

POSCO and Subsidiaries

**Condensed Consolidated Interim Financial Statements
(Unaudited)
September 30, 2020**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of September 30, 2020, the condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019, the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 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 consolidated interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 1034 "Interim Financial Reporting". The Company's management is also responsible for the internal controls determined necessary to prepare condensed consolidated interim financial statements free of material misstatements due to error or fraud.

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
November 13, 2020

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

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of September 30, 2020 and December 31, 2019
(Unaudited)

(in millions of Won)

	Notes	September 30, 2020	December 31, 2019
Assets			
Cash and cash equivalents	21	₩ 6,769,118	3,514,872
Trade accounts and notes receivable, net	4,21,26,27,34	8,893,533	9,078,351
Other receivables, net	5,21,34	1,522,021	1,581,517
Other short-term financial assets	6,21	11,239,316	8,996,049
Inventories	7	9,020,668	10,920,320
Current income tax assets		65,701	45,930
Assets held for sale	8	33,165	74,158
Other current assets	14	705,382	631,177
Total current assets		38,248,904	34,842,374
Long-term trade accounts and notes receivable, net	4,21	105,500	198,785
Other receivables, net	5,21	1,203,646	1,140,879
Other long-term financial assets	6,21	1,563,582	1,669,389
Investments in associates and joint ventures	9	4,001,129	3,927,755
Investment property, net	11	872,824	878,227
Property, plant and equipment, net	12	29,850,845	29,925,973
Intangible assets, net	13	4,722,656	4,908,473
Defined benefit assets, net	19	8,252	4,280
Deferred tax assets		1,246,444	1,237,285
Other non-current assets	14	267,464	325,241
Total non-current assets		43,842,342	44,216,287
Total assets		₩ 82,091,246	79,058,661

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position, Continued
As of September 30, 2020 and December 31, 2019
(Unaudited)

<i>(in millions of Won)</i>	Notes	September 30, 2020	December 31, 2019
Liabilities			
Trade accounts and notes payable	21,34	₩ 3,269,505	3,422,922
Short-term borrowings and current installments of long-term borrowings	4,15,21	10,560,958	8,548,212
Other payables	16,21,34	1,780,673	1,879,508
Other short-term financial liabilities	17,21	97,993	77,827
Current income tax liabilities		386,092	396,616
Liabilities directly associated with the assets held for sale	8	-	8
Provisions	18,35	325,886	360,495
Other current liabilities	20,26,27	1,990,519	1,638,102
Total current liabilities		18,411,626	16,323,690
Long-term trade accounts and notes payable	21	26,561	20,067
Long-term borrowings, excluding current installments	15,21	13,021,040	11,893,401
Other payables	16,21	578,672	585,129
Other long-term financial liabilities	17,21	20,008	31,494
Defined benefit liabilities, net	19	267,577	181,011
Deferred tax liabilities		1,501,945	1,691,498
Long-term provisions	18,35	432,226	458,154
Other non-current liabilities	20,26	41,191	79,510
Total non-current liabilities		15,889,220	14,940,264
Total liabilities		34,300,846	31,263,954
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,316,364	1,376,251
Hybrid bonds	23	199,384	199,384
Reserves	24	(1,199,596)	(1,157,980)
Treasury shares	25	(1,837,980)	(1,508,303)
Retained earnings		45,476,228	45,080,117
Equity attributable to owners of the controlling company		44,436,803	44,471,872
Non-controlling interests	23	3,353,597	3,322,835
Total equity		47,790,400	47,794,707
Total liabilities and equity		₩ 82,091,246	79,058,661

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month and nine-month periods ended September 30, 2020 and 2019 (Unaudited)

(in millions of Won, except per share information)

	Notes	For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2020	2019	2020	2019
Revenue	26,27,34,37	₩ 14,261,218	15,988,227	42,528,585	48,323,799
Cost of sales	7,27,31,34	(13,054,079)	(14,375,600)	(39,277,221)	(43,283,629)
Gross profit		1,207,139	1,612,627	3,251,364	5,040,170
Selling and administrative expenses	31,34				
Reversal of (impairment loss) on trade accounts and notes receivable		15,560	5,944	(19,764)	13,942
Other administrative expenses	28	(466,257)	(490,770)	(1,399,864)	(1,473,389)
Selling expenses	28	(89,734)	(88,024)	(292,061)	(269,487)
Operating profit		666,708	1,039,777	1,539,675	3,311,236
Share of profit of equity-accounted investees, net	9	88,894	88,668	109,028	230,197
Finance income and costs	21,29				
Finance income		341,431	602,717	1,871,524	1,629,594
Finance costs		(385,199)	(691,922)	(1,962,525)	(1,852,447)
Other non-operating income and expenses	34				
Reversal of (impairment loss) on other receivables		18,224	(10,695)	17,437	(26,112)
Other non-operating income	30	66,268	114,913	233,172	272,281
Other non-operating expenses	30,31	(84,170)	(290,207)	(301,605)	(594,076)
Profit before income tax	37	712,156	853,251	1,506,706	2,970,673
Income tax expense	32,37	(198,110)	(356,441)	(453,134)	(1,013,999)
Profit		514,046	496,810	1,053,572	1,956,674
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	2,225	(7,269)	(427)	(28,150)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	11,495	(81,552)	(154,471)	(63,708)
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		(12,539)	32,091	69,157	104,929
Foreign currency translation differences		(29,387)	103,200	36,755	322,863
Gains or losses on valuation of derivatives	21	111	20	(730)	(81)
Other comprehensive income (loss), net of tax		(28,095)	46,490	(49,716)	335,853
Total comprehensive income		₩ 485,951	543,300	1,003,856	2,292,527
Profit attributable to:					
Owners of the controlling company		₩ 465,457	430,875	901,132	1,784,414
Non-controlling interests		48,589	65,935	152,440	172,260
Profit		₩ 514,046	496,810	1,053,572	1,956,674
Total comprehensive income attributable to:					
Owners of the controlling company		₩ 436,989	466,171	849,730	2,120,940
Non-controlling interests		48,962	77,129	154,126	171,587
Total comprehensive income		₩ 485,951	543,300	1,003,856	2,292,527
Basic and diluted earnings per share (in Won)	33	5,854	5,357	11,232	22,211

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the nine-month periods ended September 30, 2020 and 2019
(Unaudited)

(in millions of Won)

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

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity, Continued
For the nine-month periods ended September 30, 2020 and 2019
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
Balance as of January 1, 2020	₩ 482,403	1,376,251	199,384	(1,157,980)	(1,508,303)	45,080,117	44,471,872	3,322,835	47,794,707
Comprehensive income:									
Profit	-	-	-	-	-	901,132	901,132	152,440	1,053,572
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(1,433)	(1,433)	1,006	(427)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	69,304	-	-	69,304	(147)	69,157
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(151,486)	-	(2,985)	(154,471)	-	(154,471)
Foreign currency translation differences, net of tax	-	-	-	35,888	-	-	35,888	867	36,755
Gains or losses on valuation of derivatives, net of tax	-	-	-	(690)	-	-	(690)	(40)	(730)
Total comprehensive income	-	-	-	(46,984)	-	896,714	849,730	154,126	1,003,856
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(320,462)	(320,462)	(60,517)	(380,979)
Interim dividends	-	-	-	-	-	(160,062)	(160,062)	-	(160,062)
Changes in subsidiaries	-	-	-	-	-	-	-	24,197	24,197
Changes in ownership interest in subsidiaries	-	(27,716)	-	-	-	-	(27,716)	166,744	139,028
Repayment of redeemable convertible preferred shares	-	(33,581)	-	-	-	-	(33,581)	(245,000)	(278,581)
Interest of hybrid bonds	-	-	-	-	-	(6,906)	(6,906)	(5,496)	(12,402)
Acquisition of treasury shares	-	-	-	-	(329,677)	-	(329,677)	-	(329,677)
Others	-	1,410	-	5,368	-	(13,173)	(6,395)	(3,292)	(9,687)
Total transactions with owners of the controlling company	-	(59,887)	-	5,368	(329,677)	(500,603)	(884,799)	(123,364)	(1,008,163)
Balance as of September 30, 2020	₩ 482,403	1,316,364	199,384	(1,199,596)	(1,837,980)	45,476,228	44,436,803	3,353,597	47,790,400

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows
For the nine-month periods ended September 30, 2020 and 2019
(Unaudited)

(in millions of Won)

	Notes	September 30, 2020	September 30, 2019
Cash flows from operating activities			
Profit	₩	1,053,572	1,956,674
Adjustments for:			
Depreciation		2,348,977	2,269,280
Amortization		336,624	316,947
Finance income		(848,936)	(842,951)
Finance costs		972,462	1,082,320
Income tax expense		453,134	1,013,999
Impairment loss on property, plant and equipment		21,684	194,688
Gain on disposal of property, plant and equipment		(9,542)	(21,929)
Loss on disposal of property, plant and equipment		105,440	61,222
Impairment loss on other intangible assets		1,225	125,696
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(43,421)	(20,750)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		13,659	5,867
Share of profit of equity-accounted investees		(109,028)	(230,197)
Impairment loss on assets held for sale		5,030	40,943
Expenses related to post-employment benefit		183,414	176,071
Impairment loss on trade and other receivables		2,327	12,170
Loss on valuation of inventories		65,575	80,988
Increase to provisions		33,787	98,109
Others, net		(28,398)	(67,187)
		<u>3,504,013</u>	<u>4,295,286</u>
Changes in operating assets and liabilities	36	2,023,340	(914,733)
Interest received		286,899	228,018
Interest paid		(463,028)	(547,833)
Dividends received		149,159	218,155
Income taxes paid		(566,782)	(1,295,222)
Net cash provided by operating activities	₩	<u>5,987,173</u>	<u>3,940,345</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2020 and 2019

(Unaudited)

(in millions of Won)

	Notes	September 30, 2020	September 30, 2019
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(32,406,269)	(27,411,573)
Proceeds from disposal of short-term financial instruments		30,171,470	27,842,901
Increase in loans		(589,994)	(173,717)
Collection of loans		574,267	282,778
Acquisitions of securities		(436,237)	(377,942)
Proceeds from disposal of securities		478,633	171,793
Acquisitions of investment in associates and joint ventures		(103,176)	(101,609)
Proceeds from disposal of investment in associates and joint ventures		11,841	11,293
Acquisitions of investment property		(908)	(18,232)
Proceeds from disposal of investment property		250	1,106
Acquisitions of property, plant and equipment		(2,175,383)	(1,609,725)
Proceeds from disposal of property, plant and equipment		(28,412)	27,912
Acquisitions of intangible assets		(241,819)	(242,000)
Proceeds from disposal of intangible assets		74,966	13,256
Proceeds from disposal of assets held for sale		36,514	311
Collection of lease receivables		45,805	29,008
Payment for acquisition of business, net of cash acquired		-	(33,961)
Cash received from disposal of business, net of cash transferred		77,488	37,776
Others, net		(4,001)	12,969
Net cash used in investing activities		(4,514,965)	(1,537,656)
Cash flows from financing activities			
Proceeds from borrowings		3,686,119	2,622,141
Repayment of borrowings		(1,648,402)	(2,458,779)
Proceeds from (repayment of) short-term borrowings, net		918,477	(1,466,477)
Capital contribution from non-controlling interests		165,934	23,582
Payment of cash dividends		(540,709)	(785,551)
Acquisition of treasury shares		(329,677)	-
Payment of interest of hybrid bonds		(12,407)	(12,362)
Repayment of lease liabilities		(150,822)	(107,703)
Repayment of redeemable convertible preferred shares		(278,581)	-
Others, net		(18,195)	(112,086)
Net cash provided by (used in) financing activities		1,791,737	(2,297,235)
Effect of exchange rate fluctuation on cash held		(10,073)	91,767
Net increase in cash and cash equivalents		3,253,872	197,221
Cash and cash equivalents at beginning of the period	8	3,515,246	2,643,865
Cash and cash equivalents at end of the period	₩	6,769,118	2,841,086

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As of September 30, 2020

(Unaudited)

1. General Information

General information about POSCO, its 34 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 132 foreign subsidiaries including POSCO America Corporation (collectively "the Company") and its 137 associates and joint ventures are as follows:

(a) The controlling company

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

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

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

(b) Consolidated subsidiaries newly included during the nine-month period ended September 30, 2020, were as follows:

Company	Date of inclusion	Ownership (%)	Reason
Posco International (Thailand) Co., Ltd.	January 2020	100.00	New establishment
PT POSCO INTERNATIONAL INDONESIA	January 2020	100.00	New establishment
POSCO SPS Corporation	April 2020	100.00	Spun off from POSCO INTERNATIONAL Corporation
P&O Chemical Co., Ltd.	July 2020	51.00	New establishment
POSCO New Growth I Specialized Private Equity Investment Trust	August 2020	100.00	New establishment
IMP Fund I	August 2020	98.04	New establishment
PEC POWERCON SDN. BHD.	August 2020	100.00	New establishment

(c) Subsidiaries excluded from consolidation during the nine-month period ended September 30, 2020, were as follows:

Company	Date of exclusion	Reason
LA-SRDC	April 2020	Liquidation
POSCO China Dalian Plate Processing Center Co., Ltd.	June 2020	Disposal
PSC Energy Global Co., Ltd.	August 2020	Merged into POSCO ENERGY CO., LTD.
POSCO Family Strategy Fund	September 2020	Liquidation

POSCO and Subsidiaries

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

2. Statement of Compliance

Statement of compliance

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

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

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

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

With the outbreak of COVID-19 pandemic, governments around the globe have implemented measures such as mandatory factory shutdown, shelter-in-place orders, border closures, 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.

POSCO and Subsidiaries

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

(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 and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 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 consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 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 consolidated 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 consolidated financial statements to be significant.

(c) K-IFRS No. 1109 “Financial Instruments”, K-IFRS No. 1039 “Financial Instruments: Recognition and Measurement”, K-IFRS No. 1107 “Financial Instruments: Disclosures”

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

POSCO and Subsidiaries

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

4. Trade Accounts and Notes Receivable

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

(in millions of Won)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current		
Trade accounts and notes receivable	₩ 8,135,300	8,352,968
Finance lease receivables	44,761	221
Due from customers for contract work	1,090,837	1,136,436
Less: Allowance for doubtful accounts	(377,365)	(411,274)
	<u>₩ 8,893,533</u>	<u>9,078,351</u>
Non-current		
Trade accounts and notes receivable	₩ 151,819	209,310
Finance lease receivables	88	43,725
Less: Allowance for doubtful accounts	(46,407)	(54,250)
	<u>₩ 105,500</u>	<u>198,785</u>

The Company sold trade accounts and notes receivable with recourse to financial institutions. These trade accounts and notes receivable have not been derecognized from the statement of financial position, because the Company retains substantially all of the risks and rewards associated with the transferred assets. The amounts received on transfer have been recognized as secured borrowings. As of September 30, 2020 and December 31, 2019, the carrying amounts of such secured borrowings are ₩177,517 million and ₩244,305 million, respectively, which are included in the short-term borrowings.

5. Other Receivables

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

(in millions of Won)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current		
Loans	₩ 270,891	367,580
Other accounts receivable	815,739	971,845
Accrued income	341,419	272,528
Deposits	100,094	86,519
Others	15,602	14,510
Lease receivables	73,259	48,744
Less: Allowance for doubtful accounts	(94,983)	(180,209)
	<u>₩ 1,522,021</u>	<u>1,581,517</u>
Non-current		
Loans	₩ 726,080	701,529
Other accounts receivable	230,889	209,039
Accrued income	88,520	65,275
Deposits	243,841	238,261
Lease receivables	153,944	179,315
Less: Allowance for doubtful accounts	(239,628)	(252,540)
	<u>₩ 1,203,646</u>	<u>1,140,879</u>

POSCO and Subsidiaries

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

6. Other Financial Assets

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

<i>(in millions of Won)</i>		September 30, 2020	December 31, 2019
Current			
Derivatives assets	₩	121,832	47,541
Debt securities		157,568	342,371
Deposit instruments(*1,2)		2,053,119	1,744,895
Short-term financial instruments(*2)		8,906,797	6,861,242
	₩	<u>11,239,316</u>	<u>8,996,049</u>
Non-current			
Derivatives assets	₩	132,374	64,737
Equity securities(*3)		1,030,599	1,204,902
Debt securities		12,106	25,555
Other securities(*3)		360,899	340,008
Deposit instruments(*2)		27,604	34,187
	₩	<u>1,563,582</u>	<u>1,669,389</u>

(*1) As of September 30, 2020 and December 31, 2019, ₩5,659 million and ₩4,524 million, respectively, are restricted for the use in government projects.

(*2) As of September 30, 2020 and December 31, 2019, financial instruments amounting to ₩85,802 million and ₩73,525 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) As of September 30, 2020 and December 31, 2019, ₩108,682 million and ₩109,395 million of equity and other securities, respectively, have been provided as collateral for borrowings, construction projects and others.

7. Inventories

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

<i>(in millions of Won)</i>		September 30, 2020	December 31, 2019
Finished goods	₩	1,362,145	1,655,228
Merchandise		827,888	1,058,874
Semi-finished goods		1,641,269	2,097,289
Raw materials		2,025,447	2,656,341
Fuel and materials		906,932	1,026,133
Construction inventories		939,470	734,649
Materials-in-transit		1,400,997	1,824,044
Others		70,794	83,905
		<u>9,174,942</u>	<u>11,136,463</u>
Less: Allowance for inventories valuation		<u>(154,274)</u>	<u>(216,143)</u>
	₩	<u>9,020,668</u>	<u>10,920,320</u>

The amounts of loss on valuation of inventories recognized in cost of sales during the nine-month period ended September 30, 2020 and the year ended December 31, 2019 were ₩65,575 million and ₩96,201 million, respectively.

POSCO and Subsidiaries

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

8. Assets Held for Sale

Details of assets held for sale as of September 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

(in millions of Won)

	September 30, 2020			December 31, 2019		
	The controlling company(*1)	Subsidiaries	Total	The controlling company(*1)	Subsidiaries	Total
Asset						
Cash and cash equivalents(*2)	₩ -	-	-	-	374	374
Other financial assets	-	-	-	-	185	185
Property, plant and equipment	31,634	388	32,022	36,321	32,972	69,293
Others	1,143	-	1,143	-	4,306	4,306
	₩ 32,777	388	33,165	36,321	37,837	74,158
Liability						
Others	₩ -	-	-	-	8	8

- (*1) During the year ended December 31, 2019, the Company decided to dispose individual assets for which use was discontinued, such as CEM plants, and classified the assets as held for sale. During the nine-month period ended September 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.
- (*2) Cash and cash equivalents in the statement of cash flows at beginning of the nine-month period ended September 30, 2020, include cash and cash equivalents that are classified as assets held for sale.

POSCO and Subsidiaries

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

9. Investments in Associates and Joint ventures

(a) Details of investments in associates as of September 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

Company	September 30, 2020			December 31, 2019	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,691,901,565	36.34	₩ 178,787	₩ 176,283	175,907
Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd)(*1,2)	4,507,138	34.00	179,410	149,803	161,280
SNNC	18,130,000	49.00	90,650	149,875	142,602
QSONE Co., Ltd.	200,000	50.00	84,395	86,015	85,887
Chun-cheon Energy Co., Ltd(*1)	17,308,143	49.10	86,541	48,143	56,679
Western Inland highway CO., LTD.	8,818,236	29.80	44,091	43,421	5,115
Nextrain Co., Ltd.(*1)	9,904,000	32.00	49,520	47,288	41,447
Keystone NO. 1. Private Equity Fund	22,523,123	52.58	22,523	18,683	19,438
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	2,008,000	29.53	10,040	16,737	17,824
Daesung Steel(*3)	108,038	17.54	14,000	15,298	15,375
PCC Amberstone Private Equity Fund 1(*3)	8,657,610,240	8.80	8,540	9,151	9,570
Others (62 companies)(*1)				113,496	114,490
				874,193	845,614
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	135,899	224,137	225,933
AES-VCM Mong Duong Power Company Limited(*1)	-	30.00	164,303	177,299	178,892
9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.)(*3,4)	114,452,000	10.40	124,341	134,040	131,529
Eureka Moly LLC	-	20.00	240,123	86,465	85,349
AMCI (WA) PTY LTD	49	49.00	209,664	73,207	72,937
NCR LLC	-	29.40	49,744	46,298	46,391
KOREA LNG LTD.	2,400	20.00	135,205	45,544	46,557
Nickel Mining Company SAS	3,234,698	49.00	157,585	39,542	37,940
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	134,400,000	40.00	22,423	23,076	22,356
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,778	15,128
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	12,900	13,363
PT. Batutua Tembaga Raya	128,285	22.00	21,824	8,461	14,717
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	7,260	6,755
Others (27 companies)(*1)				100,698	121,048
				994,705	1,018,895
			₩	1,868,898	1,864,509

(*1) As of September 30, 2020 and December 31, 2019, investments in associates amounting to ₩457,720 million and ₩437,646 million, respectively, are provided as collateral in relation to the associates' borrowings.

(*2) During the nine-month period ended September 30, 2020, POSPower Co., Ltd changed its name to Samcheok Blue Power Co., Ltd.

(*3) As of September 30, 2020, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

(*4) During the nine-month period ended September 30, 2020, 7623704 Canada Inc. changed its name to 9404-5515 Quebec Inc.

POSCO and Subsidiaries

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

- (b) Details of investments in joint ventures as of September 30, 2020 and December 31, 2019 are as follows:

Company	September 30, 2020				December 31, 2019
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 147,191	182,648
Others (7 companies)				12,143	10,305
				<u>159,334</u>	<u>192,953</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,363,407	1,235,682
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	381,515	376,410
KOBRASCO	2,010,719,185	50.00	32,950	53,407	115,641
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	93,137	88,935
DMSA/AMSA(*1,2)	-	4.21	406,556	48,490	12,189
CSP - Companhia Siderurgica do Pecem	1,367,314,532	20.00	631,796	-	-
Others (10 companies)				32,941	41,436
				<u>1,972,897</u>	<u>1,870,293</u>
				<u>₩ 2,132,231</u>	<u>2,063,246</u>

(*1) As of September 30, 2020 and December 31, 2019, the investments in joint ventures are provided as collateral in relation to the joint ventures' borrowings.

(*2) All investors of the joint venture have entered into an agreement to extend the due date for loans made to the joint venture as a means of financial support. However, the Company believes the above agreement for financial support is invalid and is currently in arbitration process for annulment. The Company's obligation to provide financial support is currently on hold and may change depending on the result of the arbitration.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

(c) The movements of investments in associates and joint ventures for the nine-month period ended September 30, 2020 and the year ended December 31, 2019 were as follows:

1) For the nine-month period ended September 30, 2020

(in millions of Won)

Company	December 31, 2019	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*)	September 30, 2020
	Book value					Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,907	-	-	376	-	176,283
Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd)	161,280	-	-	(3,331)	(8,146)	149,803
SNNC	142,602	-	(2,901)	8,257	1,917	149,875
OSONE Co., Ltd.	85,887	-	(1,140)	1,268	-	86,015
Chun-cheon Energy Co., Ltd	56,679	-	-	(9,093)	557	48,143
Western Inland highway CO., LTD.	5,115	38,670	-	(367)	3	43,421
Nextrain Co., Ltd.	41,447	7,910	-	(2,052)	(17)	47,288
Keystone NO. 1. Private Equity Fund	19,438	-	-	(755)	-	18,683
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	17,824	-	-	(1,087)	-	16,737
Daesung Steel	15,375	-	-	(77)	-	15,298
PCC Amberstone Private Equity Fund 1	9,570	-	(520)	316	(215)	9,151
POSCO MITSUBISHI CARBON TECHNOLOGY	182,648	-	(19,401)	(16,056)	-	147,191
Others (69 companies)	124,795	18,973	(685)	(13,452)	(3,992)	125,639
	<u>1,038,567</u>	<u>65,553</u>	<u>(24,647)</u>	<u>(36,053)</u>	<u>(9,893)</u>	<u>1,033,527</u>
[Foreign]						
South-East Asia Gas Pipeline Company Ltd.	225,933	-	(40,044)	34,803	3,445	224,137
AES-VCM Mong Duong Power Company Limited	178,892	-	(16,053)	28,629	(14,169)	177,299
9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.)	131,529	-	(11,672)	12,126	2,057	134,040
Eureka Moly LLC	85,349	-	-	(42)	1,158	86,465
AMCI (WA) PTY LTD	72,937	-	-	(3,207)	3,477	73,207
NCR LLC	46,391	-	-	(904)	811	46,298
KOREA LNG LTD.	46,557	-	(6,519)	6,463	(957)	45,544
Nickel Mining Company SAS	37,940	-	-	(803)	2,405	39,542
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	22,356	-	-	(111)	831	23,076
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	15,128	-	-	(16)	666	15,778
PT. Wampu Electric Power	13,363	-	(559)	899	(803)	12,900
PT. Batutua Tembaga Raya	14,717	-	-	(6,533)	277	8,461
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,755	-	-	92	413	7,260
Roy Hill Holdings Pty Ltd	1,235,682	-	(48,890)	132,552	44,063	1,363,407
POSCO-NPS Niobium LLC	376,410	-	(6,061)	6,064	5,102	381,515
KOBRASCO	115,641	-	(37,922)	8,246	(32,558)	53,407
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,935	-	-	1,066	3,136	93,137
DMSA/AMSA	12,189	60,278	-	(23,595)	(382)	48,490
CSP - Companhia Siderurgica do Pecem	-	37,623	-	(42,126)	4,503	-
Others (37 companies)	162,484	-	(10,472)	(8,522)	(9,851)	133,639
	<u>2,889,188</u>	<u>97,901</u>	<u>(178,192)</u>	<u>145,081</u>	<u>13,624</u>	<u>2,967,602</u>
₩	<u>3,927,755</u>	<u>163,454</u>	<u>(202,839)</u>	<u>109,028</u>	<u>3,731</u>	<u>4,001,129</u>

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

2) For the year ended December 31, 2019

(in millions of Won)

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

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

POSCO and Subsidiaries

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

(d) Summarized financial information of associates and joint ventures as of and for the nine-month period ended September 30, 2020 and the year ended December 31, 2019 are as follows:

1) September 30, 2020

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 474,344	559	473,785	-	9,475
Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd)	1,062,978	583,667	479,311	-	(3,934)
SNNC	564,403	236,474	327,929	498,495	14,184
QSONE Co., Ltd.	251,048	79,018	172,030	12,733	2,535
Chun-cheon Energy Co., Ltd	609,233	510,751	98,482	176,714	(18,987)
Western Inland highway CO., LTD.	146,037	1,196	144,841	-	(1,231)
Nextrain Co., Ltd.	156,829	5,397	151,432	-	(2,044)
Keystone NO. 1. Private Equity Fund	181,608	134,107	47,501	12,286	(1,255)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	59,530	33,161	26,369	4,197	(3,679)
Daesung Steel	165,476	109,647	55,829	61,032	(438)
PCC Amberstone Private Equity Fund 1	104,037	-	104,037	9,757	3,592
POSCO MITSUBISHI CARBON TECHNOLOGY	436,292	190,989	245,303	82,260	(26,071)
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,703,857	808,751	895,106	338,649	138,988
AES-VCMMong Duong Power Company Limited	1,830,346	1,255,950	574,396	293,674	93,434
9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.)	1,301,003	2	1,301,001	-	116,595
KOREA LNG LTD.	228,057	338	227,719	33,685	32,315
Nickel Mining Company SAS	479,473	347,461	132,012	156,042	(15,666)
ZHEJIANG HUAYOU-POSCO ESMCO., LTD	75,130	17,619	57,511	355	(403)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	80,595	28,596	51,999	72,464	(47)
PT. Wampu Electric Power	210,213	148,733	61,480	14,403	4,496
PT. Batutua Tembaga Raya	420,619	418,351	2,268	37,209	(30,219)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	65,224	35,940	29,284	53,550	389
Roy Hill Holdings Pty Ltd	8,807,942	2,255,669	6,552,273	3,628,425	1,322,590
POSCO-NPS Niobium LLC	762,826	-	762,826	-	16,822
KOBRASCO	152,358	45,544	106,814	29,838	16,492
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	901,463	555,779	345,684	933,497	4,957
DMSA/AMSA	5,442,457	2,862,041	2,580,416	214,068	(578,920)
CSP - Companhia Siderurgica do Pecem	2,743,759	3,970,986	(1,227,227)	997,431	(1,350,722)

POSCO and Subsidiaries

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

2) December 31, 2019

(in millions of Won)

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

POSCO and Subsidiaries

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

10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of September 30, 2020 are as follows:

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

11. Investment Property, Net

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

(a) For the nine-month period ended September 30, 2020

(in millions of Won)	Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩ 278,465	2,814	(183)	-	(4,890)	276,206
Buildings	598,159	317	-	(19,002)	14,869	594,343
Structures	1,178	-	-	(459)	416	1,135
Right-of-use assets	425	-	(56)	(7)	778	1,140
₩	878,227	3,131	(239)	(19,468)	11,173	872,824

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

POSCO and Subsidiaries

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

(b) For the year ended December 31, 2019

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

(*1) Includes impairment loss on investment property recognized in relation to the office for rent of POSCO(Dalian) IT Center Development Co., Ltd. amounting to ₩32,642 million.

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

12. Property, Plant and Equipment, Net

(a) Changes in the carrying amount of property, plant and equipment for the nine-month period ended September 30, 2020 and the year ended December 31, 2019 were as follows:

1) For the nine-month period ended September 30, 2020

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1)	Others(*2)	Ending
Land	₩	2,526,059	20,148	(1,964)	-	-	24,962	2,569,205
Buildings		4,215,454	12,112	(4,001)	(240,222)	(268)	288,123	4,271,198
Structures		2,904,506	78,586	(3,147)	(168,700)	(860)	172,521	2,982,906
Machinery and equipment		17,218,264	98,582	(16,780)	(1,707,247)	(7,205)	1,722,387	17,308,001
Vehicles		32,285	5,298	(506)	(10,694)	-	6,887	33,270
Tools		70,751	13,097	(62)	(22,800)	(9)	7,785	68,762
Furniture and fixtures		130,132	13,025	(2,908)	(27,839)	(526)	13,915	125,799
Lease assets		774,582	124,593	(7,671)	(146,195)	-	156,854	902,163
Bearer plants		124,193	118	-	(5,812)	-	32,389	150,888
Construction-in-progress		1,929,747	1,896,194	(8,279)	-	(12,812)	(2,366,197)	1,438,653
	₩	<u>29,925,973</u>	<u>2,261,753</u>	<u>(45,318)</u>	<u>(2,329,509)</u>	<u>(21,680)</u>	<u>59,626</u>	<u>29,850,845</u>

(*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 for the nine-month period ended September 30, 2020. In addition, during the nine-month period ended September 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, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

POSCO and Subsidiaries

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

2) For the year ended December 31, 2019

(in millions of Won)

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

- (*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. The Company recognized impairment losses of ₩205,396 million since recoverable amounts are less than their carrying amounts.
- (*2) As of December 31, 2019, POSCO YAMATO VINA STEEL JOINT STOCK COMPANY (formerly, POSCO SS VINA JOINT STOCK COMPANY), a subsidiary, performed the impairment test due to the consecutive operating losses and recognized impairment losses amounting to ₩204,546 million.
- (*3) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.
- (*4) On the date of initial application of K-IFRS No.1116 (January 1, 2019), recognition of ₩704,458 million of right-of-use assets is included in others.

(b) 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 investment property and property, plant and equipment for the nine-month period ended September 30, 2020 were as follows:

(in millions of Won)

	Beginning	Acquisitions	Depreciation	Others	Ending
Land	₩ 341,767	18,388	(13,891)	12,542	358,806
Buildings and structures	171,112	41,117	(31,249)	(19,933)	161,047
Machinery and equipment	215,828	20,185	(46,248)	5,948	195,713
Vehicles	14,105	4,708	(7,694)	1,568	12,687
Ships	24,082	111,537	(20,739)	-	114,880
Others	8,113	40,194	(26,381)	38,244	60,170
	₩ 775,007	236,129	(146,202)	38,369	903,303

POSCO and Subsidiaries

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

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

(in millions of Won)

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

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

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2020	2019	2020	2019
Interest on lease liabilities	₩	9,720	7,682	27,550	25,653
Expenses relating to short-term leases		2,672	16,156	11,522	30,369
Expenses relating to leases of low-value assets		2,035	4,288	9,959	10,960
	₩	14,427	28,126	49,031	66,982

13. Goodwill and Other Intangible Assets, Net

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

- (a) For the nine-month period ended September 30, 2020

(in millions of Won)

		Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩	1,097,809	-	-	-	(761)	(2,241)	1,094,807
Intellectual property rights		2,279,210	109,178	(1,360)	(208,709)	-	22,662	2,200,981
Membership(*1)		148,078	449	(8,653)	(136)	488	(84)	140,142
Development expense		94,339	485	-	(34,076)	-	12,791	73,539
Port facilities usage rights		281,398	-	-	(33,790)	-	56	247,664
Exploration and evaluation assets		77,271	9,445	-	-	-	(31,969)	54,747
Customer relationships		374,875	-	-	(33,359)	-	(100)	341,416
Other intangible assets		555,493	137,068	(61,432)	(26,554)	-	(35,215)	569,360
	₩	4,908,473	256,625	(71,445)	(336,624)	(273)	(34,100)	4,722,656

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

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

POSCO and Subsidiaries

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

(b) For the year ended December 31, 2019

(in millions of Won)

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

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

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

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

14. Other Assets

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

(in millions of Won)

	September 30, 2020	December 31, 2019
Current		
Advance payments	₩ 371,583	453,538
Prepaid expenses	291,910	145,834
Firm commitment assets	8,318	17,490
Others	33,571	14,315
	₩ 705,382	631,177
Non-current		
Long-term advance payments	₩ 21,558	21,950
Long-term prepaid expenses	82,173	41,256
Others(*1)	163,733	262,035
	₩ 267,464	325,241

(*1) As of September 30, 2020 and December 31, 2019, the Company recognized tax assets amounting to ₩128,980 million and ₩213,071 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 and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2020
(Unaudited)

15. Borrowings

- (a) Short-term borrowings and current portion of long-term borrowings as of September 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

	Lenders	Interest rate (%)	September 30, 2020	December 31, 2019
Short-term borrowings				
Bank overdrafts	JP Morgan and others	0.20 ~ 8.35	₩ 179,142	159,075
Short-term borrowings	HSBC and others	0.17 ~ 12.50	6,219,844	5,327,258
			<u>6,398,986</u>	<u>5,486,333</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.40 ~ 6.60	1,410,540	1,491,934
Current portion of debentures	The Goldman Sachs Group, Inc. and others	0.75 ~ 5.25	2,752,900	1,571,194
Less: Current portion of discount on debentures issued			(1,468)	(1,249)
			<u>4,161,972</u>	<u>3,061,879</u>
			<u>₩ 10,560,958</u>	<u>8,548,212</u>

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

(in millions of Won)

	Lenders	Interest rate (%)	September 30, 2020	December 31, 2019
Long-term borrowings	Export-Import Bank of Korea and others	0.19 ~ 8.50	₩ 3,602,365	3,827,152
Less: Present value discount			(17,541)	(24,374)
Bonds	KB SECURITIES CO., LTD. and others	0.50 ~ 4.30	9,478,235	8,124,194
Less: Discount on debentures issued			(42,019)	(33,571)
			<u>₩ 13,021,040</u>	<u>11,893,401</u>

- (c) Assets pledged as collateral in regards to the borrowings as of September 30, 2020 are as follows:

(in millions of Won)

	Lenders	Book value	Pledged amount
Cash and cash equivalents	Shinhan Bank and others	₩ 22,967	23,189
Property, plant and equipment and Investment property	Korea Development Bank and others	4,709,725	5,253,011
Trade accounts and notes receivable	Korea Development Bank and others	224,229	222,918
Inventories	Export-Import Bank of Korea and others	101,563	12,650
Financial instruments	KOOKMIN BANK and others	48,475	47,275
		<u>₩ 5,106,959</u>	<u>5,559,043</u>

POSCO and Subsidiaries

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

16. Other Payables

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

(in millions of Won)

		<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current			
Accounts payable	₩	728,844	832,845
Accrued expenses		671,235	742,370
Dividend payable		3,432	3,106
Lease liabilities		265,892	149,176
Withholdings		111,270	152,011
	₩	<u>1,780,673</u>	<u>1,879,508</u>
Non-current			
Accounts payable	₩	5,499	2,718
Accrued expenses		3,892	4,805
Lease liabilities		515,750	526,294
Long-term withholdings		53,531	51,312
	₩	<u>578,672</u>	<u>585,129</u>

17. Other Financial Liabilities

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

(in millions of Won)

		<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current			
Derivative liabilities	₩	45,517	28,021
Financial guarantee liabilities		52,476	49,806
	₩	<u>97,993</u>	<u>77,827</u>
Non-current			
Derivative liabilities	₩	14,981	17,033
Financial guarantee liabilities		5,027	14,461
	₩	<u>20,008</u>	<u>31,494</u>

POSCO and Subsidiaries

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

18. Provisions

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

(in millions of Won)

	September 30, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 57,098	41,267	76,432	47,237
Provision for construction warranties	6,875	185,949	7,655	162,773
Provision for legal contingencies and claims(*1)	4,763	60,627	6,996	77,488
Provision for the restoration(*2)	5,174	89,093	6,783	80,520
Others(*3, *4)	251,976	55,290	262,629	90,136
	₩ 325,886	432,226	360,495	458,154

(*1) The Company recognized probable outflow of resources amounting to ₩39,727 million and ₩54,228 million as provisions for legal contingencies and asserted claim in relation to lawsuits against the Company as of September 30, 2020 and December 31, 2019, respectively.

(*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩18,938 million as provisions for restoration as of September 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 a discount rate of 1.29%~1.40% to measure present value of these costs.

(*3) As of September 30, 2020 and December 31, 2019, POSCO ENERGY CO., LTD., and Korea Fuel Cell recognized ₩83,947 million and ₩178,959 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*4) As of September 30, 2020, the Company has recognized emission liabilities of ₩48,101 million for greenhouse gas emissions in excess of the quantity of free quota emission rights received, which is expected to be submitted.

POSCO and Subsidiaries

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

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

1) For the nine-month period ended September 30, 2020

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 123,669	66,658	(95,124)	(3,889)	7,051	98,365
Provision for construction warranties	170,428	41,286	(14,232)	(4,066)	(592)	192,824
Provision for legal contingencies and claims	84,484	2,405	(16,116)	(6,229)	846	65,390
Provision for the restoration	87,303	15,777	(4,901)	(15,837)	11,925	94,267
Others	352,765	169,572	(106,497)	(88,888)	(19,686)	307,266
	<u>₩ 818,649</u>	<u>295,698</u>	<u>(236,870)</u>	<u>(118,909)</u>	<u>(456)</u>	<u>758,112</u>

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

2) For the year ended December 31, 2019

(in millions of Won)

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

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

POSCO and Subsidiaries

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

19. Employee Benefits

(a) Defined contribution plans

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

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2020	2019	2020	2019
Expense related to post-employment benefit plans under defined contribution plans	₩	10,682	11,469	35,729	35,527

(b) Defined benefit plan

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

(in millions of Won)		September 30, 2020	December 31, 2019
Present value of funded obligations	₩	2,457,895	2,416,203
Fair value of plan assets(*1)		(2,215,797)	(2,255,149)
Present value of non-funded obligations		17,226	15,677
Net defined benefit liabilities	₩	259,324	176,731

(*1) As of September 30, 2020 and December 31, 2019, the Company recognized net defined benefit assets amounting to ₩8,252 million and ₩4,280 million respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

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

(in millions of Won)		September 30, 2020	December 31, 2019
Defined benefit obligation at the beginning of period	₩	2,431,880	2,137,161
Current service costs		181,204	236,735
Interest costs		35,397	51,900
Remeasurements		301	152,713
Benefits paid		(174,151)	(152,275)
Others		490	5,646
Defined benefit obligation at the end of period	₩	2,475,121	2,431,880

POSCO and Subsidiaries

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

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

<i>(in millions of Won)</i>		<u>September 30, 2020</u>	<u>December 31, 2019</u>
Fair value of plan assets			
at the beginning of period	₩	2,255,149	1,997,717
Interest on plan assets		22,152	48,210
Remeasurement of plan assets		20	(8,692)
Contributions to plan assets		88,297	342,915
Benefits paid		(136,625)	(124,962)
Others		5,099	(39)
Fair value of plan assets at the end of period	₩	<u>2,234,092</u>	<u>2,255,149</u>

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current service costs	₩	58,693	58,679	181,204	173,669
Net interest costs		733	168	2,211	2,403
	₩	<u>59,426</u>	<u>58,847</u>	<u>183,415</u>	<u>176,072</u>

POSCO and Subsidiaries

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

20. Other Liabilities

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

(in millions of Won)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current		
Due to customers for contract work	₩ 1,020,373	676,054
Advances received	479,943	487,526
Unearned revenue	63,114	61,795
Withholdings	397,753	388,486
Firm commitment liabilities	21,752	15,637
Others	7,584	8,604
	<u>₩ 1,990,519</u>	<u>1,638,102</u>
Non-current		
Unearned revenue	₩ 18,409	27,161
Others	22,782	52,349
	<u>₩ 41,191</u>	<u>79,510</u>

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2020
(Unaudited)

21. Financial Instruments

(a) Classification and fair value of financial instruments

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

① September 30, 2020

		Fair value			
(in millions of Won)	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative assets	₩ 232,877	-	232,877	-	232,877
Short-term financial instruments	8,906,797	-	8,906,797	-	8,906,797
Debt securities	13,663	-	-	13,663	13,663
Other securities	360,899	4,355	680	355,864	360,899
Other receivables	2,000	-	-	2,000	2,000
Derivative hedging instruments(*2)	21,329	-	21,329	-	21,329
Fair value through other comprehensive income					
Equity securities	1,030,599	548,709	-	481,890	1,030,599
Debt securities	4,864	-	-	4,864	4,864
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	6,769,118	-	-	-	-
Trade accounts and notes receivable	7,985,303	-	-	-	-
Other receivables	2,340,278	-	-	-	-
Debt securities	151,147	-	-	-	-
Deposit instruments	2,080,723	-	-	-	-
	₩ 29,899,597	553,064	9,161,683	858,281	10,573,028
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 49,382	-	49,382	-	49,382
Derivative hedging instruments(*2)	11,116	-	11,116	-	11,116
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	3,296,066	-	-	-	-
Borrowings	23,581,998	-	23,937,695	-	23,937,695
Financial guarantee liabilities	57,503	-	-	-	-
Others	2,192,610	-	-	-	-
	₩ 29,188,675	-	23,998,193	-	23,998,193

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

(*2) The Company applies hedge accounting which uses forward contracts as hedging instruments in order to hedge the risk of changes in fair value of product prices regarding firm commitments or purchase commitments. Also, the Company applies cash flow hedge accounting which uses currency swap as hedging instruments in order to hedge the risk of changes in foreign currency which influences cash flow from borrowings.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

② December 31, 2019

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

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2020
(Unaudited)

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

① For the nine-month period ended September 30, 2020

(in millions of Won)

(in millions of Won)		Finance income and costs					Other comprehensive loss	
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others		Total
Financial assets at fair value through profit or loss	₩	127,564	33,765	-	10,591	985	172,905	-
Derivatives assets		-	185,405	-	195,304	-	380,709	-
Financial assets at fair value through other comprehensive income		-	-	-	-	31,075	31,075	(154,471)
Financial assets measured at amortized cost		168,721	-	229,538	(12,309)	(203)	385,747	-
Derivatives liabilities		-	(29,170)	-	(255,418)	-	(284,588)	(730)
Financial liabilities measured at amortized cost		(505,797)	-	(265,300)	-	(5,752)	(776,849)	-
	₩	(209,512)	190,000	(35,762)	(61,832)	26,105	(91,001)	(155,201)

② For the nine-month period ended September 30, 2019

(in millions of Won)

(in millions of Won)		Finance income and costs						Other comprehensive loss
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩	105,893	(8,395)	-	9,931	630	108,059	-
Derivatives assets		-	203,729	-	143,072	-	346,801	-
Financial assets at fair value through other comprehensive income		-	-	-	-	66,041	66,041	(63,708)
Financial assets measured at amortized cost		122,398	-	528,105	(29,504)	(309)	620,690	-
Derivatives liabilities		-	(24,038)	-	(180,061)	-	(204,099)	(81)
Financial liabilities measured at amortized cost		(571,024)	-	(569,715)	(2,431)	(17,175)	(1,160,345)	-
	₩	(342,733)	171,296	(41,610)	(58,993)	49,187	(222,853)	(63,789)

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2020
(Unaudited)

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

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

(in millions of Won)

(in millions of Won)		Finance income and costs						Other comprehensive loss
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩	45,561	25,961	-	7,737	(13)	79,246	-
Derivatives assets		-	(79,082)	-	57,127	-	(21,955)	-
Financial assets at fair value through other comprehensive income		-	-	-	-	5,507	5,507	11,495
Financial assets measured at amortized cost		46,722	-	(67,335)	(2,689)	(43)	(23,345)	-
Derivatives liabilities		-	9,899	-	(78,551)	-	(68,652)	111
Financial liabilities measured at amortized cost		(158,998)	-	150,310	-	(5,882)	(14,570)	-
	₩	(66,715)	(43,222)	82,975	(16,376)	(431)	(43,769)	11,606

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

(in millions of Won)

(in millions of Won)		Finance income and costs						Other comprehensive income (loss)
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩	37,796	(7,023)	-	3,507	-	34,280	-
Derivatives assets		-	95,751	-	60,483	-	156,234	-
Financial assets at fair value through other comprehensive income		-	-	-	-	15,293	15,293	(81,552)
Financial assets measured at amortized cost		36,518	-	242,400	(10,264)	(94)	268,560	-
Derivatives liabilities		-	(21,193)	-	(69,027)	-	(90,220)	19
Financial liabilities measured at amortized cost		(179,820)	-	(285,364)	-	(8,167)	(473,351)	-
	₩	(105,506)	67,535	(42,964)	(15,301)	7,032	(89,204)	(81,533)

(b) Financial risk management

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

POSCO and Subsidiaries

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

22. Share Capital and Capital Surplus

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

<i>(Share, in Won)</i>	September 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
Shared capital(*2)	₩ 482,403,125,000	482,403,125,000

(*1) As of September 30, 2020, total number of ADRs of 26,190,824 outstanding in overseas stock market are equivalent to 6,547,706 of common stock.

(*2) As of September 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 September 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>	September 30, 2020	December 31, 2019
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	796,623	796,623
Other capital surplus	55,916	115,803
	₩ 1,316,364	1,376,251

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

POSCO and Subsidiaries

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

23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of September 30, 2020 and December 31, 2019 are as follows:

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

(*1) Details of hybrid bonds issued by the Company as of September 30, 2020 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is senior to the common stockholders, but subordinate to other creditors. The interest accumulated but not paid on the hybrid bonds as of September 30, 2020 amounts to ₩454 million.

POSCO and Subsidiaries

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

- (b) POSCO ENERGY CO., LTD., a subsidiary of the Company, issued hybrid bonds which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of September 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate (%)</u>		<u>September 30, 2020</u>	<u>December 31, 2019</u>
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21	₩	140,000	140,000
Issuance cost					(429)	(429)
				₩	<u>139,571</u>	<u>139,571</u>

(*1) Details of hybrid bonds of POSCO ENERGY CO., LTD. as of September 30, 2020 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is senior to the common stockholders, but subordinate to other creditors. The interest accumulated but not paid on the hybrid bonds as of September 30, 2020 amounts to ₩659 million.

24. Reserves

Reserves as of September 30, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2020</u>	<u>December 31, 2019</u>
Accumulated comprehensive loss of investments in associates and joint ventures	₩	(607,112)	(676,416)
Changes in fair value of equity investments at fair value through other comprehensive income		(436,559)	(285,073)
Foreign currency translation differences		(166,748)	(202,636)
Gains or losses on valuation of derivatives		(1,127)	(438)
Others		11,950	6,583
	₩	<u>(1,199,596)</u>	<u>(1,157,980)</u>

POSCO and Subsidiaries

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

25. Treasury Shares

During the nine-month period ended September 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 1,739,881 during the nine-month period ended September 30, 2020.

As of September 30, 2020, the Company holds 8,811,075 treasury shares for share price stabilization and other purposes in accordance with the Board of Director's resolution.

26. Revenue

(a) Disaggregation of revenue

- Details of revenue disaggregated by types of revenue and timing of revenue recognition for the nine-month periods ended September 30, 2020 and 2019 were as follows:

① For the nine-month period ended September 30, 2020

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 20,545,012	14,108,407	-	611,217	35,264,636
Revenue from services	343,393	293,983	33,882	1,377,614	2,048,872
Revenue from construction contract	-	-	4,878,088	20,467	4,898,555
Others	26,812	118,301	5,143	166,266	316,522
	₩ 20,915,217	14,520,691	4,917,113	2,175,564	42,528,585
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 20,571,824	14,226,708	120,754	777,483	35,696,769
Revenue recognized over time	343,393	293,983	4,796,359	1,398,081	6,831,816
	₩ 20,915,217	14,520,691	4,917,113	2,175,564	42,528,585

② For the nine-month period ended September 30, 2019

(in millions of Won)

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

POSCO and Subsidiaries

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

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

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

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
Types of revenue						
Revenue from sales of goods	₩	7,317,057	4,370,071	-	243,250	11,930,378
Revenue from services		110,529	102,730	11,034	492,283	716,576
Revenue from construction contract		-	-	1,509,453	6,260	1,515,713
Others		8,213	31,269	1,124	57,945	98,551
	₩	<u>7,435,799</u>	<u>4,504,070</u>	<u>1,521,611</u>	<u>799,738</u>	<u>14,261,218</u>
Timing of revenue recognition						
Revenue recognized at a point in time	₩	7,325,270	4,401,340	16,216	301,194	12,044,020
Revenue recognized over time		110,529	102,730	1,505,395	498,544	2,217,198
	₩	<u>7,435,799</u>	<u>4,504,070</u>	<u>1,521,611</u>	<u>799,738</u>	<u>14,261,218</u>

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

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
Types of revenue						
Revenue from sales of goods	₩	8,068,894	5,184,949	-	176,097	13,429,940
Revenue from services		139,345	92,265	12,487	563,946	808,043
Revenue from construction contract		-	-	1,637,441	5,505	1,642,946
Others		14,767	36,896	975	54,660	107,298
	₩	<u>8,223,006</u>	<u>5,314,110</u>	<u>1,650,903</u>	<u>800,208</u>	<u>15,988,227</u>
Timing of revenue recognition						
Revenue recognized at a point in time	₩	8,083,661	5,221,845	10,131	230,756	13,546,393
Revenue recognized over time		139,345	92,265	1,640,772	569,452	2,441,834
	₩	<u>8,223,006</u>	<u>5,314,110</u>	<u>1,650,903</u>	<u>800,208</u>	<u>15,988,227</u>

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

<i>(in millions of Won)</i>		September 30, 2020	December 31, 2019
Receivables			
Account receivables	₩	7,985,303	8,214,459
Contract assets			
Due from customers for contract work		1,013,730	1,062,677
Contract liabilities			
Advances received		484,027	489,658
Due to customers for contract work		1,020,373	676,054
Unearned revenue		81,325	88,733

POSCO and Subsidiaries

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

27. Revenue – Contract Balances

- (a) Details of ongoing contracts as of September 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		September 30, 2020		December 31, 2019	
		Construction segment	Others	Construction segment	Others
Accumulated cost	₩	29,726,857	247,797	29,106,218	249,751
Accumulated contract profit		2,885,866	50,467	2,863,207	47,107
Accumulated contract loss		(1,209,350)	(1,987)	(1,182,989)	(2,211)
Accumulated contract revenue		31,403,373	296,277	30,786,436	294,647

- (b) Details of due from customers for contract work and due to customers for contract work as of September 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		September 30, 2020		December 31, 2019	
		Construction segment	Others	Construction segment	Others
Due from customers for contract	₩	1,045,721	45,116	1,087,119	49,317
Due to customers for contract work		(997,738)	(22,635)	(639,130)	(36,924)
	₩	47,983	22,481	447,989	12,393

- (c) Details of the provisions of construction loss as of September 30, 2020 and December 31, 2019 are as follows:

(in millions of Won)

		September 30, 2020	December 31, 2019
Construction segment	₩	24,779	35,526
Others		388	406
	₩	25,167	35,932

POSCO and Subsidiaries

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

- (d) Due to the factors causing the variation of costs for the nine-month period ended September 30, 2020, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profit before income taxes for the nine-month period ended September 30, 2020 and future periods are as follows:

(in millions of Won)

		Changes in estimated total contract costs	Changes in profit (loss) of contract		
			Net income	Future income	Total
Construction segment	₩	115,032	61,433	169,756	231,189
Others		13,570	4,098	583	4,681
	₩	128,602	65,531	170,339	235,870

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contract to September 30, 2020. The estimation is evaluated for the total contract costs and expected total contract revenue as of the end of the period, which is subject to change in future periods.

- (e) Uncertainty of estimates

1) Total contract revenues

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

2) Total contract costs

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

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

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2020
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28. Selling and Administrative Expenses

(a) Other administrative expenses

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

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2020	2019	2020	2019
Wages and salaries	₩ 210,874	210,590	621,394	616,453
Expenses related to post-employment benefits	18,197	24,774	60,078	64,844
Other employee benefits	43,253	42,701	129,004	131,822
Travel	3,719	10,250	13,609	31,431
Depreciation	36,393	33,761	109,250	99,381
Amortization	26,113	28,110	80,746	84,912
Communication	2,305	2,517	7,106	7,546
Electricity	2,055	2,480	6,085	6,511
Taxes and public dues	11,311	15,574	43,386	47,430
Rental	6,733	9,420	22,998	30,097
Repairs	2,463	3,107	5,701	9,731
Entertainment	1,911	2,738	5,456	8,379
Advertising	16,842	21,276	51,495	63,241
Research & development	29,083	26,839	78,354	83,521
Service fees	36,957	37,417	113,732	125,005
Vehicles maintenance	1,179	1,685	3,678	5,932
Industry association fee	1,502	1,738	7,541	7,155
Conference	2,922	3,462	8,247	11,272
Increase to provisions	1,728	2,126	3,610	4,608
Others	10,717	10,205	28,394	34,118
	₩ 466,257	490,770	1,399,864	1,473,389

(b) Selling expenses

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

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2020	2019	2020	2019
Freight and custody	₩ 49,434	42,775	135,537	130,312
Operating expenses for distribution center	1,589	2,201	5,276	7,452
Sales commissions	13,795	18,565	81,714	57,164
Sales advertising	64	341	634	945
Sales promotion	1,897	2,202	5,133	7,217
Sample	318	503	1,190	1,631
Sales insurance premium	6,735	8,208	22,364	24,133
Contract cost	11,420	8,605	27,170	24,684
Others	4,482	4,624	13,043	15,949
	₩ 89,734	88,024	292,061	269,487

POSCO and Subsidiaries

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

29. Finance Income and Costs

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

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2020	2019	2020	2019
Finance income				
Interest income(*1)	₩ 92,283	74,314	296,285	228,291
Dividend income	5,494	15,293	32,060	66,671
Gain on foreign currency transactions	174,109	258,433	810,396	638,199
Gain on foreign currency translations	35,923	77,820	255,900	277,437
Gain on derivatives transactions	67,552	63,843	212,192	148,443
Gain on valuations of derivatives	(72,513)	97,054	208,687	243,923
Others	38,583	15,960	56,004	26,630
	₩ 341,431	602,717	1,871,524	1,629,594
Finance costs				
Interest expenses	₩ 158,998	179,820	505,797	571,024
Loss on foreign currency transactions	206,255	219,368	691,009	534,666
Loss on foreign currency translations	(79,198)	159,849	411,049	422,580
Loss on derivatives transactions	88,976	72,387	272,306	185,432
Loss on valuation of derivatives	(3,330)	22,496	52,452	64,232
Loss on disposal of trade accounts and notes receivable	2,689	10,264	12,345	29,504
Others	10,809	27,738	17,567	45,009
	₩ 385,199	691,922	1,962,525	1,852,447

(*1) Interest income calculated using the effective interest method for the nine-month periods ended September 30, 2020 and 2019 were ₩168,721 million and ₩122,398 million, respectively.

POSCO and Subsidiaries

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

30. Other Non-Operating Income and Expenses

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

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2020	2019	2020	2019
Other non-operating income				
Gain on disposals of assets held for sale	₩ -	-	299	8,536
Gain on disposals of investments				
in subsidiaries, associates and joint ventures	2,082	4,929	43,421	20,750
Gain on disposals of property, plant and equipment	2,196	5,567	9,542	21,929
Gain on valuation of firm commitment	17,396	22,952	55,062	51,920
Gain on valuation of emission rights	-	-	-	25,440
Gain on disposals of emission rights	285	11,141	24,851	11,141
Reversal of other provisions	2,735	29,120	3,574	35,291
Others	41,574	41,204	96,423	97,274
	₩ 66,268	114,913	233,172	272,281
Other non-operating expenses				
Impairment loss on assets held for sale	₩ -	37,597	5,030	40,943
Loss on disposals of investments				
in subsidiaries, associates and joint ventures	3,586	281	13,659	5,867
Loss on disposals of property, plant and equipment	26,451	23,826	105,440	61,222
Impairment losses on property, plant and equipment	284	45,029	21,684	194,688
Impairment losses on intangible assets	41	124,525	1,225	125,696
Loss on valuation of firm commitment	21,154	11,704	57,229	30,276
Idle tangible assets expenses	4,181	8,192	14,866	26,619
Increase to provisions	6,452	5,801	7,676	13,172
Donations	8,137	12,935	24,845	24,129
Others	13,884	20,317	49,951	71,463
	₩ 84,170	290,207	301,605	594,075

31. Expenses by Nature

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

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2020	2019	2020	2019
Raw material used, changes in inventories and others	₩ 8,809,612	9,417,705	25,757,893	28,674,400
Employee benefits expenses	906,728	942,398	2,678,926	2,688,563
Outsourced processing cost	1,771,108	2,067,057	5,857,897	5,829,808
Electricity and water	168,788	247,474	482,046	726,188
Depreciation(*1)	793,940	746,172	2,348,977	2,269,280
Amortization	106,230	113,214	336,624	316,947
Freight and custody	376,397	353,335	1,058,528	1,084,969
Sales commissions	13,795	18,565	81,714	57,164
Loss on disposal of property, plant and equipment	26,451	23,826	105,440	61,222
Impairment loss on property, plant and equipment	284	45,029	21,684	194,688
Donations	8,137	12,935	24,845	24,129
Other expenses	696,028	1,266,875	2,544,668	3,712,577
	₩ 13,677,498	15,254,585	41,299,242	45,639,935

(*1) Includes depreciation expense of investment property.

POSCO and Subsidiaries

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

32. Income Taxes

The effective tax rates of the Company for the nine-month periods ended September 30, 2020 and 2019 were 30.07% and 34.13%, respectively.

33. Earnings per Share

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

(in Won except per share information)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2020	2019	2020	2019
Profit attributable to controlling interest	₩ 465,457,487,777	430,875,315,211	901,132,036,554	1,784,414,381,573
Interests of hybrid bonds	(1,681,205,479)	(1,681,205,479)	(5,007,068,492)	(4,988,794,519)
Weighted-average number of common shares outstanding (*1)	79,230,216	80,115,641	79,784,098	80,113,124
Basic earnings per share	₩ 5,854	5,357	11,232	22,211

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

(Share)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	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	(7,956,619)	(7,071,194)	(7,402,737)	(7,073,711)
Weighted-average number of common shares outstanding	79,230,216	80,115,641	79,784,098	80,113,124

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

34. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the nine-month periods ended September 30, 2020 and 2019 were as follows:

1) For the nine-month period ended September 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.	₩ 5,168	11,107	15	543,484	60	17,773
POSCO COATED & COLOR STEEL Co., Ltd.	309,338	1,819	-	-	21,466	249
POSCO ICT(*4)	2,088	4,992	-	248,039	30,951	131,887
eNtoB Corporation	11	60	160,906	24,852	55	17,884
POSCO CHEMICAL CO., LTD.	200,730	29,911	342,948	16,219	226,595	4,551
POSCO ENERGY CO., LTD.	2,196	2,117	12,374	3	-	16,709
POSCO INTERNATIONAL Corporation	4,246,418	55,558	233,450	-	11,371	3,293
POSCO Thainox Public Company Limited	226,231	137	3,454	-	-	-
POSCO America Corporation	120,956	-	-	-	-	505
POSCO Canada Ltd.	-	978	129,666	-	-	-
POSCO Asia Co., Ltd.	1,161,489	1,002	114,796	3,229	1,174	2,765
Qingdao Pohang Stainless Steel Co., Ltd.	105,037	66	-	-	-	196
POSCO JAPAN Co., Ltd.	776,819	-	29,582	4,947	-	2,428
POSCO-VIETNAM Co., Ltd.	182,844	239	-	-	-	59
POSCO MEXICO S.A. DE C.V.	107,763	158	-	-	-	304
POSCO Maharashtra Steel Private Limited	210,679	1,543	-	-	-	282
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	82,663	-	-	-	-	-
POSCO VST CO., LTD.	163,085	204	-	-	-	123
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	1,039	395,961	-	-	-
Others	913,036	20,393	55,641	33,263	197,496	91,565
	8,816,551	131,323	1,478,793	874,036	489,168	290,573
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.(*5)	65	41	916	84,839	4,086	12,431
SNNC	4,333	4,103	372,068	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	29,429	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	39,112	940,725	-	-	-
Others	25,649	61,949	46,788	-	-	23,714
	59,476	105,205	1,360,497	84,839	4,086	36,145
₩	8,876,027	236,528	2,839,290	958,875	493,254	326,718

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

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

(*3) As of September 30, 2020, the Company provided guarantees to related parties (Note 35).

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

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

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

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	₩ 5,151	11,110	-	226,604	25	12,064
POSCO COATED & COLOR STEEL Co., Ltd.	354,046	1,942	95	-	13,595	586
POSCO ICT	2,213	4,990	-	226,456	26,235	131,522
eNtoB Corporation	11	66	231,896	28,678	72	18,443
POSCO CHEMICAL CO., LTD	289,090	30,298	389,598	12,396	236,114	3,084
POSCO ENERGY CO., LTD.	147,124	1,252	1,090	-	-	1,672
POSCO INTERNATIONAL Corporation	4,426,067	46,572	459,705	-	38,067	4,516
POSCO Thainox Public Company Limited	188,527	13,795	6,706	-	-	3
POSCO America Corporation	232,724	-	-	-	-	1,682
POSCO Canada Ltd.	340	751	245,123	-	-	-
POSCO Asia Co., Ltd.	1,300,580	975	323,203	72	1,484	5,093
Qingdao Pohang Stainless Steel Co., Ltd.	99,757	-	-	-	-	-
POSCO JAPAN Co., Ltd.	1,134,448	36	29,843	3,685	-	2,898
POSCO-VIETNAM CO., Ltd.	222,692	263	-	-	-	37
POSCO MEXICO S.A. DE C.V.	238,367	89	-	-	-	246
POSCO Maharashtra Steel Private Limited	513,467	266	-	-	-	256
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	81,829	1	2,189	-	-	-
POSCO VST CO., LTD.	217,034	-	-	-	-	62
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	285	514,751	-	-	-
Others	685,845	17,396	106,193	19,147	182,202	119,078
	10,139,302	130,087	2,310,392	517,038	497,794	301,242
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	412	70	2,009	183,351	12,994	16,430
SNNC	4,121	3,910	420,720	-	-	10
POSCO-SAMSUNG-Slovakia Processing Center	50,894	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	841,866	-	-	-
Others	11,830	107,865	43,088	-	-	-
	67,257	111,845	1,307,683	183,351	12,994	16,440
₩	10,206,559	241,932	3,618,075	700,389	510,788	317,682

- (b) Significant transactions between the controlling company and related companies for the three-month periods ended September 30, 2020 and 2019 were as follows:

1) For the three-month period ended September 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.	₩ 1,620	11	-	101,179	-	4,938
POSCO COATED & COLOR STEEL Co., Ltd.	103,572	124	-	-	6,290	41
POSCO ICT	659	1	-	63,729	10,010	44,219
eNtoB Corporation	4	-	47,528	6,004	27	5,391
POSCO CHEMICAL CO., LTD	56,264	5,141	113,227	3,389	72,171	189
POSCO ENERGY CO., LTD.	643	901	2,379	-	-	5,599
POSCO INTERNATIONAL Corporation	1,450,981	1,227	122,652	-	-	1,210
POSCO Thainox Public Company Limited	119,514	-	-	-	-	-
POSCO America Corporation	24,690	-	-	-	-	502
POSCO Canada Ltd.	-	162	38,861	-	-	-
POSCO Asia Co., Ltd.	441,511	37	33,125	957	12	1,346
Qingdao Pohang Stainless Steel Co., Ltd.	34,269	-	-	-	-	20
POSCO JAPAN Co., Ltd.	227,977	-	13,162	1,988	-	1,340
POSCO-VIETNAM Co., Ltd.	81,739	16	-	-	-	39
POSCO MEXICO S.A. DE C.V.	39,189	59	-	-	-	-
POSCO Maharashtra Steel Private Limited	56,925	696	-	-	-	97
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	25,018	-	-	-	-	-
POSCO VST CO., LTD.	30,869	148	-	-	-	103
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	235	104,312	-	-	-
Others	339,973	2,209	14,535	7,683	68,939	33,500
	3,035,417	10,967	489,781	184,929	157,449	98,534
Associates and joint ventures						
SNNC	1,432	625	153,008	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	12,275	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	39,112	315,180	-	-	-
Others	11,317	7,016	17,834	-	-	10,366
	25,024	46,753	486,022	-	-	10,366
₩	3,060,441	57,720	975,803	184,929	157,449	108,900

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

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

(in millions of Won)

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

(c) The related account balances from significant transactions between the controlling company and related companies as of September 30, 2020 and December 31, 2019 are as follows:

1) September 30, 2020

(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.	₩ 4,507	5	4,512	-	37,871	261
POSCO COATED & COLOR STEEL Co., Ltd.	60,497	-	60,497	-	5	3,630
POSCO ICT	184	-	184	2,206	42,204	24,993
eNtoB Corporation	-	-	-	2,977	28,664	-
POSCO CHEMICAL CO., LTD	35,943	3,485	39,428	11,926	44,963	16,921
POSCO ENERGY CO., LTD.	188	248	436	-	3,082	12,979
POSCO INTERNATIONAL Corporation	569,861	-	569,861	4,098	323	-
POSCO Thainox Public Company Limited	83,853	-	83,853	-	-	-
POSCO America Corporation	1,173	-	1,173	-	-	-
POSCO Asia Co., Ltd.	300,471	1,433	301,904	5,275	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	16,230	-	16,230	-	-	-
POSCO MEXICO S.A. DE C.V.	41,612	701	42,313	-	-	-
POSCO Maharashtra Steel Private Limited	183,492	471	183,963	-	-	-
Others	608,868	34,530	643,398	31,409	37,624	84,148
	1,906,879	40,873	1,947,752	57,891	194,736	142,932
Associates and joint ventures						
SNNC	294	229	523	36,262	-	-
Roy Hill Holdings Pty Ltd	-	39,112	39,112	194,818	32	-
Others	755	38,003	38,758	2,660	-	-
	1,049	77,344	78,393	233,740	32	-
₩	1,907,928	118,217	2,026,145	291,631	194,768	142,932

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 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
	<u>2,130,850</u>	<u>39,395</u>	<u>2,170,245</u>	<u>50,887</u>	<u>333,939</u>	<u>172,829</u>
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	-
	<u>1,323</u>	<u>781</u>	<u>2,104</u>	<u>117,070</u>	<u>50,097</u>	<u>-</u>
₩	<u>2,132,173</u>	<u>40,176</u>	<u>2,172,349</u>	<u>167,957</u>	<u>384,036</u>	<u>172,829</u>

(d) Significant transactions between the Company, excluding the controlling company, and related companies for the nine-month periods ended September 30, 2020 and 2019 were as follows:

1) For the nine-month period ended September 30, 2020

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd. ₩	2,558	-	5	-
New Songdo International City Development, LLC	81,806	26,451	-	107
SNNC	44,485	-	35,684	118,925
Chuncheon Energy Co., Ltd.	(2,656)	211	-	-
Noeul Green Energy Co., Ltd.	4,587	-	-	582
CSP - Companhia Siderurgica do Pecem	21,943	6,883	141,883	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	35,696	-	32,147	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	4,555	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	5,909	-	-	-
PT. Batutua Tembaga Raya	-	1,111	23,379	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	19,578	-	210	-
DMSA/AMSA	-	-	29,198	-
South-East Asia Gas Pipeline Company Ltd.	7	51,793	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	24,154	19,475	2,704	602
Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd.)	153,824	-	-	-
TK CHEMICAL CORPORATION	82,834	-	23,339	-
Others	<u>108,943</u>	<u>54,438</u>	<u>29,890</u>	<u>27,193</u>
₩	<u>583,668</u>	<u>160,362</u>	<u>322,994</u>	<u>147,409</u>

POSCO and Subsidiaries

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

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

(in millions of Won)

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

POSCO and Subsidiaries

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

(e) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended September 30, 2020 and 2019 were as follows:

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
New Songdo International City Development, LLC	₩ 29,943	1	-	61
SNNC	17,283	-	10,402	11,418
Chuncheon Energy Co., Ltd.	(2,943)	-	-	-
Noeul Green Energy Co., Ltd.	1,548	-	-	582
CSP - Companhia Siderurgica do Pecem	3,632	1,958	18,515	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	16,768	-	7,365	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	2,162	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	2,615	-	-	-
PT. Batutua Tembaga Raya	-	-	6,804	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,447	-	45	-
South-East Asia Gas Pipeline Company Ltd.	-	13,276	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	8,193	37	816	150
Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd.)	63,914	-	-	-
TK CHEMICAL CORPORATION	23,082	-	4,596	-
Others	47,244	24,665	12,176	10,340
	₩ 218,726	39,937	62,881	22,551

POSCO and Subsidiaries

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

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,475	-	13	4,449
New Songdo International City	4,525	-	-	5
SNNC	14,638	-	7,949	20,811
Chuncheon Energy Co., Ltd.	82	-	-	-
Noeul Green Energy Co., Ltd.	1,545	-	-	-
USS-POSCO Industries	-	-	394	-
CSP - Companhia Siderurgica do Pecem	5,712	-	104,405	16,169
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	8,998	-	10,576	-
LLP POSUK Titanium	-	-	-	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	4	-	1,140	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	2,737	-	-	-
PT. Batutua Tembaga Raya	-	136	10,346	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,513	-	90	-
Sebang Steel	-	-	-	-
DMSA/AMSA	-	-	20,110	-
South-East Asia Gas Pipeline Company Ltd.	22	28,597	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	22,424	-	1,094	509
Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd.)	38,579	-	-	-
TK CHEMICAL CORPORATION	44,029	-	11,312	-
Others	65,503	8,112	10,606	13,105
	₩ 221,786	36,845	178,035	55,048

(f) The related account balances from significant transactions between the Company, excluding the controlling company, and related companies as of September 30, 2020 and December 31, 2019 are as follows:

1) September 30, 2020

(in millions of Won)

	Receivables				Payables		
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures							
New Songdo International City Development, LLC	₩ 9,911	-	20,592	30,503	-	-	-
Chuncheon Energy Co., Ltd.	-	-	-	-	3,312	-	3,312
Samcheok Blue Power Co., Ltd. (Formerly, POSPower Co., Ltd.)	78,150	-	-	78,150	-	50,059	50,059
Nickel Mining Company SAS	-	63,874	146	64,020	-	-	-
CSP - Companhia Siderurgica do Pecem	149,591	-	9,696	159,287	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	16,486	-	-	16,486	2,012	-	2,012
PT. Batutua Tembaga Raya	-	38,133	962	39,095	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	9,948	-	-	9,948	96	-	96
South-East Asia Gas Pipeline Company Ltd.	-	110,957	-	110,957	-	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	3,515	-	-	3,515	738	-	738
TK CHEMICAL CORPORATION	23,081	-	-	23,081	1,743	-	1,743
Others	64,559	167,814	112,490	344,863	7,563	13,309	20,872
	₩ 355,241	380,778	143,886	879,905	15,464	63,368	78,832

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2020
(Unaudited)

2) December 31, 2019

(in millions of Won)

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

- (g) Significant financial transactions between the Company, excluding the controlling company, and related companies for the nine-month period ended September 30, 2020 and the year ended December 31, 2019 were as follows:

1) September 30, 2020

(in millions of Won)

	Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures					
UITrans LRT Co., Ltd.	₩ 10,579	9,471	-	-	20,050
DMSA/AMSA(*1)	57,999	-	-	(57,999)	-
South-East Asia Gas Pipeline Company Ltd.	147,367	-	(36,026)	(384)	110,957
PT. Batutua Tembaga Raya	36,291	-	-	1,842	38,133
PT. Tanggamus Electric Power	4,580	-	-	62	4,642
PT. Wampu Electric Power	5,519	-	-	75	5,594
PT. POSMI Steel Indonesia	2,316	-	-	31	2,347
Nickel Mining Company SAS	60,516	-	-	3,358	63,874
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	6,947	-	(1,239)	160	5,868
POS-SeAH Steel Wire (Thailand) Co., Ltd.	6,947	-	-	94	7,041
AMCI (WA) PTY LTD	78,553	3,121	-	2,107	83,781
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD	5,789	-	-	79	5,868
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD	9,262	-	-	126	9,388
Hyo-chun Co., Ltd.	2,382	-	-	-	2,382
Chun-cheon Energy Co., Ltd.	8,234	-	(8,234)	-	-
POS-AUSTEM Suzhou Automotive Co., Ltd	5,789	12,005	-	(191)	17,603
CAML RESOURCES PTY LTD	-	3,174	-	76	3,250
	₩ 449,070	27,771	(45,499)	(50,564)	380,778

- (*1) During the nine-month period ended September 30, 2020, loans amounting to ₩60,278 million have been converted to ordinary shares of DMSA/AMSA, and its amount is included in others.

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

POSCO and Subsidiaries

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

2) December 31, 2019

(in millions of Won)

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

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

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

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

(in millions of Won)

	September 30, 2020	September 30, 2019
Short-term benefits	₩ 80,244	86,850
Long-term benefits	11,936	11,365
Retirement benefits	11,031	14,031
	₩ 103,211	112,246

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2020 are as follows:

(in millions of Won)			Guarantee limit		Guarantee amount		
Guarantor	Guarantee beneficiary	Financial institution	Foreign currency	Won equivalent	Foreign currency	Won equivalent	
[The Company]							
POSCO	POSCO Asia Co., Ltd.	Credit Agricole and others	USD	100,000,000	117,350	100,000,000	117,350
	POSCO-VIETNAM Co., Ltd.	SMBC and others	USD	156,000,000	183,066	156,000,000	183,066
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	120,000,000	140,820	120,000,000	140,820
	POSCO COATED STEEL (THAILAND) CO., LTD.	SMBC and others	THB	5,501,000,000	204,089	5,501,000,000	204,089
	POSCO Maharashtra Steel Private Limited	ING and others	USD	83,784,000	98,321	83,784,000	98,321
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,584,580	862,114,318	1,011,691
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	171,950	131,874,750	154,755
	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	186,625,000	219,004	178,750,000	209,763
	POSCO INTERNATIONAL POWER (PUNGLAE) LIMITED	KDB bank	USD	48,317,404	56,700	37,167,234	43,616
	GOLDEN LACE POSCO INTERNATIONAL CO., LTD.	Shinhan Bank and others	USD	11,000,000	12,909	11,000,000	12,909
POSCO INTERNATIONAL Corporation	PT. Bio Inti Agrindo	Export-Import Bank of Korea and others	USD	147,159,352	172,691	145,144,866	170,328
	POSCO ASSAN TST STEEL INDUSTRY	ING	USD	14,652,750	17,195	14,652,750	17,195
	POSCO INTERNATIONAL AMERICA Corp.						
	POSCO INTERNATIONAL SINGAPORE Pte. Ltd.						
	POSCO INTERNATIONAL MEXICO S.A. de C.V.						
	POSCO INTERNATIONAL Japan Corp.	Bank Mendes Gans	USD	50,000,000	58,675	38,812,382	45,546
	POSCO INTERNATIONAL Malaysia SDN BHD						
	POSCO INTERNATIONAL Deutschland GmbH						
	POSCO INTERNATIONAL Italia S.R.L.						
	GRAIN TERMINAL HOLDING PTE. LTD.	Black Sea Trade and Development Bank	USD	27,000,000	31,685	27,000,000	31,685
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea and others	USD	42,000,000	49,287	42,000,000	49,287
	POSCO Engineering and Construction India Private Limited	Hana bank	INR	221,000,000	3,516	148,661,567	2,365
	Songdo Posco family Housing	Shinyoung securities	KRW	20,000	20,000	20,000	20,000
	JB CLARK HILLS	KOREA INVESTMENT&SECURITIES Co., Ltd.	KRW	60,000	60,000	60,000	60,000
	PT.POSCO E&C INDONESIA	POSCO Asia Co., Ltd. and others	USD	10,900,000	12,791	10,900,000	12,791
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	POSCO Asia Co., Ltd. and others	USD	160,000,000	187,760	154,024,000	180,747
	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd. and others	USD	1,200,000	1,408	1,200,000	1,408
	PT.Krakatau Posco Chemical Calcination (formerly, PT. Krakatau Posco Chemtech Calcination)	POSCO Asia Co., Ltd. and others	USD	15,200,000	17,837	12,000,000	14,082
	POSCO COATED & COLOR STEEL Co., Ltd.	POSCO Asia Co., Ltd.	USD	13,986,947	16,414	13,986,947	16,414
	POSCO ENERGY CO., LTD	Export-Import Bank of Korea and others	USD	193,900,000	227,542	96,985,535	113,813
POSCO Asia Co., Ltd.	POSCO America Corporation	SMBC	USD	70,000,000	82,145	70,000,000	82,145
[Associates and joint ventures]							
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	492,872	372,140,666	436,707
	LLP POSUK Titanium	BNDES	BRL	464,060,000	96,190	464,060,000	96,190
	Nickel Mining Company SAS	SMBC	USD	13,500,000	15,842	13,500,000	15,842
	GLOBAL KOMSCO Daewoo LLC	SMBC	EUR	46,000,000	62,993	46,000,000	62,993
	New Songdo International City Development, LLC	Hana Bank	USD	8,225,000	9,652	7,700,000	9,036
	POHANG E&E Co., LTD	Others	KRW	386,000	386,000	386,000	386,000
	UITrans LRT Co., Ltd.	Heungkuk Life Insurance Co., Ltd.	KRW	71,930	71,930	60,716	60,716
	Incheon-Gimpo Expressway Co. Ltd.	Kookmin Bank and others	KRW	125,845	103,508	103,508	103,508
	RPSD	Kookmin Bank and others	KRW	311,468	311,468	288,417	288,417
	Metropolitan Outer Ring Expressway Co., Ltd	Plan-up Sinsajelcha Co., Ltd	KRW	45,000	37,000	37,000	37,000
POSCO INTERNATIONAL Corporation POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Pureun Tongyeong Enviro Co., Ltd.	Woori Bank and others	KRW	275,989	275,989	14,486	14,486
	Pure Gimpo Co., Ltd	KDB Bank and others	KRW	22,714	22,714	15,312	15,312
	Clean Iksan Co.,Ltd	KDB Bank and others	KRW	44,740	44,740	31,508	31,508
		SAMSUNG FIRE & MARINE INSURANCE CO.,LTD and others	KRW	44,054	44,054	30,200	30,200
	NEXTRAIN Co., Ltd	Kookmin Bank and others	KRW	634,752	634,752	-	-
	Chun-cheon Energy Co., Ltd.	Kookmin Bank and others	KRW	149,200	149,200	145,300	145,300
	UITrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000	76,000
	Hyochun Co., Ltd.	Kyobo Securities	KRW	39,575	39,575	39,575	39,575
	Incheon-Gimpo Expressway Co., Ltd.	Kookmin Bank and others	KRW	100,000	100,000	100,000	100,000
	Shinahn wind power generation	NH INVESTMENT & SECURITIES CO.,LTD. and others	KRW	17,860	17,860	17,860	17,860
POSCO CHEMICAL CO., LTD POSCO(Suzhou) Automotive Processing Center Co.,Ltd.	Western Inland highway CO., LTD.	Kookmin Bank	KRW	964,100	964,100	964,100	964,100
	Metropolitan Outer Ring Expressway Co., Ltd	Woori Bank	KRW	193,700	193,700	193,700	193,700
	KRAKATAU POS-CHEM DONG-SUH CHEMICAL	Hana Bank	USD	1,140,000	1,338	506,667	595
	POS-InfraAuto (Suzhou) Co., Ltd	KDB bank	USD	364,500	428	81,000	95
[Others]							
POSCO INTERNATIONAL Corporation POSCO ENGINEERING & CONSTRUCTION CO., LTD. POSCO ICT POSCO AUSTRALIA PTY LTD	Sheritt International Corporation	Export-Import Bank of Korea	USD	21,818,182	25,604	3,019,552	3,543
	Ecocity CO.,LTD and others	Kookmin Bank and others	KRW	3,977,656	3,977,656	2,013,615	2,013,615
	BLT Enterprise and others	Hana Bank and others	KRW	1,179,464	1,179,464	1,179,464	1,179,464
	Department of Trade and Investment (NSW Government) and others	Woori Bank and others	AUD	11,637,263	9,674	11,637,263	9,674
	KSU Mandob	Bank Muamalat	IDR	80,000,000,000	6,304	80,000,000,000	6,304
	MAHARASHTRA STATE ELECTRICITY and others	HSBC and others	INR	188,156,806	2,994	188,156,806	2,994
			USD	3,413,600,635	4,005,866	2,704,344,667	3,173,550
			KRW	8,740,047	8,740,047	5,776,761	5,776,761
			IDR	80,000,000,000	6,304	80,000,000,000	6,304
			INR	409,156,806	6,510	336,818,373	5,359
PT. Bio Inti Agrindo POSCO Maharashtra Steel Private Limited			THB	5,501,000,000	204,089	5,501,000,000	204,089
			EUR	46,000,000	62,993	46,000,000	62,993
			AUD	11,637,263	9,674	11,637,263	9,674
			BRL	464,060,000	96,190	464,060,000	96,190

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2020

(Unaudited)

(b) Other commitments

Details of other commitments of the Company as of September 30, 2020 are as follows:

Company	Description
POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of September 30, 2020, 70 million tons of iron ore and 10 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>POSCO entered into consecutive voyage charter (CVC) contracts for the transportation of raw materials. As of September 30, 2020, there are 39 vessels under CVC contracts and the average remaining contract period is about 9 years.</p> <p>As of September 30, 2020, POSCO 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. POSCO is not liable for the repayment in full or part of borrowings if the project fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreement. As of September 30, 2020, the ending balance of the borrowing amounts to USD 1.02 million.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to the construction of new power plant by POSCO ENERGY CO., LTD.</p> <p>POSCO provides a supplementary fund of up to ₩9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., at the request of creditors such as the Korea Development Bank.</p>
POSCO INTERNATIONAL Corporation	<p>POSCO INTERNATIONAL Corporation operates a ship-to-ship business in which ships are chartered from ship's owners and leased out to shippers. The Company has entered into a ship purchase agreement with the ship owners and the shippers, which obliges the shippers to pay the agreed amount either at the end of the contract terms or at the agreed termination and to take over the ownership of the vessel from the ship owners. Only if the shipper fails to fulfill its obligation including payment obligation for the purchase of the vessel, the Company is obliged to take over the ship based on the condition that the shipper's contractual obligations and rights are transferred to the Company. As of September 30, 2020, the amount which is exposed to the ship purchase agreements entered into is USD 208 million.</p> <p>The Company invested in the Ambatovy Nickel Project (DMSA/ASMA) in Madagascar through the Korea Ambatovy Consortium (KAC) formed with Korea Mineral Resources Corporation (KORES) and STX Corporation. SHERRITT INTERNATIONAL CORP., the operator, transferred a portion of the project's interests to Sumitomo and AHL (Ambatovy Holdings Limited) in November 2017, and transferred the remaining interests of the project to Sumitomo and the new corporation AHL2 (Ambatovy Holdings II Limited) in August 2020. KAC has the rights and obligations to the 18.33% stake held by AHL and AHL2.</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of September 30, 2020, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantees of up to USD 2,464 million provided by financial institutions and uses USD 766 million with Woori Bank and others.</p> <p>The Company is responsible for completion of a project, including The Sharp First Park in Pangyo. As of September 30, 2020, the outstanding amount of loans related to the responsible completion arrangement is ₩202 billion which may be assumed in the case of non-performance of developers. If the responsibility is not fulfilled, there is an obligation to compensate the principal and interest.</p>
POSCO ICT	<p>As of September 30, 2020, in relation to fulfillment of project contract, POSCO ICT was provided with ₩137,484 million, ₩3,914 million and ₩305 million guaranties from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively.</p> <p>The Company is responsible for completion of 8 projects, including the construction of Bundang Center of Doosan Group. As of September 30, 2020, the outstanding amount of loans related to the responsible completion arrangements is ₩760.5 billion. If the responsibility is not fulfilled, there are duties such as compensation for principal and interest to lenders or conditional acquisition of bonds.</p>

POSCO and Subsidiaries

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

(c) Litigation in progress

In March 2019, regarding the Songdo International City Development Project in Incheon, NSC Investment and TGC (the "applicant"), former partners of joint venture of POSCO ENGINEERING & CONSTRUCTION CO., LTD. ("POSCO E&C"), have applied to the International Chamber of Commerce of Singapore for arbitration in relation to the POSCO E&C's alleged contract violation (approximately USD 2 billion). In addition, the applicant filed a confirmation suit with the New York Southern District Court in March 2019 against the fact that all claims listed in the above arbitration application must be settled by ICC arbitration. The claimants are seeking damages allegedly resulting from POSCO E&C's purported wrongful seizure. As of September 30, 2020, the Company believes that the applicant's claims are not legally valid and that the present obligation for the above arbitration event does not exist and therefore did not recognize a provision.

The Company is involved in 323 lawsuits aggregating to ₩1,126.7 billion as defendant as of September 30, 2020, which arise from ordinary course of business such as claim for confirmation of employee status. The Company has recognized provisions amounting to ₩39.7 billion for 83 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 believes that it does not have a present obligation as of September 30, 2020.

(d) Other contingencies

Company	Description
POSCO	POSCO has provided 3 blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings.
POSCO INTERNATIONAL Corporation	As of September 30, 2020, POSCO INTERNATIONAL Corporation has provided 33 blank promissory notes and 17 blank checks to Korea Energy Agency and others as collateral for the guarantee on performance for contracts and others.
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	As of September 30, 2020, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 29 blank checks and 4 blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩7,225,398 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
POSCO ICT	As of September 30, 2020, POSCO ICT has provided 6 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

POSCO and Subsidiaries

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

36. Cash Flows from Operating Activities

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

(in millions of Won)

		<u>September 30, 2020</u>	<u>September 30, 2019</u>
Trade accounts and notes receivable	₩	119,743	(59,239)
Other receivables		203,637	(313,908)
Inventories		2,026,615	20,276
Other current assets		(74,404)	(6,444)
Other non-current assets		(74,021)	40,745
Trade accounts and notes payable		(145,465)	(673,278)
Other payables		(119,043)	(41,756)
Other current liabilities		342,705	254,770
Provisions		(174,100)	(61,304)
Payments of severance benefits		(174,151)	(113,214)
Plan assets		76,381	71,691
Other non-current liabilities		15,443	(33,072)
	₩	<u>2,023,340</u>	<u>(914,733)</u>

37. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2019.

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

POSCO and Subsidiaries

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

(a) Information about reportable segments for the nine-month periods ended September 30, 2020 and 2019 were as follows:

1) For the nine-month period ended September 30, 2020

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	20,915,217	14,520,691	4,917,113	2,175,564	42,528,585
Internal revenues		11,295,551	9,410,203	711,221	1,932,408	23,349,383
Inter segment revenue		7,902,278	4,575,959	658,178	1,818,184	14,954,599
Total revenues		32,210,768	23,930,894	5,628,334	4,107,972	65,877,968
Segment profits		341,083	207,849	272,740	308,403	1,130,075

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

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

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the nine-month periods ended September 30, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		September 30, 2020	September 30, 2019
Total profit for reportable segments	₩	1,130,075	2,229,963
Corporate fair value adjustments		(56,976)	(60,575)
Elimination of inter-segment profits		(19,527)	(212,714)
Income tax expense		453,134	1,013,999
Profit before income tax expense	₩	<u>1,506,706</u>	<u>2,970,673</u>

38. Events after the Reporting Period

Pursuant to the resolution of the Board of Directors on November 6, 2020, the Company decided to pay interim cash dividends of ₩1,500 per common share (total dividend: ₩117.7 billion).