unaudited)

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 six of its overseas liaison offices.

As of June 30, 2020, the shares of the Company are listed on the Korea Exchange, while its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange.

2. Statement of Compliance

Statement of compliance

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

These condensed separate interim financial statements have been prepared in accordance with K-IFRS No. 1034 “Interim Financial Reporting” as part of the period covered by the Company’s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2019. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

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

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

With the outbreak of COVID-19 pandemic, governments around the globe have implemented measures such as mandatory factory shutdown, shelter-in-place orders, border closure, and travel restrictions. The ultimate impact of COVID-19 pandemic on the Company's operations is not yet known and will depend on future developments. The duration and significance of COVID-19 is highly uncertain and unpredictable, and the protective measures by the governments around the globe or the Company may lead to substantial business interruption and decrease in business scale. The financial impact of this cannot be reasonably estimated, but management expects the Company to be partially affected to the most areas where it operates. The extent and duration of COVID-19's impact on the Company's business cannot yet be reasonably estimated.

(b) Measurement of fair value

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

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

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

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

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

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

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2019. The Company also expects to apply the accounting policies set out below for their annual reporting period ending December 31, 2020.

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

(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 Company does not expect the effect of the amendment to the financial statements to be significant.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>		June 30, 2020	December 31, 2019
Current			
Trade accounts and notes receivable	₩	3,157,907	3,999,991
Less: Allowance for doubtful accounts		(15,013)	(12,950)
	₩	<u>3,142,894</u>	<u>3,987,041</u>
Non-current			
Trade accounts and notes receivable	₩	9,516	9,530
Less: Present value discount		(2,501)	(2,501)
Less: Allowance for doubtful accounts		(1,012)	(1,015)
	₩	<u>6,003</u>	<u>6,014</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩113,188 million and ₩167,021 million as of June 30, 2020 and December 31, 2019, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and is recognized as short-term borrowings from financial institutions.

5. Other Receivables

Other receivables as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>		June 30, 2020	December 31, 2019
Current			
Loans	₩	2,950	2,950
Other accounts receivable		312,290	279,093
Others		70,262	47,257
Less: Allowance for doubtful accounts		(5,244)	(7,948)
	₩	<u>380,258</u>	<u>321,352</u>
Non-current			
Loans	₩	49,765	34,224
Long-term other accounts receivable		44,473	27,570
Others		4,017	3,555
Less: Allowance for doubtful accounts		(9,200)	(8,881)
	₩	<u>89,055</u>	<u>56,468</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

6. Other Financial Assets

(a) Other financial assets as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		June 30, 2020	December 31, 2019
Current			
Short-term derivative assets	₩	109,943	15,603
Debt securities		686,479	290,559
Deposit instruments(*1)		1,833,331	1,294,525
Short-term financial instruments		7,097,780	6,258,292
	₩	9,727,533	7,858,979
Non-current			
Long-term derivative assets	₩	187,985	64,072
Equity securities		918,561	1,128,641
Debt securities		5,348	9,177
Other securities		64,538	55,972
Deposit instruments(*2)		34	34
	₩	1,176,466	1,257,896

(*1) As of June 30, 2020 and December 31, 2019, ₩5,689 million and ₩4,524 million, respectively, are restricted in use in relation to government assigned projects.

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

(b) Equity securities as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

(in millions of Won)

	June 30, 2020						December 31, 2019	
	Number of shares	Ownership (%)		Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value	Book value
Listed equity securities								
Nippon Steel Corporation	15,698,500	1.65	₩	473,962	177,568	(296,394)	177,568	276,133
KB Financial group Inc.	3,863,520	0.93		178,839	131,167	(47,672)	131,167	184,097
Woori Financial Group Inc.	20,280,000	2.81		244,447	178,667	(65,780)	178,667	235,248
SAMWONSTEEL Co., Ltd.	5,700,000	14.25		8,930	11,343	2,413	11,343	17,214
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82		11,911	6,634	(5,277)	6,634	6,778
DONGKUK STEEL MILL CO., LTD	-	-		-	-	-	-	8,571
Others (7 companies)				55,759	30,802	(24,957)	30,802	34,157
				973,848	536,181	(437,667)	536,181	762,198
Unlisted equity securities								
Congonhas Minerios S.A.	3,658,394	2.02		221,535	292,453	70,918	292,453	292,453
POSCO PLANTEC CO., LTD(*1)	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	17,000	4.36		4,165	4,165	-	4,165	4,165
Others (28 companies)				144,191	39,661	(104,530)	39,661	43,161
				415,992	382,380	(33,612)	382,380	366,443
			₩	1,389,840	918,561	(471,279)	918,561	1,128,641

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

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

7. Inventories

Inventories as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>	June 30, 2020	December 31, 2019
Finished goods	₩ 869,670	868,012
Semi-finished goods	1,116,624	1,474,153
By-products	12,478	10,763
Raw materials	1,166,238	1,139,517
Fuel and materials	539,754	646,396
Materials-in-transit	551,200	856,706
Others	632	660
	4,256,596	4,996,207
Less: Allowance for inventories valuation	(40,802)	(7,677)
	₩ 4,215,794	4,988,530

The amount of loss on valuation of inventories recognized in cost of sales during the six-month period ended June 30, 2020 and the year ended December 31, 2019 were ₩40,802 million and ₩7,677 million, respectively.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

8. Assets Held for Sale

Assets held for sale as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		June 30, 2020	December 31, 2019
Assets			
Investments in subsidiaries(*1,2)	₩	37,240	17,603
Property, plant and equipment(*3,4)		31,705	36,321
Intangible assets		812	-
	₩	<u>69,757</u>	<u>53,924</u>

- (*1) The Company determined to dispose its partial interest in POSCO Thainox Public Company Limited, a subsidiary of the Company, and classified the investment as assets held for sale. During the six-month period ended June 30, 2020, the Company recognized ₩3,915 million of impairment loss for the difference between book value and net fair value of the interest, and completed the disposal for part of it.
- (*2) During the six-month period ended June 30, 2020, the Company classified its investment in POSCO Family Strategy Fund, a subsidiary of the Company, as assets held for sale, since it is to be dissolved at its maturity.
- (*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 six-month period ended June 30, 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 disposal 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 were completed during the six-month period ended June 30, 2020 and the Company recognized ₩26,633 million of gain on disposal for the difference between the carrying amount and the sale price.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and their carrying amounts as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

(in millions of Won)			June 30, 2020		December 31, 2019
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
POSCO INTERNATIONAL Corporation	Korea	Trading	62.91	₩ 3,383,745	3,383,745
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	Korea	Engineering and construction			
			52.80	1,014,314	1,014,314
POSCO ENERGY CO., LTD.	Korea	Power generation	89.02	658,176	658,176
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	56.87	108,421	108,421
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780
POSCO CHEMICAL CO., LTD	Korea	Refractory manufacturing and sales	61.26	207,631	207,631
POSCO O&M Co., Ltd(*1)	Korea	Business facility maintenance	47.17	73,374	73,374
POSCO ICT	Korea	Computer hardware			
		and software distribution	65.38	70,990	70,990
POSCO M-TECH(*1)	Korea	Packing materials manufacturing and sales	48.85	107,278	107,278
POSCO Family Strategy Fund(*2)	Korea	Investment in venture companies	69.91	-	29,596
Busan E&E Co., Ltd.(*3)	Korea	Municipal solid waste fuel and power generation	70.00	30,148	30,148
Others (10 companies)				117,393	117,393
				5,875,250	5,904,846
[Foreign]					
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	707,509	707,509
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	100.00	642,434	640,720
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	722,569	722,569
POSCO Canada Ltd.	Canada	Coal mine development	100.00	560,879	560,879
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	100.00	330,623	330,623
POSCO (Zhangjiagang) Stainless Steel Co.,Ltd.	China	Stainless steel manufacturing and sales	58.60	283,845	283,845
POSCO Thainox Public Company Limited	Thailand	Stainless steel manufacturing and sales	84.29	212,339	212,339
POSCO-China Holding Corp.	China	Investment management	100.00	593,841	593,841
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99	75,567	75,567
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	83.28	180,072	180,072
POSCO America Corporation	USA	Steel trading	99.45	192,156	192,156
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	160,572	160,572
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65	144,573	144,573
POSCO(Guangdong) Automotive Steel Co., Ltd.	China	Plate steel manufacturing and sales	83.64	52,936	52,936
POSCO COATED STEEL (THAILAND) CO., LTD.	Thailand	Plate steel manufacturing and sales	100.00	121,592	121,592
POSCO Asia Co., Ltd.	Hong Kong	Steel and raw material trading	100.00	117,710	117,710
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00	92,800	92,800
POSCO JAPAN Co., Ltd.	Japan	Steel trading	100.00	68,436	68,436
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	70.00	65,982	65,982
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales			
			90.00	62,494	62,494
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	100.00	50,297	50,297
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79	45,479	45,479
POSCO Argentina S.A.U.	Argentina	Mineral exploration, manufacturing and sale	100.00	370,250	370,250
POSCO YAMATO VINA STEEL JOINT STOCK COMPANY (Formerly, POSCO SS VINA JOINT STOCK COMPANY)(*4)	Vietnam	Steel manufacturing and sales	51.00	130,526	-
Others (28 companies)(*5)				510,080	485,668
				6,495,561	6,338,909
				₩ 12,370,811	12,243,755

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

(*2) During the six-month period ended June 30, 2020, the Company classified its investment in POSCO Family Strategy Fund, a subsidiary of the Company, as assets held for sale, since it is to be dissolved at its maturity.

(*3) As of June 30, 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.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

- (*4) During the six-month period ended June 30, 2020, POSCO SS VINA JOINT STOCK COMPANY changed its name to POSCO YAMATO VINA STEEL JOINT STOCK COMPANY. The Company sold 49% of POSCO YAMATO VINA STEEL JOINT STOCK COMPANY and invested ₩130,526 million in cash.
- (*5) During the six-month period ended June 30, 2020, the Company sold the investment in POSCO China Dalian Plate Processing Center Co., Ltd., a subsidiary.

(b) Details of associates and their carrying amounts as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

(in millions of Won)

			June 30, 2020		December 31, 2019
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	Korea	Investment in mines	31.64	₩ 169,316	169,316
SNNC	Korea	STS material manufacturing and sales	49.00	100,655	100,655
QSONE Co.,Ltd.	Korea	Real estate rental business	50.00	85,550	85,550
Others (6 companies)(*1)				21,177	22,468
				376,698	377,989
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.)(*2)	Canada	Investment in mines	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (6 companies)				39,692	39,590
				364,233	364,131
				₩ 740,931	742,120

- (*1) During the six-month period ended June 30, 2020, the investment in POSCO PLANTEC Co., Ltd., an associate, was reclassified from associates to equity securities as the paid-in capital increase of POSCO PLANTEC Co., Ltd. reduced the company's ownership percentage to less than 20%, resulting in a loss of significant influence over the investee.
- (*2) As of June 30, 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 six-month period ended June 30, 2020, 7623704 Canada Inc. changed its name to 9404-5515 Quebec Inc.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

(c) Details of joint ventures and their carrying amounts as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 2020		December 31, 2019
			Ownership (%)	Book value	Book value
Roy Hill Holdings Pty Ltd(*1)	Australia	Mine development	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem	Brazil	Steel manufacturing and sales	20.00	343,553	322,463
POSCO-NPS Niobium LLC	USA	Mine development	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
Others (3 companies)				72,484	72,484
				₩ 2,105,072	2,083,982

(*1) As of June 30, 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.

10. Investment Property, Net

Changes in the carrying amount of investment property for the six-month period ended June 30, 2020 and the year ended December 31, 2019 were as follows:

(a) For the six-month period ended June 30, 2020

(in millions of Won)

	Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩ 91,738	-	232	91,970
Buildings	57,228	(2,033)	388	55,583
Structures	9,111	(305)	19	8,825
	₩ 158,077	(2,338)	639	156,378

(*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.

(b) For the year ended December 31, 2019

	Beginning	Business Combination(*1)	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) These increases were 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.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

11. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2020 and the year ended December 31, 2019 were as follows:

(a) For the six-month period ended June 30, 2020

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,398,081	-	(6)	-	-	(231)	1,397,844
Buildings		2,100,503	2,228	(1,927)	(103,267)	(268)	107,227	2,104,496
Structures		2,030,853	1,443	(1,276)	(85,825)	(860)	18,284	1,962,619
Machinery and equipment		12,602,435	18,329	(9,257)	(890,670)	(9,057)	704,439	12,416,219
Vehicles		9,951	956	(3)	(3,250)	-	3,237	10,891
Tools		27,288	694	-	(6,042)	-	3,047	24,987
Furniture and fixtures		38,329	1,182	-	(5,608)	-	5,543	39,446
Lease assets		262,368	-	-	(29,547)	-	109,986	342,807
Construction-in-progress		1,662,391	1,251,944	(3,951)	-	(12,502)	(1,010,094)	1,887,788
	₩	20,132,199	1,276,776	(16,420)	(1,124,209)	(22,687)	(58,562)	20,187,097

(*1) The Company estimated recoverable amount for individual assets that ceased operations due to the disposal plan and others at fair value less costs to sell based on sale price or scrap value and recognized impairment loss since recoverable amounts are less than their carrying amounts as of June 30, 2020. In addition, during the six-month period ended June 30, 2020, the Company recognized impairment loss on certain assets due to damage from 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.

(b) For the year ended December 31, 2019

(in millions of Won)		Beginning	Acquisitions	business 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	1,986,812	804,706	(34,285)	(2,155,433)	(222,036)	(401,899)	20,132,199

(*1) The Company estimated recoverable amount for individual assets related to CEM and Fe-Si factories, etc. that ceased operations due to the disposal plan and others using fair value less costs to sell 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 held for sale and liabilities directly associated with the assets held for sale. As of December 31, 2019, the Company recognized ₩28,626 million of gain on disposal 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 "Leases" are included in other changes.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

(*4) 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.

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

(c) 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 six-month period ended June 30, 2020 were as follows.

<i>(in millions of Won)</i>		Beginning	Acquisitions	Depreciation	Others	Ending
Buildings	₩	71,921	-	(3,231)	-	68,690
Structures		64,434	-	(2,607)	-	61,827
Machinery and equipment		60,198	-	(2,750)	-	57,448
Vehicles		6,755	-	(250)	-	6,505
Ships		24,082	111,537	(13,826)	-	121,793
Furniture and fixtures		34,978	-	(6,883)	(1,551)	26,544
	₩	262,368	111,537	(29,547)	(1,551)	342,807

② Changes in the carrying amount of right-of-use assets presented as property, plant and equipment for the 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
	₩	271,411	27,376	(34,669)	(1,750)	262,368

2) Amount recognized in profit or loss

The amounts recognized in profit or loss related to leases for the three-month and the six-month periods ended June 30, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Interest on lease liabilities	₩	2,399	2,196	5,057	4,461
Expenses related to short-term leases		884	1,014	1,890	1,937
Expenses related to leases of low-value assets		1,574	1,323	3,389	2,727
	₩	4,857	4,533	10,336	9,125

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

12. Intangible Assets, Net

Changes in the carrying amount of intangible assets for the six-month period ended June 30, 2020 and the year ended December 31, 2019 were as follows:

(a) For the six-month period ended June 30, 2020

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Transfer(*2)	Ending
Intellectual property rights	₩	24,545	-	(1,360)	(2,984)	3,486	23,687
Membership(*1)		82,657	-	(345)	-	-	82,312
Development expense		86,023	102	-	(22,503)	10,982	74,604
Port facilities usage rights		278,072	-	-	(22,571)	-	255,501
Construction-in-progress		137,273	50,381	-	-	(13,160)	174,494
Other intangible assets		100,345	19,725	(61,302)	(2,793)	918	56,893
	₩	<u>708,915</u>	<u>70,208</u>	<u>(63,007)</u>	<u>(50,851)</u>	<u>2,226</u>	<u>667,491</u>

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

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

(b) For the year ended December 31, 2019

<i>(in millions of Won)</i>		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.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

13. Other Assets

Other assets as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

	June 30, 2020	December 31, 2019
Current		
Advance payments	₩ 9,901	6,252
Prepaid expenses	23,659	21,849
	<u>₩ 33,560</u>	<u>28,101</u>
Non-current		
Long-term prepaid expenses	₩ 4,735	5,088
Others(*1)	99,329	100,186
	<u>₩ 104,064</u>	<u>105,274</u>

(*1) As of June 30, 2020 and December 31, 2019, the Company recognized tax assets amounting to ₩96,312 million and ₩97,185 million, respectively, based on the Company's best estimate of the income 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.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

14. Borrowings

(a) Borrowings as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		June 30, 2020	December 31, 2019
Short-term borrowings			
Short-term borrowings	₩	465,153	167,021
Current portion of debentures		2,000,980	980,460
Less: Current portion of discount on debentures issued		(1,483)	(1,005)
	₩	2,464,650	1,146,476
Long-term borrowings			
Long-term borrowings	₩	1,225	1,181
Debentures		6,132,211	5,216,681
Less: Discount on debentures issued		(36,104)	(26,325)
	₩	6,097,332	5,191,537

(b) Short-term borrowings as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	June 30, 2020	December 31, 2019
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	₩ 113,188	167,021
Borrowings in Foreign Trade	MUFG and others	2020.05.19~ 2020.06.23	2020.08.17~ 2020.09.18	0.84~1.99	351,965	-
					₩ 465,153	167,021

(c) Current portion of long-term borrowings as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	June 30, 2020	December 31, 2019
Debentures	Domestic debentures 306-2 and other	2013.10.04~ 2016.05.03	2020.10.04~ 2021.05.03	1.88~3.50	₩ 319,896	169,930
Foreign debentures	Global debentures 2 and other	2010.10.28~ 2011.04.14	2020.10.28~ 2021.04.14	4.25~5.25	1,679,601	809,525
					₩ 1,999,497	979,455

(d) Long-term borrowings excluding current portion, as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	June 30, 2020	December 31, 2019
Foreign borrowings	KOREA ENERGY AGENCY	2007.12.27~ 2008.12.29	2022.12.29	3 year Government bond	₩ 1,225	1,181
Debentures	Domestic debentures 304-2 and others	2011.11.28~ 2019.10.16	2021.07.05~ 2029.10.16	1.56~4.12	2,355,147	2,504,194
Foreign debentures	Japan Yen private bond and others	2011.12.22~ 2020.01.17	2021.12.22~ 2025.01.17	0.50~4.00	3,740,960	2,686,162
					₩ 6,097,332	5,191,537

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

15. Other Payables

Other payables as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		<u>June 30, 2020</u>	<u>December 31, 2019</u>
Current			
Accounts payable	₩	461,508	630,162
Accrued expenses		432,256	432,835
Dividend payable		2,259	2,296
Lease liabilities		108,874	40,463
Withholdings		10,426	7,247
	₩	<u>1,015,323</u>	<u>1,113,003</u>
Non-current			
Long-term accrued expenses	₩	43	842
Lease liabilities		230,239	216,508
Long-term withholdings		3,723	5,452
	₩	<u>234,005</u>	<u>222,802</u>

16. Other Financial Liabilities

Other financial liabilities as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		<u>June 30, 2020</u>	<u>December 31, 2019</u>
Current			
Financial guarantee liabilities	₩	7,556	10,969
Non-current			
Derivative liabilities	₩	-	8,285
Financial guarantee liabilities		36,411	38,640
	₩	<u>36,411</u>	<u>46,925</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

17. Provisions

(a) Provisions as of June 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		June 30, 2020		December 31, 2019	
		Current	Non-current	Current	Non-current
Provision for bonus payments(*1,2)	₩	12,621	27,845	14,020	35,816
Provision for restoration(*3)		4,902	15,087	6,783	15,942
Provision for legal contingencies and claims(*4)		-	2,052	204	2,184
Provision for product warranties(*5)		22,602	4,589	-	-
	₩	40,125	49,573	21,007	53,942

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

(*2) The Company estimated the present value of estimated future cash payments about the long-term service reward, based on actuarial measurement.

(*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 June 30, 2020. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available currently to restore the land to its original condition. In addition, the Company has applied discount rates of 1.45%~1.60% to assess present value of these costs.

(*4) The Company has recognized provisions for certain litigations and other contingencies as of June 30, 2020.

(*5) As of June 30, 2020, the Company recognized the expected claim cost to be charged as a provision.

(b) Changes in provisions for the six-month period ended June 30, 2020 and the year ended December 31, 2019 were as follows:

1) For the six-month period ended June 30, 2020

(in millions of Won)

	Beginning	Increase	Reversal	Utilization	Ending
Provision for bonus payments	₩ 49,836	8,373	-	(17,743)	40,466
Provision for restoration	22,725	221	(340)	(2,617)	19,989
Provision for legal contingencies and claims	2,388	424	(709)	(51)	2,052
Provision for product warranties	-	39,077	-	(11,886)	27,191
	₩ 74,949	48,095	(1,049)	(32,297)	89,698

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

2) For the year ended December 31, 2019

<i>(in millions of Won)</i>		Beginning	Increase	Reversal	Utilization	Transfer	Ending
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>

18. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month and the six-month periods ended June 30, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Expenses related to post-employment benefit plans under defined contribution plans	₩	8,710	8,515	18,907	17,621

(b) Defined benefit plans

1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>		June 30, 2020	December 31, 2019
Present value of funded obligations	₩	1,424,326	1,435,942
Fair value of plan assets		(1,365,451)	(1,381,796)
Net defined benefit liabilities	₩	<u>58,875</u>	<u>54,146</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

- 2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2020 and the year ended December 31, 2019 were as follows:

<i>(in millions of Won)</i>		June 30, 2020	December 31, 2019
Defined benefit obligation at the beginning of period	₩	1,435,942	1,265,675
Current service costs		63,559	119,957
Interest costs		13,856	31,567
Remeasurement(*1)		-	104,442
Business combination		-	317
Reclassification to liabilities			
directly associated with the assets held for sale		-	(1,448)
Benefits paid		(89,031)	(84,568)
Defined benefit obligation at the end of period	₩	<u>1,424,326</u>	<u>1,435,942</u>

- (*1) The Company does not remeasure the defined benefit plans for the purpose of interim reporting.

- 3) Changes in the fair value of plan assets for the six-month period ended June 30, 2020 and the year ended December 31, 2019 were as follows:

<i>(in millions of Won)</i>		June 30, 2020	December 31, 2019
Fair value of plan assets at the beginning of period	₩	1,381,796	1,264,812
Interest on plan assets		13,614	32,347
Remeasurement of plan assets		(542)	(6,668)
Contributions to plan assets		61,585	161,500
Business combination		-	670
Reclassification to liabilities			
directly associated with the assets held for sale		-	(1,448)
Benefits paid		(91,002)	(69,417)
Fair value of plan assets at the end of period	₩	<u>1,365,451</u>	<u>1,381,796</u>

- 4) The amounts recognized in the statements of comprehensive income for the three-month and the six-month periods ended June 30, 2020 and 2019 were as follows:

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Current service costs	₩	31,355	28,775	63,559	60,139
Net interest costs		121	(195)	242	(390)
	₩	<u>31,476</u>	<u>28,580</u>	<u>63,801</u>	<u>59,749</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

19. Other Liabilities

Other liabilities as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>		June 30, 2020	December 31, 2019
Current			
Advances received	₩	5,493	5,112
Withholdings		108,777	106,474
Unearned revenue		18,350	23,561
	₩	<u>132,620</u>	<u>135,147</u>
Non-current			
Unearned revenue	₩	540	5,230

20. Financial Instruments

(a) Classification and fair value of financial instruments

- 1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of June 30, 2020 and December 31, 2019 are as follows:

① June 30, 2020

<i>(in millions of Won)</i>		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets						
Fair value through profit or loss						
Derivative assets	₩	297,928	-	297,928	-	297,928
Short-term financial instruments		7,097,780	-	7,097,780	-	7,097,780
Debt securities		8,050	-	-	8,050	8,050
Other securities		64,538	-	-	64,538	64,538
Other receivables		2,000	-	-	2,000	2,000
Fair value through other comprehensive income						
Equity securities		918,561	536,181	-	382,380	918,561
Debt securities		1,648	-	-	1,648	1,648
Financial assets measured at amortized cost(*1)						
Cash and cash equivalents		2,446,945	-	-	-	-
Trade accounts and notes receivable		3,144,814	-	-	-	-
Debt securities		682,129	-	-	-	-
Other receivables		316,419	-	-	-	-
Deposit instruments		1,833,365	-	-	-	-
	₩	<u>16,814,177</u>	<u>536,181</u>	<u>7,395,708</u>	<u>458,616</u>	<u>8,390,505</u>
Financial liabilities						
Financial liabilities measured at amortized cost(*1)						
Trade accounts and notes payable	₩	855,533	-	-	-	-
Borrowings		8,561,982	-	8,807,627	-	8,807,627
Financial guarantee liabilities		43,967	-	-	-	-
Others		1,177,012	-	-	-	-
	₩	<u>10,638,494</u>	<u>-</u>	<u>8,807,627</u>	<u>-</u>	<u>8,807,627</u>

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

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

② December 31, 2019

(in millions of Won)		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative 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.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

- 2) Financial liabilities were recognized in connection with financial guarantee contracts as of June 30, 2020. The details of the amount of guarantees provided are as follows:

(in millions of Won)

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount	
		Foreign currency	Won equivalent	Foreign currency	Won equivalent
Subsidiaries					
POSCO Maharashtra Steel Private Limited	SCB	USD	33,784,000	40,564	33,784,000
POSCO ASSAN TST STEEL INDUSTRY	ING	USD	50,000,000	60,035	50,000,000
	SMBC	USD	62,527,500	75,077	56,274,750
	ING	USD	60,000,000	72,042	54,000,000
	BNP	USD	24,000,000	28,817	21,600,000
POSCO Asia Co., Ltd.	Credit Agricole	USD	50,000,000	60,035	50,000,000
POSCO MEXICO S.A. DE C.V.	CITI BANAMEX	USD	30,000,000	36,021	30,000,000
	BOA	USD	30,000,000	36,021	30,000,000
	SMBC	USD	20,000,000	24,014	20,000,000
	MIZUHO	USD	20,000,000	24,014	20,000,000
	ANZ	USD	20,000,000	24,014	20,000,000
POSCO-VIETNAM Co., Ltd.	SMBC	USD	50,000,000	60,035	50,000,000
	Credit Agricole	USD	40,000,000	48,028	40,000,000
	BTMU	USD	26,000,000	31,218	26,000,000
	Citi	USD	20,000,000	24,014	20,000,000
	MIZUHO	USD	20,000,000	24,014	20,000,000
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	567,000,000	680,797	363,264,797
	SMBC	USD	140,000,000	168,098	89,832,217
	BTMU	USD	119,000,000	142,883	75,125,217
	MIZUHO	USD	105,000,000	126,074	66,286,957
	SCB	USD	107,800,000	129,435	69,504,217
	Credit Suisse AG	USD	91,000,000	109,264	57,448,696
	HSBC	USD	91,000,000	109,264	57,448,696
	ANZ	USD	73,500,000	88,251	47,850,478
	BOA	USD	35,000,000	42,025	22,095,652
	The Tokyo Star Bank, Ltd	USD	21,000,000	25,215	13,257,391
POSCO COATED STEEL (THAILAND) CO., LTD.	Citi	THB	801,000,000	31,143	801,000,000
	ANZ	THB	1,175,000,000	45,684	1,175,000,000
	MUFG	THB	1,175,000,000	45,684	1,175,000,000
	SC	THB	1,175,000,000	45,684	1,175,000,000
	SMBC	THB	1,175,000,000	45,684	1,175,000,000
Associates					
LLP POSUK Titanium	SMBC	USD	13,500,000	16,209	13,500,000
Nickel Mining Company SAS	SMBC	EUR	46,000,000	62,109	46,000,000
Joint ventures					
CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea	USD	182,000,000	218,527	162,772,945
	Santander	USD	47,600,000	57,153	41,873,544
	BNP	USD	47,600,000	57,153	41,873,544
	MIZUHO	USD	47,600,000	57,153	41,873,544
	Credit Agricole	USD	20,000,000	24,014	17,593,933
	SOCIETE GENERALE	USD	20,000,000	24,014	17,593,933
	KfW	USD	20,000,000	24,014	17,593,933
	BBVA Seoul	USD	17,600,000	21,132	15,482,645
	ING	USD	17,600,000	21,132	15,482,645
	BNDES	BRL	464,060,000	103,114	464,060,000
		USD	2,340,111,500	2,809,770	1,789,413,734
		EUR	46,000,000	62,109	46,000,000
		THB	5,501,000,000	213,879	5,501,000,000
		BRL	464,060,000	103,114	464,060,000

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

3) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2020 and 2019 were as follows:

① For the six -month period ended June 30, 2020

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	
Financial assets at fair value through profit or loss	₩	77,159	-	-	485	223,151	-	-
Financial assets at fair value through other comprehensive income		-	24,483	-	-	-	-	(160,650)
Financial assets measured at amortized cost		24,207	-	94,915	-	-	-	-
Financial liabilities at fair value through profit or loss		-	-	-	447	13,977	-	-
Financial liabilities measured at amortized cost		(113,808)	-	(217,448)	-	-	11,840	-
	₩	(12,442)	24,483	(122,533)	932	237,128	11,840	(160,650)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩147,724 million for the six -month period ended June 30, 2020.

② For the six -month period ended June 30, 2019

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	
Financial assets at fair value through profit or loss	₩	64,673	-	-	461	68,545	-	-
Financial assets at fair value through other comprehensive income		-	41,088	-	-	-	-	25,590
Financial assets measured at amortized cost		16,948	-	84,249	-	-	-	-
Financial liabilities at fair value through profit or loss		-	-	-	19	34,744	-	-
Financial liabilities measured at amortized cost		(73,589)	-	(122,843)	-	-	4,666	-
	₩	8,032	41,088	(38,594)	480	103,289	4,666	25,590

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩187,941 million for the six -month period ended June 30, 2019.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

- 4) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2020 and 2019 were as follows:

① For the three-month period ended June 30, 2020

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	
Financial assets at fair value through profit or loss	₩	38,444	-	-	289	(29,542)	-	9,191
Financial assets at fair value through other comprehensive income		-	237	-	-	-	-	237
Financial assets measured at amortized cost		13,798	-	(46,814)	-	-	-	(33,016)
Financial liabilities at fair value through profit or loss		-	-	-	422	2,435	-	2,857
Financial liabilities measured at amortized cost		(56,712)	-	108,704	-	-	3,903	55,895
	₩	(4,470)	237	61,890	711	(27,107)	3,903	35,164
								30,838

- (*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩38,066 million for the three-month period ended June 30, 2020.

② For the three-month period ended June 30, 2019

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	
Financial assets at fair value through profit or loss	₩	31,220	-	-	461	17,190	-	48,871
Financial assets at fair value through other comprehensive income		-	13,301	-	-	-	-	13,301
Financial assets measured at amortized cost		9,415	-	33,449	-	-	-	42,864
Financial liabilities at fair value through profit or loss		-	-	-	-	31,109	-	31,109
Financial liabilities measured at amortized cost		(36,677)	-	(64,875)	-	-	2,356	(99,196)
	₩	3,958	13,301	(31,426)	461	48,299	2,356	36,949
								37,713

- (*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩88,506 million for the three-month period ended June 30, 2019.

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the separate financial statements as of and for the year ended December 31, 2019.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

21. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in Won, except share information)</i>	June 30, 2020	December 31, 2019
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares(*1)	87,186,835	87,186,835
Share capital(*2)	₩ 482,403,125,000	482,403,125,000

(*1) As of June 30, 2020, the total number of ADRs of 30,935,880 outstanding in overseas stock market is equivalent to 7,733,970 shares of common stock.

(*2) As of June 30, 2020, the difference between the ending balance of common stock and the aggregate par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>	June 30, 2020	December 31, 2019
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	796,623	796,623
Loss on disposal of hybrid bonds	(1,787)	(1,787)
Loss from merger	(6,441)	(6,441)
	₩ 1,252,220	1,252,220

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

22. Hybrid Bonds

Hybrid bonds classified as equity as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Rate of Interest (%)		June 30, 2020	December 31, 2019
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60	₩	200,000	200,000
Issuance cost					(616)	(616)
				₩	<u>199,384</u>	<u>199,384</u>

(*1) Details of hybrid bonds as of June 30, 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 shareholders, but subordinate to other creditors. The interest accumulated but not paid on the hybrid bonds as of June 30, 2020 amounts to ₩454 million.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

23. Reserves

Reserves as of June 30, 2020 and December 31, 2019 were as follows:

<i>(in millions of Won)</i>		<u>June 30, 2020</u>	<u>December 31, 2019</u>
Changes in fair value of equity investments			
at fair value through other comprehensive income	₩	(341,677)	(183,930)

24. Treasury Shares

During the six-month period ended June 30, 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. The number of treasury shares acquired according to the contract is 358,953 during the six-month period ended June 30, 2020.

As of June 30, 2020, the Company holds 7,430,147 treasury shares for share price stabilization and other purposes in accordance with the Board of Director's resolution.

25. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month and six-month periods ended June 30, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>	<u>For the three-month periods ended June 30</u>		<u>For the six-month periods ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Types of revenue				
Sales of steel product	₩ 5,683,303	7,221,131	12,422,165	14,771,099
Transportation services	161,641	193,164	348,051	389,835
Others	39,880	61,559	84,464	131,391
	₩ <u>5,884,824</u>	<u>7,475,854</u>	<u>12,854,680</u>	<u>15,292,325</u>
Timing of revenue recognition				
Revenue recognized at a point in time	₩ 5,709,534	7,264,321	12,477,283	14,866,745
Revenue recognized over time	175,290	211,533	377,397	425,580
	₩ <u>5,884,824</u>	<u>7,475,854</u>	<u>12,854,680</u>	<u>15,292,325</u>

(b) Details of contract assets and liabilities from contracts with customers as of June 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2020</u>	<u>December 31, 2019</u>
Receivables			
Accounts receivable	₩	3,144,814	3,983,573
Contract assets			
Accounts receivable		4,083	9,482
Contract liabilities			
Advance received		5,493	5,112
Unearned income		18,634	28,484

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

26. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month and six-month periods ended June 30, 2020 and 2019 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Wages and salaries	₩ 54,435	56,073	115,690	113,307
Expenses related to post-employment benefits	6,539	5,906	14,182	15,193
Other employee benefits	11,052	13,167	23,287	26,493
Travel	1,822	3,780	4,607	6,814
Depreciation	6,809	6,451	13,662	12,928
Amortization	9,039	9,144	18,456	18,288
Rental	10,946	9,509	24,204	18,452
Repairs	1,581	3,345	3,831	5,817
Advertising	14,490	19,263	29,384	32,902
Research & development	15,586	19,267	31,392	42,276
Service fees	40,068	41,147	77,441	82,727
Supplies	126	585	360	3,091
Vehicles maintenance	1,166	1,816	2,448	3,117
Industry association fee	1,244	908	3,220	2,631
Training	3,863	6,228	8,182	11,763
Conference	885	1,496	1,967	2,991
Others	13,111	11,525	19,218	17,640
	₩ 192,762	209,610	391,531	416,430

(b) Selling expenses

Selling expenses for the three-month and six-month periods ended June 30, 2020 and 2019 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Freight and custody	₩ 29,401	29,976	63,102	63,685
Operating expenses for distribution center	1,439	2,387	3,158	4,743
Sales commissions	19,535	21,865	64,788	37,431
Sales advertising	219	489	305	621
Sales promotion	302	1,257	696	2,261
Sample	157	331	333	545
Sales insurance premium	1,437	1,590	2,944	2,897
	₩ 52,490	57,895	135,326	112,183

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

27. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2020 and 2019 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
<i>(in millions of Won)</i>				
Finance income				
Interest income(*1)	₩ 52,242	40,635	101,366	81,621
Dividend income	38,303	101,807	172,207	229,029
Gain on foreign currency transactions	85,665	83,938	232,829	118,877
Gain on foreign currency translations	(43,959)	3,276	27,339	35,939
Gain on valuation of derivatives	(27,107)	48,316	237,128	102,788
Others	5,391	3,513	13,983	6,940
	₩ 110,535	281,485	784,852	575,194
Finance costs				
Interest expenses	₩ 56,712	36,677	113,808	73,589
Loss on foreign currency transactions	59,730	60,011	136,197	89,805
Loss on foreign currency translations	(79,914)	58,629	246,504	103,605
Others	777	712	1,211	1,293
	₩ 37,305	156,029	497,720	268,292

(*1) Interest income calculated using the effective interest method for the six-month periods ended June 30, 2020 and 2019 were ₩24,207 million and ₩16,948 million, respectively.

28. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2020 and 2019 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
<i>(in millions of Won)</i>				
Other non-operating income				
Gain on disposals of property, plant and equipment	₩ 2,232	3,196	6,054	14,685
Gain on disposals of investment in subsidiaries, associates and joint ventures	21,907	-	21,907	1,194
Gain on disposals of assets held for sale	26,644	680	26,942	715
Gain on insurance proceeds	6,027	131	6,886	258
Gain on valuation of emission rights	-	25,440	-	25,440
Gain on disposals of emission rights	16,823	-	24,566	-
Others	7,965	6,468	19,368	14,548
	₩ 81,598	35,915	105,723	56,840
Other non-operating expenses				
Loss on disposals of property, plant and equipment	₩ 42,935	25,422	94,234	38,537
Impairment loss on property, plant and equipment	22,687	88,681	22,687	161,496
Impairment loss on investment in subsidiaries, associates and joint ventures	-	3,987	-	10,422
Donations	3,000	1,000	11,709	8,400
Impairment loss on assets held for sale	2,616	(713)	8,945	1,794
Others	26,021	21,669	38,370	32,045
	₩ 97,259	140,046	175,945	252,694

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

29. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses and other non-operating expenses in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019 were as follows (excluding finance costs and income tax expenses):

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
(in millions of Won)				
Changes in inventories(*1)	₩ 289,400	(217,026)	387,281	1,681
Raw materials and consumables used	3,578,505	4,606,866	7,724,146	9,018,589
Employee benefits expenses	437,550	436,959	897,134	868,661
Outsourced processing cost	568,597	628,682	1,227,456	1,227,096
Depreciation(*2)	565,690	533,300	1,126,547	1,071,915
Amortization	25,235	19,336	50,851	38,426
Electricity and water	49,901	135,567	116,551	288,587
Service fees	61,282	63,620	119,628	124,861
Rental	20,162	13,481	42,908	26,569
Advertising	14,490	19,263	29,384	32,902
Freight and custody expenses	164,813	212,431	380,504	440,291
Sales commissions	19,535	21,865	64,788	37,431
Loss on disposals of property, plant and equipment	42,935	25,422	94,234	38,537
Impairment loss on property, plant and equipment	22,687	88,681	22,687	161,496
Impairment loss on investments in subsidiaries, associates and joint ventures	-	3,987	-	10,422
Other expenses	229,607	299,332	397,217	601,086
	₩ 6,090,389	6,891,766	12,681,316	13,988,550

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

(*2) Includes depreciation of investment property.

30. Income Taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2020 and 2019 were 18.82% and 27.05%, respectively.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

31. Earnings per Share

Basic earnings per share for the three-month and six-month periods ended June 30, 2020 and 2019 were as follows:

(in Won, except share information)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Profit for the period	₩	6,645,986,027	545,381,748,420	459,666,301,329	1,216,554,712,849
Interests of hybrid bonds, net of tax		(1,662,931,506)	(1,662,931,506)	(3,325,863,013)	(3,307,589,040)
Weighted-average number of common shares outstanding(*1)		80,006,436	80,115,641	80,061,039	80,111,845
Basic earnings per share	₩	62	6,787	5,700	15,144

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

(shares)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,180,399)	(7,071,194)	(7,125,796)	(7,074,990)
Weighted-average number of common shares outstanding	80,006,436	80,115,641	80,061,039	80,111,845

Since there were no potential shares of common stock which had dilutive effects as of June 30, 2020 and 2019, diluted earnings per share is equal to basic earnings per share.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

32. Related Party Transactions

(a) Significant transactions with related companies for the six-month periods ended June 30, 2020 and 2019 were as follows:

1) For the six-month period ended June 30, 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.	₩ 3,548	11,096	15	442,305	60	12,835
POSCO COATED & COLOR STEEL Co., Ltd.	205,766	1,695	-	-	15,176	208
POSCO ICT(*4)	1,429	4,991	-	184,310	20,941	87,668
eNtoB Corporation	7	60	113,378	18,848	28	12,493
POSCO CHEMICAL CO., LTD.	144,466	24,770	229,721	12,830	154,424	4,362
POSCO ENERGY CO., LTD.	1,553	1,216	9,995	3	-	11,110
POSCO INTERNATIONAL Corporation	2,795,437	54,331	110,798	-	11,371	2,083
POSCO Thainox Public Company Limited	106,717	137	3,454	-	-	-
POSCO America Corporation	96,266	-	-	-	-	3
POSCO Canada Ltd.	-	816	90,805	-	-	-
POSCO Asia Co., Ltd.	719,978	965	81,671	2,272	1,162	1,419
Qingdao Pohang Stainless Steel Co., Ltd.	70,768	66	-	-	-	176
POSCO JAPAN Co., Ltd.	548,842	-	16,420	2,959	-	1,088
POSCO-VIETNAM Co., Ltd.	101,105	223	-	-	-	20
POSCO MEXICO S.A. DE C.V.	68,574	99	-	-	-	304
POSCO Maharashtra Steel Private Limited	153,754	847	-	-	-	185
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	57,645	-	-	-	-	-
POSCO VST CO., LTD.	132,216	56	-	-	-	20
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	804	291,649	-	-	-
Others	573,063	18,184	41,106	25,580	128,557	58,065
	5,781,134	120,356	989,012	689,107	331,719	192,039
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.(*5)	65	41	916	84,839	4,086	12,431
SNNC	2,901	3,478	219,060	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	17,154	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	625,545	-	-	-
Others	14,332	54,933	28,954	-	-	13,348
	34,452	58,452	874,475	84,839	4,086	25,779
₩	5,815,586	178,808	1,863,487	773,946	335,805	217,818

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

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

(*3) As of June 30, 2020, the Company provided guarantees to related companies (Note 20).

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

(*5) During the six-month period ended June 30, 2020, POSCO PLANTEC Co., Ltd. was excluded from associates due to the Company's loss of significant influence over the investee.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

2) For the six-month period ended June 30, 2019

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 3,608	11,089	-	139,349	21	5,233
POSCO COATED & COLOR STEEL Co., Ltd.	233,408	1,707	-	-	7,684	491
POSCO ICT	1,509	4,989	-	148,817	17,055	88,838
eNtoB Corporation	7	60	159,576	16,936	59	13,431
POSCO CHEMICAL CO., LTD	197,793	25,129	255,299	7,578	156,383	2,010
POSCO ENERGY CO., LTD.	106,602	624	-	-	-	62
POSCO INTERNATIONAL Corporation	2,841,376	46,572	330,044	-	26,037	2,569
POSCO Thainox Public Company Limited	120,032	13,675	3,733	-	-	3
POSCO America Corporation	184,517	-	-	-	-	39
POSCO Canada Ltd.	340	604	151,892	-	-	-
POSCO Asia Co., Ltd.	861,771	585	248,431	-	987	2,796
Qingdao Pohang Stainless Steel Co., Ltd.	59,410	-	-	-	-	-
POSCO JAPAN Co., Ltd.	756,357	-	21,553	3,021	-	1,487
POSCO-VIETNAM Co., Ltd.	141,535	181	-	-	-	37
POSCO MEXICO S.A. DE C.V.	153,766	31	-	-	-	5
POSCO Maharashtra Steel Private Limited	333,608	187	-	-	-	256
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	43,313	-	1,481	-	-	-
POSCO VST CO., LTD.	137,025	-	-	-	-	62
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	180	322,210	-	-	-
Others	425,315	14,560	81,055	10,572	133,582	60,791
	<u>6,601,292</u>	<u>120,173</u>	<u>1,575,274</u>	<u>326,273</u>	<u>341,808</u>	<u>178,110</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	183	65	1,399	110,614	9,326	9,362
SNNC	2,747	3,380	244,626	-	-	10
POSCO-SAMSUNG-Slovakia Processing Center	31,764	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	482,848	-	-	-
Others	6,985	86,037	27,127	-	-	-
	<u>41,679</u>	<u>89,482</u>	<u>756,000</u>	<u>110,614</u>	<u>9,326</u>	<u>9,372</u>
₩	<u>6,642,971</u>	<u>209,655</u>	<u>2,331,274</u>	<u>436,887</u>	<u>351,134</u>	<u>187,482</u>

(b) Significant transactions with related companies for the three-month periods ended June 30, 2020 and 2019 were as follows:

1) For the three-month period ended June 30, 2020

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 2,011	17	-	198,832	60	5,123
POSCO COATED & COLOR STEEL Co., Ltd.	89,666	1	-	-	6,818	91
POSCO ICT	718	2	-	85,004	10,483	41,213
eNtoB Corporation	3	-	55,786	9,743	9	6,931
POSCO CHEMICAL CO., LTD	61,232	4,828	105,977	8,690	71,609	653
POSCO ENERGY CO., LTD.	266	537	5,385	-	-	5,598
POSCO INTERNATIONAL Corporation	1,274,878	-	31,102	-	-	941
POSCO Thainox Public Company Limited	55,096	71	792	-	-	-
POSCO America Corporation	32,624	-	-	-	-	-
POSCO Canada Ltd.	-	753	51,250	-	-	-
POSCO Asia Co., Ltd.	402,677	746	36,185	504	766	910
Qingdao Pohang Stainless Steel Co., Ltd.	35,299	66	-	-	-	119
POSCO JAPAN Co., Ltd.	230,608	-	9,698	2,339	-	650
POSCO-VIETNAM Co., Ltd.	37,517	108	-	-	-	-
POSCO MEXICO S.A. DE C.V.	17,483	63	-	-	-	249
POSCO Maharashtra Steel Private Limited	36,314	44	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	25,094	-	-	-	-	-
POSCO VST CO., LTD.	62,622	56	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	462	136,882	-	-	-
Others	304,164	3,644	14,283	12,622	67,484	28,998
	<u>2,668,272</u>	<u>11,398</u>	<u>447,340</u>	<u>317,734</u>	<u>157,229</u>	<u>91,476</u>
Associates and joint ventures						
SNNC	1,491	443	98,634	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	3,229	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	303,358	-	-	-
Others	4,625	39,739	16,589	-	-	5,695
	<u>9,345</u>	<u>40,182</u>	<u>418,581</u>	<u>-</u>	<u>-</u>	<u>5,695</u>
₩	<u>2,677,617</u>	<u>51,580</u>	<u>865,921</u>	<u>317,734</u>	<u>157,229</u>	<u>97,171</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

2) For the three-month period ended June 30, 2019

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 2,198	16	-	72,852	-	2,519
POSCO COATED & COLOR STEEL Co., Ltd.	116,211	1	-	-	5,315	119
POSCO ICT	729	-	-	87,989	8,498	42,677
eNtoB Corporation	3	-	81,080	10,952	33	7,907
POSCO CHEMICAL CO., LTD	93,869	5,799	124,303	5,513	78,253	1,881
POSCO ENERGY CO., LTD.	49,714	310	-	-	-	42
POSCO INTERNATIONAL Corporation	1,423,768	1	154,881	-	13,381	1,629
POSCO Thainox Public Company Limited	54,928	13,616	2,063	-	-	-
POSCO America Corporation	89,516	-	-	-	-	21
POSCO Canada Ltd.	340	529	75,279	-	-	-
POSCO Asia Co., Ltd.	445,133	498	100,397	-	429	2,235
Qingdao Pohang Stainless Steel Co., Ltd.	5,363	-	-	-	-	-
POSCO JAPAN Co., Ltd.	350,682	-	12,033	707	-	853
POSCO-VIETNAM Co., Ltd.	66,995	96	-	-	-	-
POSCO MEXICO S.A. DE C.V.	75,553	17	-	-	-	-
POSCO Maharashtra Steel Private Limited	142,945	92	-	-	-	256
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	25,309	-	967	-	-	-
POSCO VST CO., LTD.	58,204	-	-	-	-	19
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	41	198,168	-	-	-
Others	204,728	3,439	25,317	4,790	66,424	34,354
	<u>3,206,188</u>	<u>24,455</u>	<u>774,478</u>	<u>182,803</u>	<u>172,333</u>	<u>94,512</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	67	5	648	59,868	4,411	6,651
SNNC	1,399	1,100	128,978	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	7,901	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	280,820	-	-	-
Others	2,993	74,784	13,962	-	-	-
	<u>12,360</u>	<u>75,889</u>	<u>424,408</u>	<u>59,868</u>	<u>4,411</u>	<u>6,651</u>
₩	<u>3,218,548</u>	<u>100,344</u>	<u>1,198,886</u>	<u>242,671</u>	<u>176,744</u>	<u>101,163</u>

(c) The related account balances from significant transactions with related companies as of June 30, 2020 and December 31, 2019 are as follows:

1) June 30, 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.	₩ 3,005	56	3,061	-	55,360	381	55,741
POSCO COATED & COLOR STEEL Co., Ltd.	35,652	-	35,652	-	9	3,089	3,098
POSCO ICT	123	-	123	2,602	70,313	35,076	107,991
eNtoB Corporation	-	34	34	2,698	31,539	18	34,255
POSCO CHEMICAL CO., LTD	20,537	2,904	23,441	11,092	45,121	17,606	73,819
POSCO ENERGY CO., LTD.	166	214	380	-	2,563	13,630	16,193
POSCO INTERNATIONAL Corporation	438,989	10	438,999	756	238	-	994
POSCO Thainox Public Company Limited	34,981	3	34,984	-	-	-	-
POSCO America Corporation	4,432	-	4,432	-	-	-	-
POSCO Asia Co., Ltd.	295,369	847	296,216	3,810	257	-	4,067
Qingdao Pohang Stainless Steel Co., Ltd.	21,523	-	21,523	-	-	-	-
POSCO MEXICO S.A. DE C.V.	40,423	707	41,130	-	-	-	-
POSCO Maharashtra Steel Private Limited	196,825	477	197,302	-	-	-	-
Others	597,632	43,367	640,999	15,367	28,726	85,326	129,419
	<u>1,689,657</u>	<u>48,619</u>	<u>1,738,276</u>	<u>36,325</u>	<u>234,126</u>	<u>155,126</u>	<u>425,577</u>
Associates and joint ventures							
SNNC	340	216	556	10,364	-	-	10,364
Roy Hill Holdings Pty Ltd	-	-	-	169,954	-	-	169,954
Others	408	38,077	38,485	4,042	-	-	4,042
	<u>748</u>	<u>38,293</u>	<u>39,041</u>	<u>184,360</u>	<u>-</u>	<u>-</u>	<u>184,360</u>
₩	<u>1,690,405</u>	<u>86,912</u>	<u>1,777,317</u>	<u>220,685</u>	<u>234,126</u>	<u>155,126</u>	<u>609,937</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

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
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 5,702	65	5,767	-	78,512	385
POSCO COATED & COLOR STEEL Co., Ltd.	57,792	-	57,792	-	11	3,828
POSCO ICT	225	1	226	1,147	129,424	42,844
eNtoB Corporation	-	-	-	3,459	27,431	-
POSCO CHEMICAL CO., LTD.	35,102	3,578	38,680	17,839	52,710	19,369
POSCO ENERGY CO., LTD.	1,876	4	1,880	-	3,229	14,912
POSCO INTERNATIONAL Corporation	633,073	-	633,073	345	2,218	3,839
POSCO Thainox Public Company Limited	52,826	2	52,828	916	-	-
POSCO America Corporation	8,448	-	8,448	-	-	-
POSCO Asia Co., Ltd.	508,962	748	509,710	12,784	171	-
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
	2,130,850	39,395	2,170,245	50,887	333,939	172,829
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	84	10	94	471	49,511	-
SNNC	297	65	362	19,769	-	-
Roy Hill Holdings Pty Ltd	-	-	-	93,383	-	-
Others	942	706	1,648	3,447	586	-
	1,323	781	2,104	117,070	50,097	-
₩	2,132,173	40,176	2,172,349	167,957	384,036	172,829

(d) For the six-month periods ended June 30, 2020 and 2019, details of compensation to key management officers were as follows:

(in millions of Won)

	June 30, 2020	June 30, 2019
Short-term benefits	₩ 21,409	23,896
Long-term benefits	2,172	3,123
Retirement benefits	4,836	6,173
₩	28,417	33,192

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

33. Commitments and Contingencies

(a) Commitments

- 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 June 30, 2020, 81 million tons of iron ore and 12 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.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

- 3) The Company entered into consecutive voyage charter (CVC) contract for the transportation of raw materials. As of June 30, 2020, there are 39 vessels under CVC contracts and the average remaining contract period is about 9 years.
 - 4) The Company entered into commitments with KOREA ENERGY AGENCY for long-term foreign currency borrowings up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the project. The Company is not liable for the repayment in full or part of borrowings if the project fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreement. As of June 30, 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.
- (b) As of June 30, 2020, the Company has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.
- (c) Litigation in progress

The Company is involved in 21 lawsuits aggregating to ~~₩~~38.9 billion as defendant as of June 30, 2020, which arise from the ordinary course of business such as claim for confirmation of employee status. The Company has recognized provisions amounting to ~~₩~~2.1 billion for 1 of 21 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company does not believe it has a present obligation as of June 30, 2020.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2020 (Unaudited)

34. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the six-month periods ended June 30, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>	June 30, 2020	June 30, 2019
Trade accounts and notes receivable, net	₩ 830,252	(307,715)
Other accounts receivable	(5,207)	(25,342)
Inventories	740,396	(139,320)
Prepaid expenses	(1,924)	(24,988)
Other current assets	(3,652)	152
Long-term guarantee deposits	(448)	58
Derivative assets	4,898	-
Other non-current assets	444	548
Trade accounts and notes payable	193,651	(25,513)
Other accounts payable	(89,951)	(92,763)
Accrued expenses	(16,670)	22,413
Advances received	381	82
Withholdings	2,303	(251)
Unearned revenue	(5,227)	2,876
Other current liabilities	(14,429)	(4,835)
Derivative liabilities	5,692	-
Payments of severance benefits	(89,031)	(48,921)
Plan assets	29,417	29,487
Other non-current liabilities	(7,971)	(4,511)
	₩ 1,572,924	(618,543)

35. Events after the reporting period

Pursuant to the resolution of the Board of Directors on August 7, 2020, the Company decided to pay interim cash dividends of ₩500 per common share (total dividend: ₩ 39.9 billion).