

POSCO and Subsidiaries

**Condensed Consolidated Interim Financial Statements
(Unaudited)
March 31, 2020**

(With Independent Auditors' Review Report Thereon)

Table of Contents

	Page
Independent Auditors' Review Report	1
Condensed Consolidated Interim Financial Statements	
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Comprehensive Income	5
Condensed Consolidated Interim Statements of Changes in Equity.....	6
Condensed Consolidated Interim Statements of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	10

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 March 31, 2020, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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
May 15, 2020

This report is effective as of May 15, 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 March 31, 2020 and December 31, 2019
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Assets			
Cash and cash equivalents	21 ₩	5,081,531	3,514,872
Trade accounts and notes receivable, net	4,21,26,27,34	9,343,892	9,078,351
Other receivables, net	5,21,34	1,411,429	1,581,517
Other short-term financial assets	6,21	10,406,747	8,996,049
Inventories	7	10,725,547	10,920,320
Current income tax assets		45,541	45,930
Assets held for sale	8	71,808	74,158
Other current assets	14	<u>725,970</u>	<u>631,177</u>
Total current assets		<u>37,812,465</u>	<u>34,842,374</u>
Long-term trade accounts and notes receivable, net	4,21	169,057	198,785
Other receivables, net	5,21	1,211,202	1,140,879
Other long-term financial assets	6,21	1,603,803	1,669,389
Investments in associates and joint ventures	9	3,833,688	3,927,755
Investment property, net	11	887,162	878,227
Property, plant and equipment, net	12	30,352,055	29,925,973
Intangible assets, net	13	4,852,254	4,908,473
Defined benefit assets, net	19	6,943	4,280
Deferred tax assets		1,254,616	1,237,285
Other non-current assets	14	<u>277,475</u>	<u>325,241</u>
Total non-current assets		<u>44,448,255</u>	<u>44,216,287</u>
Total assets	₩	<u>82,260,720</u>	<u>79,058,661</u>

See accompanying notes to the condensed consolidated interim financial statements

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

(in millions of Won)

	Notes	March 31, 2020	December 31, 2019
Liabilities			
Trade accounts and notes payable	21,34	₩ 3,478,052	3,422,922
Short-term borrowings and current installments of long-term borrowings	4,15,21	9,925,975	8,548,212
Other payables	16,21,34	2,084,609	1,879,508
Other short-term financial liabilities	17,21	149,572	77,827
Current income tax liabilities		454,375	396,616
Liabilities directly associated with the assets held for sale	8	4	8
Provisions	18,35	313,552	360,495
Other current liabilities	20,26,27	1,878,724	1,638,102
Total current liabilities		18,284,863	16,323,690
Long-term trade accounts and notes payable	21	9,678	20,067
Long-term borrowings, excluding current installments	15,21	13,576,731	11,893,401
Other payables	16,21	677,528	585,129
Other long-term financial liabilities	17,21	22,289	31,494
Defined benefit liabilities, net	19	226,004	181,011
Deferred tax liabilities		1,572,728	1,691,498
Long-term provisions	18,35	432,887	458,154
Other non-current liabilities	20,26	43,625	79,510
Total non-current liabilities		16,561,470	14,940,264
Total liabilities		34,846,333	31,263,954
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,339,839	1,376,251
Hybrid bonds	23	199,384	199,384
Reserves	24	(1,417,995)	(1,157,980)
Treasury shares	25	(1,508,303)	(1,508,303)
Retained earnings		45,139,312	45,080,117
Equity attributable to owners of the controlling company		44,234,640	44,471,872
Non-controlling interests	23	3,179,747	3,322,835
Total equity		47,414,387	47,794,707
Total liabilities and equity		₩ 82,260,720	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 periods ended March 31, 2020 and 2019

(Unaudited)

(in millions of Won, except per share information)

	Notes	March 31, 2020	March 31, 2019
Revenue	26,27,34,37	₩ 14,545,813	16,014,238
Cost of sales	7,27,31,34	(13,235,530)	(14,200,867)
Gross profit		1,310,283	1,813,371
Selling and administrative expenses	31,34		
Impairment loss on trade accounts and notes receivable		(9,987)	(13,132)
Other administrative expenses	28	(477,067)	(506,083)
Selling expenses	28	(117,978)	(91,260)
Operating profit		705,251	1,202,896
Share of profit of equity-accounted investees, net	9	31,664	66,859
Finance income and costs	21,29		
Finance income		1,319,425	494,014
Finance costs		(1,345,277)	(550,593)
Other non-operating income and expenses	34		
Impairment loss on other receivables		(1,197)	(3,390)
Other non-operating income	30	64,301	74,344
Other non-operating expenses	30,31	(113,764)	(137,189)
Profit before income tax	37	660,403	1,146,941
Income tax expense	32,37	(225,745)	(368,496)
Profit		434,658	778,445
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	19	(3,850)	(9,706)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	(202,836)	(5,540)
Items that are or may be reclassified subsequently to profit or loss:			
Capital adjustment arising from investments in equity-accounted investees		(61,206)	48,839
Foreign currency translation differences		(4,434)	121,161
Gains or losses on valuation of derivatives	21	(57)	32
Other comprehensive income (loss), net of tax		(272,383)	154,786
Total comprehensive income	₩	162,275	933,231
Profit attributable to:			
Owners of the controlling company	₩	395,393	741,253
Non-controlling interests		39,265	37,192
Profit	₩	434,658	778,445
Total comprehensive income attributable to :			
Owners of the controlling company	₩	129,987	912,402
Non-controlling interests		32,288	20,829
Total comprehensive income	₩	162,275	933,231
Basic and diluted earnings per share (in Won)	33	4,915	9,233

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the three-month periods ended March 31, 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, 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	-	-	-	-	-	741,253	741,253	37,192	778,445
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(3,164)	(3,164)	(6,542)	(9,706)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	45,224	-	-	45,224	3,615	48,839
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	23,183	-	(26,417)	(3,234)	(2,306)	(5,540)
Foreign currency translation differences, net of tax	-	-	-	132,293	-	-	132,293	(11,132)	121,161
Gains or losses on valuation of derivatives, net of tax	-	-	-	30	-	-	30	2	32
Total comprehensive income	-	-	-	200,730	-	711,672	912,402	20,829	933,231
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(400,006)	(400,006)	(56,485)	(456,491)
Changes in subsidiaries	-	-	-	-	-	-	-	(59)	(59)
Changes in ownership interest in subsidiaries	-	22,212	-	-	-	-	22,212	(49,856)	(27,644)
Interest of hybrid bonds	-	-	-	-	-	(2,268)	(2,268)	(1,799)	(4,067)
Disposal of treasury shares	-	12,576	-	-	24,425	-	37,001	-	37,001
Others	-	(275)	-	(36,916)	-	41,439	4,248	(1,368)	2,880
Total transactions with owners of the controlling company	-	34,513	-	(36,916)	24,425	(360,835)	(338,813)	(109,567)	(448,380)
Balance as of March 31, 2019	₩ 482,403	1,445,064	199,384	(1,240,554)	(1,508,303)	44,566,855	43,944,849	3,299,553	47,244,402

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Changes in Equity, Continued For the three-month periods ended March 31, 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	-	-	-	-	-	395,393	395,393	39,265	434,658
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(4,084)	(4,084)	234	(3,850)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(67,770)	-	-	(67,770)	6,564	(61,206)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(201,529)	-	(1,307)	(202,836)	-	(202,836)
Foreign currency translation differences, net of tax	-	-	-	9,338	-	-	9,338	(13,772)	(4,434)
Gains or losses on valuation of derivatives, net of tax	-	-	-	(54)	-	-	(54)	(3)	(57)
Total comprehensive income	-	-	-	(260,015)	-	390,002	129,987	32,288	162,275
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(320,462)	(320,462)	(59,655)	(380,117)
Changes in ownership interest in subsidiaries	-	(2,792)	-	-	-	-	(2,792)	125,410	122,618
Repayment of redeemable convertible preferred shares	-	(33,581)	-	-	-	-	(33,581)	(245,000)	(278,581)
Interest of hybrid bonds	-	-	-	-	-	(2,294)	(2,294)	(1,838)	(4,132)
Others	-	(39)	-	-	-	(8,051)	(8,090)	5,707	(2,383)
Total transactions with owners of the controlling company	-	(36,412)	-	-	-	(330,807)	(367,219)	(175,376)	(542,595)
Balance as of March 31, 2020	₩ 482,403	1,339,839	199,384	(1,417,995)	(1,508,303)	45,139,312	44,234,640	3,179,747	47,414,387

See accompanying notes to the condensed consolidated interim financial statement

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows
For the three-month periods ended March 31, 2020 and 2019
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Cash flows from operating activities			
Profit	₩	434,658	778,445
Adjustments for:			
Depreciation		770,170	764,760
Amortization		114,287	99,262
Finance income		(914,256)	(341,882)
Finance costs		993,094	386,371
Income tax expense		225,745	368,496
Impairment loss on property, plant and equipment		78	68,345
Gain on disposal of property, plant and equipment		(4,835)	(12,282)
Loss on disposal of property, plant and equipment		40,671	12,297
Impairment loss on other intangible assets		423	1,004
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(3,969)	(14,436)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		4,952	1,871
Share of profit of equity-accounted investees		(31,664)	(66,859)
Impairment loss on assets held for sale		-	4,195
Expenses related to post-employment benefit		62,608	60,027
Impairment loss on trade and other receivables		11,184	16,522
Loss on valuation of inventories		97,504	68,743
Increase to provisions		17,009	57,307
Others, net		5,243	6,908
		<u>1,388,244</u>	<u>1,480,649</u>
Changes in operating assets and liabilities	36	123,104	(714,618)
Interest received		73,960	59,458
Interest paid		(139,460)	(161,145)
Dividends received		35,927	29,566
Income taxes paid		(191,110)	(81,863)
Net cash provided by operating activities	₩	<u>1,725,323</u>	<u>1,390,492</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows, Continued
For the three-month periods ended March 31, 2020 and 2019
(Unaudited)

(in millions of Won)

	Notes	March 31, 2020	March 31, 2019
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(9,143,509)	(7,142,031)
Proceeds from disposal of short-term financial instruments		7,807,693	7,126,453
Increase in loans		(401,063)	(145,366)
Collection of loans		479,949	174,199
Acquisitions of securities		(199,977)	(204,535)
Proceeds from disposal of securities		211,015	18,737
Acquisitions of investment in associates and joint ventures		(54,564)	(32,844)
Proceeds from disposal of investment in associates and joint ventures		3,347	2,998
Acquisitions of investment property		(3,115)	(4,395)
Proceeds from disposal of investment property		-	376
Acquisitions of property, plant and equipment		(937,795)	(458,378)
Proceeds from disposal of property, plant and equipment		17,837	15,856
Acquisitions of intangible assets		(109,420)	(113,388)
Proceeds from disposal of intangible assets		10,463	2,018
Proceeds from disposal of assets held for sale		590	311
Collection of lease receivables		14,990	-
Others, net		(503)	15,903
Net cash used in investing activities		(2,304,062)	(744,086)
Cash flows from financing activities			
Proceeds from borrowings		1,822,765	437,174
Repayment of borrowings		(383,099)	(690,360)
Proceeds from (payment of) short-term borrowings, net		877,646	(389,652)
Capital contribution from non-controlling interests		125,410	23,579
Payment of cash dividends		(1,363)	(8,904)
Payment of interest of hybrid bonds		(4,132)	(4,087)
Repayment of lease liabilities		(46,443)	(47,358)
Repayment of redeemable convertible preferred shares		(278,581)	-
Others, net		123	969
Net cash provided by (used in) financing activities		2,112,326	(678,639)
Effect of exchange rate fluctuation on cash held		32,737	33,448
Net increase in cash and cash equivalents		1,566,324	1,215
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	8	₩ 5,081,570	2,645,080

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As of March 31, 2020
(Unaudited)

1. General Information

General information about POSCO, its 32 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 133 foreign subsidiaries including POSCO America Corporation (collectively "the Company") and its 130 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 March 31, 2020, the shares of the POSCO are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchange.

(b) Consolidated subsidiaries newly included during the three-month period ended March 31, 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 and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 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.

(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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

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.

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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

(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.

4. Trade Accounts and Notes Receivable

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

<i>(in millions of Won)</i>	March 31, 2020	December 31, 2019
Current		
Trade accounts and notes receivable	₩ 8,469,148	8,352,968
Finance lease receivables	236	221
Due from customers for contract work	1,292,784	1,136,436
Less: Allowance for doubtful accounts	(418,276)	(411,274)
	<u>₩ 9,343,892</u>	<u>9,078,351</u>
Non-current		
Trade accounts and notes receivable	₩ 179,112	209,310
Finance lease receivables	45,180	43,725
Less: Allowance for doubtful accounts	(55,235)	(54,250)
	<u>₩ 169,057</u>	<u>198,785</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩304,972 million and ₩244,305 million as of March 31, 2020 and December 31, 2019, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and is recognized as short-term borrowings from financial institutions.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

5. Other Receivables

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

(in millions of Won)

	March 31, 2020	December 31, 2019
Current		
Loans	₩ 326,817	367,580
Other accounts receivable	801,695	971,845
Accrued income	309,690	272,528
Deposits	70,759	86,519
Others	19,812	14,510
Lease receivables	49,666	48,744
Less: Allowance for doubtful accounts	(167,010)	(180,209)
	<u>₩ 1,411,429</u>	<u>1,581,517</u>
Non-current		
Loans	₩ 756,108	701,529
Other accounts receivable	219,544	209,039
Accrued income	68,184	65,275
Deposits	247,328	238,261
Lease receivables	177,786	179,315
Less: Allowance for doubtful accounts	(257,748)	(252,540)
	<u>₩ 1,211,202</u>	<u>1,140,879</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

6. Other Financial Assets

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

<i>(in millions of Won)</i>		March 31, 2020	December 31, 2019
Current			
Derivatives assets	₩	137,050	47,541
Debt securities		339,903	342,371
Deposit instruments(*1,2)		1,945,317	1,744,895
Short-term financial instruments(*2)		7,984,477	6,861,242
	₩	<u>10,406,747</u>	<u>8,996,049</u>
Non-current			
Derivatives assets	₩	275,475	64,737
Equity securities(*3)		936,571	1,204,902
Debt securities		27,589	25,555
Other securities(*3)		334,241	340,008
Deposit instruments(*2)		29,927	34,187
	₩	<u>1,603,803</u>	<u>1,669,389</u>

(*1) As of March 31, 2020 and December 31, 2019, ₩4,928 million and ₩4,524 million, respectively, are restricted for the use in government projects.

(*2) As of March 31, 2020 and December 31, 2019, financial instruments amounting to ₩82,223 million and ₩73,525 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) As of March 31, 2020 and December 31, 2019, ₩110,036 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 March 31, 2020 and December 31, 2019 are as follows:

<i>(in millions of Won)</i>		March 31, 2020	December 31, 2019
Finished goods	₩	1,672,743	1,655,228
Merchandise		1,071,742	1,058,874
Semi-finished goods		1,969,213	2,097,289
Raw materials		2,632,122	2,656,341
Fuel and materials		973,386	1,026,133
Construction inventories		747,577	734,649
Materials-in-transit		1,780,145	1,824,044
Others		84,171	83,905
		<u>10,931,099</u>	<u>11,136,463</u>
Less: Allowance for inventories valuation		(205,552)	(216,143)
	₩	<u>10,725,547</u>	<u>10,920,320</u>

The amounts of loss on valuation of inventories recognized in cost of sales during the three-month period ended March 31, 2020 and the year ended December 31, 2019 were ₩97,504 million and ₩96,201 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

8. Assets Held for Sale

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

(in millions of Won)

(in millions of Won)		March 31, 2020			December 31, 2019		
		The controlling company(*1)	Subsidiaries	Total	The controlling company(*1)	Subsidiaries	Total
Asset							
Cash and cash equivalents(*2)	₩	-	39	39	-	374	374
Other financial assets		-	118	118		185	185
Property, plant and equipment		36,030	33,888	69,918	36,321	32,972	69,293
Others		-	1,733	1,733	-	4,306	4,306
	₩	36,030	35,778	71,808	36,321	37,837	74,158
Liability							
Others	₩	-	4	4	-	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.

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

9. Investments in Associates and Joint ventures

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

Company	March 31, 2020			December 31, 2019	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,787,468,209	33.41	₩ 178,787 ₩	175,579	175,907
POSPower Co., Ltd>(*1)	4,507,138	34.00	179,410	158,004	161,280
SNNC Co.,Ltd.	18,130,000	49.00	90,650	140,111	142,602
QSONE Co.,Ltd.	200,000	50.00	84,395	85,114	85,887
Chun-cheon Energy Co., Ltd(*1)	17,308,143	49.10	86,541	53,088	56,679
Nextrain Co., Ltd.	8,321,920	32.00	41,610	40,439	41,447
Keystone NO. 1. Private Equity Fund	22,523,123	52.58	22,523	20,258	19,438
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	2,008,000	29.53	10,040	17,525	17,824
Daesung Steel(*3)	108,038	17.54	14,000	15,375	15,375
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.26	45,163	6,142	7,904
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*3)	5,185	12.50	5,185	4,956	6,177
KONES, Corp.	3,250,000	41.67	6,893	2,088	2,473
Others (54 companies)(*1)				126,120	112,621
				844,799	845,614
[Foreign]					
AES-VCM Mong Duong Power Company Limited(*2)	-	30.00	164,303	197,571	178,892
South-East Asia Gas Pipeline Company Ltd. 9404-5515 Quebec Inc.	135,219,000	25.04	135,899	236,476	225,933
(Formerly, 7623704 Canada Inc.)(*3)	114,452,000	10.40	124,341	140,954	131,529
Eureka Moly LLC	-	20.00	240,123	90,126	85,349
AMCI (WA) PTY LTD	49	49.00	209,664	66,907	72,937
Nickel Mining Company SAS	3,234,698	49.00	157,585	39,973	37,940
KOREA LNG LTD.	2,400	20.00	135,205	47,429	46,557
NCR LLC	-	29.40	49,744	49,177	46,391
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	134,400,000	40.00	22,423	23,205	22,356
PT. Batutua Tembaga Raya	128,285	22.00	21,824	12,002	14,717
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	14,360	13,363
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,744	15,128
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	7,163	6,755
Others (26 companies)(*1)				101,469	121,048
				1,042,556	1,018,895
			₩	1,887,355	1,864,509

(*1) As of March 31, 2020 and December 31, 2019, investments in associates amounting to ₩252,152 million and ₩258,754 million, respectively, are provided as collateral in relation to the associates' borrowings.

(*2) As of March 31, 2020 and December 31, 2019, shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, are provided as collateral in relation to the associates' borrowings.

(*3) As of March 31, 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. During the three-month period ended March 31, 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 March 31, 2020 (Unaudited)

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

<i>(in millions of Won)</i> Company	March 31, 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	₩ 157,646	182,648
Others (8 companies)				<u>10,571</u>	<u>10,305</u>
				<u>168,217</u>	<u>192,953</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,137,388	1,235,682
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	397,467	376,410
KOBRASCO	2,010,719,185	50.00	32,950	97,684	115,641
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	92,463	88,935
DMSA/AMSA(*1,2)	-	4.00	349,701	11,908	12,189
CSP - Companhia Siderurgica do Pecem	1,367,314,532	20.00	631,796	-	-
Others (10 companies)				<u>41,206</u>	<u>41,436</u>
				<u>1,778,116</u>	<u>1,870,293</u>
				<u>₩ 1,946,333</u>	<u>2,063,246</u>

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

(*2) The investors of the joint venture provide financial support agreements to defer the repayment of the loan to the joint venture. However, the Company considers that the resolution for the provision of funding supplementation is invalid and is conducting arbitration, and the obligation to supplement funds of the Company is suspended and may be changed depending on the result of arbitration.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2020

(Unaudited)

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

1) For the three-month period ended March 31, 2020

(in millions of Won)

Company	December 31, 2019 Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*1)	March 31, 2020 Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,907	-	-	(328)	-	175,579
POSPower Co., Ltd.	161,280	-	-	(600)	(2,676)	158,004
SNNC Co.,Ltd.	142,602	-	(2,901)	410	-	140,111
QSONE Co.,Ltd.	85,887	-	(1,140)	367	-	85,114
Chun-cheon Energy Co., Ltd	56,679	-	-	(3,591)	-	53,088
Nextrain Co., Ltd.	41,447	-	-	(1,008)	-	40,439
Keystone NO. 1: Private Equity Fund	19,438	-	-	820	-	20,258
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	17,824	-	-	(299)	-	17,525
Daesung Steel	15,375	-	-	-	-	15,375
Incheon-Gimpo Expressway Co., Ltd.	7,904	-	-	(1,762)	-	6,142
KoFC POSCO HANWHA KB Shared Growth NO. 2: Private Equity Fund	6,177	-	-	79	(1,300)	4,956
KONES, Corp.	2,473	-	-	(385)	-	2,088
POSCO MITSUBISHI CARBON TECHNOLOGY	182,648	-	(19,401)	(5,601)	-	157,646
Others (62 companies)	122,926	16,941	(262)	1,657	(4,571)	136,691
	1,038,567	16,941	(23,704)	(10,241)	(8,547)	1,013,016
[Foreign]						
AES-VCM Mong Duong Power Company Limited	178,892	-	-	9,699	8,980	197,571
South-East Asia Gas Pipeline Company Ltd. 9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.)	225,933	-	(16,213)	13,846	12,910	236,476
Eureka Moly LLC	131,529	-	(7,380)	8,949	7,856	140,954
AMCI (WA) PTY LTD	85,349	-	-	-	4,777	90,126
Nickel Mining Company SAS	72,937	-	-	(865)	(5,165)	66,907
KOREA LNG LTD.	37,940	-	-	481	1,552	39,973
NCR LLC	46,557	-	(2,425)	2,372	925	47,429
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	46,391	-	-	(96)	2,882	49,177
PT. Batutua Tembaga Raya	22,356	-	-	(53)	902	23,205
PT. Wampu Electric Power	14,717	-	-	(3,023)	308	12,002
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	13,363	-	-	260	737	14,360
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	15,128	-	-	(107)	723	15,744
Roy Hill Holdings Pty Ltd	6,755	-	-	(40)	448	7,163
POSCO-NPS Niobium LLC	1,235,682	-	-	12,803	(111,097)	1,137,388
KOBRASCO	376,410	-	(4,774)	4,689	21,142	397,467
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	115,641	-	-	3,652	(21,609)	97,684
DMSA/AMSA	88,935	-	-	193	3,335	92,463
CSP - Companhia Siderurgica do Pecem	12,189	3,423	-	(6,889)	3,185	11,908
Others (36 companies)	-	37,623	-	-	(37,623)	-
	162,484	-	(2,586)	(3,966)	(13,257)	142,675
	2,889,188	41,046	(33,378)	41,905	(118,089)	2,820,672
₩	3,927,755	57,987	(57,082)	31,664	(126,636)	3,833,688

(*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 March 31, 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
POSPower Co., Ltd	161,477	-	-	(4,744)	4,547	161,280
SNNC Co., Ltd.	116,922	-	(1,450)	27,655	(525)	142,602
QSONE Co., Ltd.	85,550	-	(950)	1,287	-	85,887
Chun-cheon Energy Co., Ltd	62,478	6,050	-	(11,849)	-	56,679
Nexttrain 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
Incheon-Gimpo Expressway Co., Ltd.	13,329	-	-	(5,425)	-	7,904
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	5,739	-	-	438	-	6,177
KONES, Corp.	2,849	-	-	(403)	27	2,473
POSCO MITSUBISHI CARBON TECHNOLOGY	180,192	-	(16,369)	19,377	(552)	182,648
Others (61 companies)	132,848	30,973	(1,392)	(18,146)	(21,357)	122,926
	979,726	87,346	(20,161)	6,882	(15,226)	1,038,567
[Foreign]						
AES-VCM Mong Duong Power Company Limited	209,936	-	(18,099)	24,126	(37,071)	178,892
South-East Asia Gas Pipeline Company Ltd. 9404-5515 Quebec Inc.	179,459	-	(24,267)	63,749	6,992	225,933
(Formerly, 7623704 Canada Inc.)	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
Nickel Mining Company SAS	41,712	-	-	(4,250)	478	37,940
KOREA LNG LTD.	43,554	-	(13,404)	13,501	2,906	46,557
NCR LLC	37,602	9,605	-	(822)	6	46,391
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	-	22,423	-	61	(128)	22,356
PT. Batutua Tembaga Raya	20,479	-	-	(6,209)	447	14,717
PT. Wampu Electric Power	14,120	-	-	(1,247)	490	13,363
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	14,796	-	-	10	322	15,128
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
	2,670,277	91,614	(186,325)	266,859	46,763	2,889,188
₩	3,650,003	178,960	(206,486)	273,741	31,537	3,927,755

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

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

1) March 31, 2020

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 515,490	599	514,891	-	(983)
POSPower Co., Ltd	813,129	315,766	497,363	46	(1,971)
SNNC Co.,Ltd.	564,852	260,885	303,967	149,551	(9,778)
OSONE Co.,Ltd.	251,152	80,919	170,233	4,258	739
Chun-cheon Energy Co., Ltd	632,440	522,440	110,000	82,048	(7,469)
Nextrain Co., Ltd.	138,850	10,445	128,405	-	(476)
Keystone NO. 1. Private Equity Fund	186,482	135,984	50,498	6,179	1,561
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	50,868	21,833	29,035	2,931	(1,012)
Daesung Steel	167,788	111,521	56,267	22,893	-
Incheon-Gimpo Expressway Co., Ltd.	1,005,680	952,981	52,699	12,222	(11,176)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	42,526	2,879	39,647	139	630
KONES, Corp.	1,127	1,749	(622)	429	(924)
POSCO MITSUBISHI CARBON TECHNOLOGY	459,155	196,040	263,115	34,658	(8,259)
[Foreign]					
South-East Asia Gas Pipeline Company Ltd. 9404-5515 Quebec Inc. (Formerly, 7623704 Canada Inc.)	1,854,564	910,187	944,377	115,249	55,292
Nickel Mining Company SAS	1,371,660	4,174	1,367,486	-	86,044
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	486,098	347,739	138,359	47,065	(7,174)
KOREA LNG LTD.	76,621	18,788	57,833	3	(257)
PT. Batutua Tembaga Raya	237,478	330	237,148	12,398	11,860
PT. Wampu Electric Power	441,258	422,749	18,509	24,473	(14,265)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	229,764	161,047	68,717	4,252	1,298
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	70,651	18,761	51,890	21,285	(313)
Roy Hill Holdings Pty Ltd	60,690	31,877	28,813	12,519	(168)
POSCO-NPS Niobium LLC	9,580,676	4,403,564	5,177,112	587,785	152,897
KOBRASCO	794,731	-	794,731	-	9,377
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	200,334	4,966	195,368	13,082	7,303
DMSA/AMSA	975,298	632,310	342,988	325,867	1,466
CSP - Companhia Siderurgica do Pecem	5,967,036	4,472,487	1,494,549	184,965	(171,349)
	3,204,245	4,170,508	(966,263)	396,254	(1,030,706)

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 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
POSPower Co., Ltd	707,051	199,846	507,205	-	(5,294)
SNNC Co.,Ltd.	677,508	357,843	319,665	738,977	63,269
OSONE 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)
Nextrain Co., Ltd.	136,203	7,322	128,881	-	(509)
Keystone NO. 1. Private Equity Fund	187,156	138,219	48,937	18,342	(887)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	53,019	22,971	30,048	17,824	1,497
Daesung Steel	164,708	108,441	56,267	85,537	(1,536)
Incheon-Gimpo Expressway Co., Ltd.	1,014,410	951,321	63,089	50,575	(36,449)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	50,479	1,062	49,417	2,841	3,502
KONES, Corp.	1,950	1,648	302	4,416	(966)
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
Nickel Mining Company SAS	471,377	331,194	140,183	245,509	2,432
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	73,604	17,765	55,839	641	153
KOREA LNG LTD.	232,935	147	232,788	69,577	67,507
PT. Batutua Tembaga Raya	423,608	392,226	31,382	112,568	(28,360)
PT. Wampu Electric Power	222,266	158,451	63,815	18,163	(6,233)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	65,413	15,232	50,181	101,101	28
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 March 31, 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 March 31, 2020 are as follows:

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

11. Investment Property, Net

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

(a) For the three-month period ended March 31, 2020

<i>(in millions of Won)</i>		Beginning	Acquisitions	Depreciation	Others(*1)	Ending
Land	₩	278,465	2,814	-	(3,613)	277,666
Buildings		598,159	3,167	(6,346)	12,897	607,877
Structures		1,178	-	(153)	155	1,180
Right-of-use assets		425	-	(3)	17	439
	₩	<u>878,227</u>	<u>5,981</u>	<u>(6,502)</u>	<u>9,456</u>	<u>887,162</u>

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

(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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

12. Property, Plant and Equipment, Net

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

1) For the three-month period ended March 31, 2020

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment loss	Others(*1)	Ending
Land	₩	2,526,059	4,987	(997)	-	-	25,704	2,555,753
Buildings		4,215,454	3,587	(2,845)	(78,946)	-	158,679	4,295,929
Structures		2,904,506	67,648	(264)	(57,311)	-	94,644	3,009,223
Machinery and equipment		17,218,264	61,757	(2,949)	(563,744)	(78)	432,429	17,145,679
Vehicles		32,285	1,413	(241)	(3,622)	-	1,187	31,022
Tools		70,751	5,054	(93)	(7,385)	-	4,132	72,459
Furniture and fixtures		130,132	4,242	(242)	(9,027)	-	7,261	132,366
Lease assets		774,582	25,420	(4,392)	(41,841)	-	139,749	893,518
Bearer plants		124,193	-	-	(1,792)	-	(6,499)	115,902
Construction-in-progress		1,929,747	722,598	(4,761)	-	-	(547,380)	2,100,204
	₩	<u>29,925,973</u>	<u>896,706</u>	<u>(16,784)</u>	<u>(763,669)</u>	<u>(78)</u>	<u>309,906</u>	<u>30,352,055</u>

(*1) 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.

2) For the year ended December 31, 2019

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

(*1) During the year ended December 31, 2019, the Controlling Company estimated recoverable amount for individual assets in CEM and Fe-Si factories that ceased operations due to the disposal plan and others. The Company calculated net fair value based on 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 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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

(b) Changes in the carrying amount of right of use assets presented as Investment property and Property, plant and equipment for the three-month period ended March 31, 2020, and the year ended December 31, 2019, were as follows:

1) For the three-month period ended March 31, 2020

<i>(in millions of Won)</i>		Beginning	Acquisitions	Depreciation	Others	Ending
Land	₩	341,767	3,969	(7,345)	19,625	358,016
Buildings and structures		171,112	17,500	(10,543)	(6,615)	171,454
Machinery and equipment		215,828	2,664	(8,814)	(9,041)	200,637
Vehicles		14,105	1,261	(2,620)	1,251	13,997
Ships		24,082	111,537	(6,913)	-	128,706
Others		8,113	26	(5,609)	18,617	21,147
	₩	<u>775,007</u>	<u>136,957</u>	<u>(41,844)</u>	<u>23,837</u>	<u>893,957</u>

2) For the year ended December 31, 2019

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

(c) The amounts recognized in profit or loss related to leases for the three-month periods ended, March 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		March 31, 2020	March 31, 2019
Interest on lease liabilities	₩	9,008	9,148
Expenses relating to short-term leases		5,004	3,042
Expenses relating to leases of low-value assets		4,330	6,509
	₩	<u>18,342</u>	<u>18,699</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

13. Goodwill and Other Intangible Assets, Net

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

(a) For the three-month period ended March 31, 2020

(in millions of Won)

		Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩	1,097,809	-	-	-	-	(1,307)	1,096,502
Intellectual property rights		2,279,210	50,249	(8,734)	(71,847)	-	9,692	2,258,570
Premium in rental(*1)		148,078	171	(1,565)	(96)	(178)	102	146,512
Development expense		94,339	344	-	(12,188)	-	7,535	90,030
Port facilities usage rights		281,398	-	-	(11,308)	-	223	270,313
Exploration and evaluation assets		77,271	4,301	-	-	-	(31,348)	50,224
Customer relationships		374,875	-	-	(11,120)	-	(78)	363,677
Other intangible assets		555,493	47,836	(12,074)	(7,728)	-	(7,101)	576,426
	₩	<u>4,908,473</u>	<u>102,901</u>	<u>(22,373)</u>	<u>(114,287)</u>	<u>(178)</u>	<u>(22,282)</u>	<u>4,852,254</u>

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

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

(b) For the year ended December 31, 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
Premium in rental(*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
	₩	<u>5,170,825</u>	<u>298,819</u>	<u>26,330</u>	<u>(25,319)</u>	<u>(431,247)</u>	<u>(190,088)</u>	<u>59,153</u>	<u>4,908,473</u>

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

(*2) In connection with exploration and evaluation of the AD-7 block in Myanmar, POSCO International Co., Ltd. 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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

14. Other Assets

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

(in millions of Won)		March 31, 2020	December 31, 2019
Current			
Advance payments	₩	423,127	453,538
Prepaid expenses		261,019	145,834
Firm commitment asset		28,582	17,490
Others		13,242	14,315
	₩	<u>725,970</u>	<u>631,177</u>
Non-current			
Long-term advance payments	₩	21,944	21,950
Long-term prepaid expenses		55,657	41,256
Others(*1)		199,874	262,035
	₩	<u>277,475</u>	<u>325,241</u>

(*1) As of March 31, 2020 and December 31, 2019, the Company recognized tax assets amounting to ₩158,287 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.

15. Borrowings

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

(in millions of Won)		Lenders	Interest rate (%)	March 31, 2020	December 31, 2019
Short-term borrowings					
Bank overdrafts		JP Morgan and others	0.2 ~ 8.8	₩ 266,001	159,075
Short-term borrowings		HSBC and others	0.2 ~ 10.7	<u>6,340,571</u>	<u>5,327,258</u>
				<u>6,606,572</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	0.4 ~ 6.6	1,492,141	1,491,934
Current portion of debentures		The Goldman Sachs Group, Inc. and others	2.3 ~ 4.2	1,828,498	1,571,194
Less: Current portion of discount on debentures issued				<u>(1,236)</u>	<u>(1,249)</u>
				<u>3,319,403</u>	<u>3,061,879</u>
				₩ <u>9,925,975</u>	<u>8,548,212</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

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

(in millions of Won)

	Lenders	Interest rate (%)	March 31, 2020	December 31, 2019
Long-term borrowings	Export-Import Bank of Korea and others	0.2 ~ 8.5	₩ 3,743,995	3,827,152
Less: Present value discount			(23,721)	(24,374)
Bonds	KB SECURITIES CO., LTD. and others	0.5 ~ 5.2	9,903,355	8,124,194
Less: Discount on debentures issued			(46,898)	(33,571)
			₩ 13,576,731	11,893,401

(c) Assets pledged as collateral in regards to the borrowings as of March 31, 2020 are as follows:

(in millions of Won)

	Lenders	Book value	Pledged amount
Cash and cash equivalents	Sinhan Bank and others	₩ 23,985	23,573
Property, plant and equipment and Investment property	Korea Development Bank and others	4,486,269	5,167,987
Trade accounts and notes receivable	Korea Development Bank and others	47,081	45,403
Inventories	Export-Import Bank of Korea and others	118,116	12,650
Financial instruments	KOOKMIN BANK and others	50,766	49,566
		₩ 4,726,217	5,299,179

16. Other Payables

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

(in millions of Won)

	March 31, 2020	December 31, 2019
Current		
Accounts payable	₩ 720,015	832,845
Accrued expenses	675,488	742,370
Dividend payable	381,860	3,106
Lease liabilities	173,632	149,176
Withholdings	133,614	152,011
	₩ 2,084,609	1,879,508
Non-current		
Accounts payable	₩ 3,548	2,718
Accrued expenses	4,870	4,805
Lease liabilities	614,485	526,294
Long-term withholdings	54,625	51,312
	₩ 677,528	585,129

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

17. Other Financial Liabilities

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

(in millions of Won)

		March 31, 2020	December 31, 2019
Current			
Derivative liabilities	₩	103,546	28,021
Financial guarantee liabilities		46,026	49,806
	₩	<u>149,572</u>	<u>77,827</u>
Non-current			
Derivative liabilities	₩	11,139	17,033
Financial guarantee liabilities		11,150	14,461
	₩	<u>22,289</u>	<u>31,494</u>

18. Provisions

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

(in millions of Won)

		March 31, 2020		December 31, 2019	
		Current	Non-current	Current	Non-current
Provision for bonus payments	₩	37,930	29,770	76,432	47,237
Provision for construction warranties		7,202	170,943	7,655	162,773
Provision for legal contingencies and claims(*1)		6,974	72,223	6,996	77,488
Provision for the restoration(*2)		5,247	72,287	6,783	80,520
Others(*3,*4)		256,199	87,664	262,629	90,136
	₩	<u>313,552</u>	<u>432,887</u>	<u>360,495</u>	<u>458,154</u>

(*1) The Company recognized probable outflow of resources amounting to ₩48,162 million and ₩54,228 million as provisions for legal contingencies and asserted claim in relation to lawsuits against the Company as of March 31, 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, ₩20,855 million as provisions for restoration as of March 31, 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 1.62~1.76% to measure present value of these costs.

(*3) As of March 31, 2020 and December 31, 2019, POSCO ENERGY CO., LTD., and Korea Fuel Cell recognized ₩142,884 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 March 31, 2020, the Company has recognized emission liabilities of ₩54,372 million for greenhouse gas emissions exceeding the quantity of free quota emission rights expected to be submitted.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

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

1) For the three-month period ended March 31, 2020

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 123,669	18,056	(72,632)	(1,179)	(214)	67,700
Provision for construction warranties	170,428	14,635	(5,241)	(1,435)	(242)	178,145
Provision for legal contingencies and claims	84,484	585	(5,949)	(278)	355	79,197
Provision for the restoration	87,303	1,631	(1,665)	(14,611)	4,876	77,534
Others	352,765	47,455	(34,649)	(30,972)	9,264	343,863
₩	<u>818,649</u>	<u>82,362</u>	<u>(120,136)</u>	<u>(48,475)</u>	<u>14,039</u>	<u>746,439</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 March 31, 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 periods ended March 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>	March 31, 2020	March 31, 2019
Expenses related to post-employment benefit plans under defined contribution plans	₩ 13,202	12,528

(b) Defined benefit plan

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

<i>(in millions of Won)</i>	March 31, 2020	December 31, 2019
Present value of funded obligations	₩ 2,426,478	2,416,203
Fair value of plan assets(*1)	(2,222,421)	(2,255,149)
Present value of non-funded obligations	15,004	15,677
Net defined benefit liabilities	₩ 219,061	176,731

(*1) As of March 31, 2020 and December 31, 2019, the Company recognized net defined benefit assets amounting to ₩6,943 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 three-month period ended March 31, 2020 and the year ended December 31, 2019 were as follows:

<i>(in millions of Won)</i>	March 31, 2020	December 31, 2019
Defined benefit obligation at the beginning of period	₩ 2,431,880	2,137,161
Current service costs	61,309	236,735
Interest costs	12,315	51,900
Remeasurements	1,440	152,713
Benefits paid	(70,418)	(152,275)
Others	4,956	5,646
Defined benefit obligation at the end of period	₩ 2,441,482	2,431,880

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

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

<i>(in millions of Won)</i>		March 31, 2020	December 31, 2019
Fair value of plan assets			
at the beginning of period	₩	2,255,149	1,997,717
Interest on plan assets		11,016	48,210
Remeasurement of plan assets		(4,257)	(8,692)
Contributions to plan assets		13,000	342,915
Benefits paid		(57,390)	(124,962)
Others		4,903	(39)
Fair value of plan assets at the end of period	₩	<u>2,222,421</u>	<u>2,255,149</u>

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month periods ended March 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		March 31, 2020	March 31, 2019
Current service costs	₩	61,309	58,930
Net interest costs		1,299	1,097
	₩	<u>62,608</u>	<u>60,027</u>

20. Other Liabilities

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

<i>(in millions of Won)</i>		March 31, 2020	December 31, 2019
Current			
Due to customers for contract work	₩	859,656	676,054
Advances received		558,106	487,526
Unearned revenue		69,779	61,795
Withholdings		350,145	388,486
Firm commitment liability		30,485	15,637
Others		10,553	8,604
	₩	<u>1,878,724</u>	<u>1,638,102</u>
Non-current			
Unearned revenue	₩	22,327	27,161
Others		21,298	52,349
	₩	<u>43,625</u>	<u>79,510</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 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 March 31, 2020 and December 31, 2019 are as follows

① March 31, 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	₩ 367,590	-	367,590	-	367,590
Short-term financial instruments	7,984,477	-	7,984,477	-	7,984,477
Debt securities	28,259	-	-	28,259	28,259
Other securities	334,241	1,023	3,330	329,888	334,241
Other receivables	2,000	-	-	2,000	2,000
Derivative hedging instruments(*2)	44,935	-	44,935	-	44,935
Fair value through other comprehensive income					
Equity securities	936,571	519,206	73	417,292	936,571
Debt securities	1,747	-	-	1,747	1,747
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	5,081,531	-	-	-	-
Trade accounts and notes receivable	8,294,532	-	-	-	-
Other receivables	2,198,166	-	-	-	-
Debt securities	337,486	-	-	-	-
Deposit instruments	1,975,244	-	-	-	-
	₩ 27,586,779	520,229	8,400,405	779,186	9,699,820
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 87,101	-	87,101	-	87,101
Derivative hedging instruments(*2)	27,584	-	27,584	-	27,584
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	3,487,730	-	-	-	-
Borrowings	23,502,706	-	23,744,493	-	23,744,493
Financial guarantee liabilities	57,176	-	-	-	-
Others	2,662,359	-	-	-	-
	₩ 29,824,656	-	23,859,178	-	23,859,178

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 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.

2) Finance income and costs by category of financial instrument for the three-month periods ended March 31, 2020 and 2019 were as follows:

① For the three-month period ended March 31, 2020

(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							
Derivatives assets	₩	41,122	333	-	305	230	41,990
Financial assets at fair value through other comprehensive income		-	310,227	-	55,791	-	366,018
Financial assets measured at amortized cost		-	-	-	-	25,306	25,306
Derivatives liabilities		51,732	-	484,455	(5,986)	(90)	530,111
Financial liabilities measured at amortized cost		-	(72,290)	-	(90,302)	-	(162,592)
		(175,127)	-	(652,206)	-	648	(826,685)
	₩	(82,273)	238,270	(167,751)	(40,192)	26,094	(202,893)

② For the three-month period ended March 31, 2019

(in millions of Won)		Finance income and costs					Other comprehensive income (loss)
		Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total
Financial assets at fair value through profit or loss							
Derivatives assets	₩	35,073	784	-	720	598	37,175
Financial assets at fair value through other comprehensive income		-	48,024	-	32,590	-	80,614
Financial assets measured at amortized cost		-	-	-	-	30,910	30,910
Derivatives liabilities		40,454	-	151,402	(9,408)	(108)	182,340
Financial liabilities measured at amortized cost		-	(4,241)	-	(40,340)	-	(44,581)
		(200,478)	-	(133,050)	(2,237)	(7,271)	(343,036)
	₩	(124,951)	44,567	18,352	(18,675)	24,129	(56,578)

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

(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.

22. Share Capital and Capital Surplus

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

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

(*1) As of March 31, 2020, the total number of ADRs of 30,591,196 is equivalent to 7,647,779 shares of common stock.

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

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

<i>(in millions of Won)</i>	March 31, 2020	December 31, 2019
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	796,623	796,623
Other capital surplus	79,391	115,803
	₩ 1,339,839	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 are 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 March 31, 2020 (Unaudited)

23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of March 31, 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>March 31, 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 issuance of hybrid bonds as of March 31, 2020 are as follows:

	<u>Hybrid bond 1-2</u>
Maturity date	30 years (POSCO has a right to extend the maturity date)
Interest rate	Issue date ~ 2023-06-12 : 4.6% Reset every 10 years as follows; · After 10 years: return on government bond of the Republic of Korea (10 years) + 1.40% · After 10 years: additionally +0.25% according to Step-up clauses · After 30 years: additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to POSCO)
Others	POSCO can call the hybrid bond at 10th anniversary of issuance and interest payment date afterwards

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 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 March 31, 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>March 31, 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 March 31, 2020 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is senior to the common shareholders, but subordinate to other creditors. The interest accumulated but not paid on the hybrid bonds as of March 31, 2020 amounts to ₩639 million.

24. Reserves

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

<i>(in millions of Won)</i>		<u>March 31, 2020</u>	<u>December 31, 2019</u>
Accumulated comprehensive loss of investments in associates and joint ventures	₩	(744,261)	(676,416)
Changes in fair value of equity investments at fair value through other comprehensive income		(486,527)	(285,073)
Foreign currency translation differences		(193,298)	(202,636)
Gains or losses on valuation of derivatives		(492)	(438)
Others		6,583	6,583
	₩	<u>(1,417,995)</u>	<u>(1,157,980)</u>

25. Treasury Shares

As of March 31, 2020, the Company holds 7,071,194 shares of treasury stock for share price stabilization and other purposes in accordance with the Board of Director's resolution.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of March 31, 2020
(Unaudited)

26. Revenue

(a) Disaggregation of revenue

1) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month periods ended March 31, 2020 and 2019 were as follows:

① March 31, 2020

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
Types of revenue						
Revenue from sales of goods	₩	6,971,276	4,914,643	-	191,324	12,077,243
Revenue from services		124,473	83,139	12,060	516,927	736,599
Revenue from construction contract		-	-	1,605,763	6,620	1,612,383
Others		9,704	57,893	1,101	50,890	119,588
	₩	<u>7,105,453</u>	<u>5,055,675</u>	<u>1,618,924</u>	<u>765,761</u>	<u>14,545,813</u>
Timing of revenue recognition						
Revenue recognized at a point in time	₩	6,980,980	4,972,536	10,955	242,213	12,206,684
Revenue recognized over time		124,473	83,139	1,607,969	523,548	2,339,129
	₩	<u>7,105,453</u>	<u>5,055,675</u>	<u>1,618,924</u>	<u>765,761</u>	<u>14,545,813</u>

② March 31, 2019

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
Types of revenue						
Revenue from sales of goods	₩	7,900,484	5,407,002	-	160,218	13,467,704
Revenue from services		161,730	98,064	12,068	645,701	917,563
Revenue from construction contract		-	-	1,505,201	6,460	1,511,661
Others		9,602	32,815	1,373	73,520	117,310
	₩	<u>8,071,816</u>	<u>5,537,881</u>	<u>1,518,642</u>	<u>885,899</u>	<u>16,014,238</u>
Timing of revenue recognition						
Revenue recognized at a point in time	₩	7,910,086	5,439,817	3,220	236,144	13,589,267
Revenue recognized over time		161,730	98,064	1,515,422	649,755	2,424,971
	₩	<u>8,071,816</u>	<u>5,537,881</u>	<u>1,518,642</u>	<u>885,899</u>	<u>16,014,238</u>

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

<i>(in millions of Won)</i>		March 31, 2020	December 31, 2019
Receivables			
Accounts receivable	₩	8,294,532	8,214,459
Contract assets			
Due from customers for contract work		1,218,417	1,062,677
Contract liabilities			
Advance received		559,769	489,658
Due to customers for contract work		859,656	676,054
Unearned revenue		91,953	88,733

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

27. Revenue – Contract Balances

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

(in millions of Won)

	March 31, 2020		December 31, 2019	
	Construction segment	Others	Construction segment	Others
Accumulated cost	₩ 29,972,865	255,592	29,106,218	249,751
Accumulated contract profit	2,990,458	48,797	2,863,207	47,107
Accumulated contract loss	(1,174,529)	(2,376)	(1,182,989)	(2,211)
Accumulated contract revenue	31,788,794	302,013	30,786,436	294,647

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

(in millions of Won)

	March 31, 2020		December 31, 2019	
	Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩ 1,239,802	52,982	1,087,119	49,317
Due to customers for contract work	(826,021)	(33,635)	(639,130)	(36,924)
	₩ 413,781	19,347	447,989	12,393

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

(in millions of Won)

	March 31, 2020	December 31, 2019
Construction segment	₩ 26,855	35,526
Others	389	406
	₩ 27,244	35,932

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

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

(in millions of Won)	Changes in estimated total contract costs	Changes in profit (loss) of contract		
		Net income (loss)	Future income (loss)	Total
Construction segment	₩ 191,598	24,259	16,620	40,879
Others	4,504	1,231	1,772	3,003
	₩ 196,102	25,490	18,392	43,882

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 March 31, 2020. The estimation is evaluated for the total contract costs and expected total contract revenue as of the end of the period. Also, it may change during 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 March 31, 2020 (Unaudited)

28. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month periods ended March 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>	March 31, 2020	March 31, 2019
Wages and salaries	₩ 213,496	208,622
Expenses related to post-employment benefits	22,379	21,868
Other employee benefits	45,458	45,777
Travel	6,353	9,667
Depreciation	34,952	34,326
Amortization	27,282	28,360
Communication	2,392	2,473
Electricity	2,181	2,030
Taxes and public dues	12,356	12,885
Rental	6,633	11,458
Repairs	1,927	2,517
Entertainment	2,108	3,032
Advertising	17,357	17,906
Research & development	23,866	30,383
Service fees	39,433	51,522
Vehicles maintenance	1,370	2,328
Industry association fee	3,666	3,437
Conference	2,843	3,853
Increase to provisions	1,527	1,398
Others	9,488	12,241
	₩ <u>477,067</u>	<u>506,083</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

(b) Selling expenses

Selling expenses for the three-month periods ended March 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>	March 31, 2020	March 31, 2019
Freight and custody	₩ 45,463	47,361
Operating expenses for distribution center	2,026	2,594
Sales commissions	47,725	16,036
Sales advertising	258	234
Sales promotion	1,843	2,537
Sample	541	511
Sales insurance premium	8,177	8,009
Contract cost	7,632	8,640
Others	4,313	5,338
	₩ 117,978	91,260

29. Finance Income and Costs

Details of finance income and costs for the three-month periods ended March 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>	March 31, 2020	March 31, 2019
Finance income		
Interest income(*1)	₩ 92,854	75,527
Dividend income	25,536	31,508
Gain on foreign currency transactions	345,432	117,933
Gain on foreign currency translations	447,527	145,167
Gain on derivatives transactions	60,024	33,400
Gain on valuations of derivatives	341,973	87,074
Others	6,079	3,405
	₩ 1,319,425	494,014
Finance costs		
Interest expenses	₩ 175,127	200,478
Loss on foreign currency transactions	248,523	105,289
Loss on foreign currency translations	712,187	139,459
Loss on derivatives transactions	94,535	41,150
Loss on valuation of derivatives	104,036	43,291
Loss on disposal of trade accounts and notes receivable	5,986	9,408
Others	4,883	11,518
	₩ 1,345,277	550,593

(*1) Interest income calculated using the effective interest method for the three-month periods ended March 31, 2020 and 2019 were ₩51,732 million and ₩40,454 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

30. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month periods ended March 31, 2020 and 2019 were as follows:

(in millions of Won)

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Other non-operating income		
Gain on disposals of investment		
in subsidiaries, associates and joint ventures	₩ 3,969	14,436
Gain on disposals of property, plant and equipment	4,835	12,282
Gain on valuation of firm commitment	20,118	19,709
Gain on disposals of emission rights	7,743	-
Others	27,636	27,917
	<u>₩ 64,301</u>	<u>74,344</u>
Other non-operating expenses		
Impairment loss on assets held for sale	₩ -	4,195
Loss on disposals of investment		
in subsidiaries, associates and joint ventures	4,952	1,871
Loss on disposals of property, plant and equipment	40,671	12,297
Impairment loss on property, plant and equipment	78	68,345
Loss on valuation of firm commitment	34,333	3,809
Idle tangible assets expenses	5,355	7,619
Increase to provisions	852	5,273
Donations	12,155	9,405
Others	15,368	24,375
	<u>₩ 113,764</u>	<u>137,189</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

31. Expenses by Nature

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

(in millions of Won)

		<u>March 31, 2020</u>	<u>March 31, 2019</u>
Raw material used, changes in inventories and others	₩	8,648,277	9,679,323
Employee benefits expenses		920,039	875,668
Outsourced processing cost		2,030,299	1,770,630
Electricity and water expenses		170,696	219,802
Depreciation(*1)		770,170	764,760
Amortization		114,287	99,262
Freight and custody		352,344	369,234
Sales commissions		47,725	16,036
Loss on disposal of property, plant and equipment		40,671	12,297
Impairment loss on property, plant and equipment		78	68,345
Donations		12,155	9,405
Other		858,483	1,068,717
	₩	<u>13,965,224</u>	<u>14,953,479</u>

(*1) Includes depreciation expense of investment property.

32. Income Taxes

The effective tax rates of the Company for the three-month periods ended March 31, 2020 and 2019 were 34.18% and 32.13%, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

33. Earnings per Share

Basic earnings per share for the three-month periods ended March 31, 2020 and 2019 were as follows:

<i>(in Won, except share information)</i>	March 31, 2020	March 31, 2019
Profit attribute to controlling interest	₩ 395,392,696,009	741,253,192,407
Interests of hybrid bonds	(1,662,931,507)	(1,644,657,534)
Weighted-average number of common shares outstanding (*1)	80,115,641	80,108,007
Basic earnings per share	₩ <u>4,915</u>	<u>9,233</u>

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

<i>(Shares)</i>	March 31, 2020	March 31, 2019
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	<u>(7,071,194)</u>	<u>(7,078,828)</u>
Weighted-average number of common shares outstanding	<u>80,115,641</u>	<u>80,108,007</u>

Since there were no potential shares of common stock which had dilutive effects as of March 31, 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 March 31, 2020 (Unaudited)

34. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the three-month periods ended March 31, 2020 and 2019 were as follows:

1) For the three-month period ended March 31, 2020

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries(*3)						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1,537	11,079	15	243,473	-	7,712
POSCO COATED & COLOR STEEL Co., Ltd.	116,100	1,694	-	-	8,358	117
POSCO ICT(*4)	711	4,989	-	99,306	10,458	46,455
eNtoB Corporation	4	60	57,592	9,105	19	5,562
POSCO CHEMICAL CO., LTD	83,234	19,942	123,744	4,140	82,815	3,709
POSCO ENERGY CO., LTD.	1,287	679	4,610	3	-	5,512
POSCO INTERNATIONAL Corporation	1,520,559	54,331	79,696	-	11,371	1,142
POSCO Thainox Public Company Limited	51,621	66	2,662	-	-	-
POSCO America Corporation	63,642	-	-	-	-	3
POSCO Canada Ltd.	-	63	39,555	-	-	-
POSCO Asia Co., Ltd.	317,301	219	45,486	1,768	396	509
Qingdao Pohang Stainless Steel Co., Ltd.	35,469	-	-	-	-	57
POSCO JAPAN Co., Ltd.	318,234	-	6,722	620	-	438
POSCO-VIETNAM Co., Ltd.	63,588	115	-	-	-	20
POSCO MEXICO S.A. DE C.V.	51,091	36	-	-	-	55
POSCO Maharashtra Steel Private Limited	117,440	803	-	-	-	185
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	32,551	-	-	-	-	-
POSCO VST CO., LTD.	69,594	-	-	-	-	20
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	342	154,767	-	-	-
Others	268,899	14,540	26,823	12,958	61,073	29,067
	<u>3,112,862</u>	<u>108,958</u>	<u>541,672</u>	<u>371,373</u>	<u>174,490</u>	<u>100,563</u>
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.	65	41	916	84,839	4,086	12,431
SNNC	1,410	3,035	120,426	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	13,925	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	322,187	-	-	-
Others	9,707	15,194	12,365	-	-	7,653
	<u>25,107</u>	<u>18,270</u>	<u>455,894</u>	<u>84,839</u>	<u>4,086</u>	<u>20,084</u>
₩	<u>3,137,969</u>	<u>127,228</u>	<u>997,566</u>	<u>456,212</u>	<u>178,576</u>	<u>120,647</u>

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

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

(*3) As of March 31, 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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

2) For the three-month period ended March 31, 2019

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1,410	11,073	-	66,497	21	2,714
POSCO COATED & COLOR STEEL Co., Ltd.	117,197	1,706	-	-	2,369	372
POSCO ICT	780	4,989	-	60,828	8,557	46,161
eNtoB Corporation	4	60	78,496	5,984	26	5,524
POSCO CHEMICAL CO., LTD	103,924	19,330	130,996	2,065	78,130	129
POSCO ENERGY CO., LTD.	56,888	314	-	-	-	20
POSCO INTERNATIONAL Corporation	1,417,608	46,571	175,163	-	12,656	940
POSCO Thainox Public Company Limited	65,104	59	1,670	-	-	3
POSCO America Corporation	95,001	-	-	-	-	18
POSCO Canada Ltd.	-	75	76,613	-	-	-
POSCO Asia Co., Ltd.	416,638	87	148,034	-	558	561
Qingdao Pohang Stainless Steel Co., Ltd.	54,047	-	-	-	-	-
POSCO JAPAN Co., Ltd.	405,675	-	9,520	2,314	-	634
POSCO-VIETNAM CO., Ltd.	74,540	85	-	-	-	37
POSCO MEXICO S.A. DE C.V.	78,213	14	-	-	-	5
POSCO Maharashtra Steel Private Limited	190,663	95	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	18,004	-	524	-	-	-
POSCO VST CO., LTD.	78,829	-	-	-	-	43
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	139	124,042	-	-	-
Others	220,579	11,121	55,738	5,782	67,158	26,437
	<u>3,395,104</u>	<u>95,718</u>	<u>800,796</u>	<u>143,470</u>	<u>169,475</u>	<u>83,598</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	116	60	751	50,746	4,915	2,711
SNNC	1,348	2,280	115,648	-	-	10
POSCO-SAMSUNG-Slovakia Processing Center	23,863	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	202,028	-	-	-
Others	3,992	11,253	13,165	-	-	-
	<u>29,319</u>	<u>13,593</u>	<u>331,592</u>	<u>50,746</u>	<u>4,915</u>	<u>2,721</u>
₩	<u>3,424,423</u>	<u>109,311</u>	<u>1,132,388</u>	<u>194,216</u>	<u>174,390</u>	<u>86,319</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2020

(Unaudited)

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

1) March 31, 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.	₩ 7,127	11,101	18,228	-	79,468	395
POSCO COATED & COLOR STEEL Co., Ltd.	57,427	1,365	58,792	-	5	5,203
POSCO ICT	281	4,971	5,252	2,269	79,573	11,899
eNtoB Corporation	-	4	4	2,831	31,872	-
POSCO CHEMICAL CO., LTD	28,470	18,280	46,750	9,931	53,953	17,706
POSCO ENERGY CO., LTD.	2,365	247	2,612	-	3,950	14,278
POSCO INTERNATIONAL Corporation	531,994	54,334	586,328	2,905	2,435	3,953
POSCO Thainox Public Company Limited	41,832	2	41,834	773	-	-
POSCO America Corporation	7,735	-	7,735	-	-	-
POSCO Asia Co., Ltd.	411,858	657	412,515	4,790	96	-
Qingdao Pohang Stainless Steel Co., Ltd.	34,192	-	34,192	-	-	-
POSCO MEXICO S.A. DE C.V.	72,159	720	72,879	-	-	-
POSCO Maharashtra Steel Private Limited	164,921	471	165,392	-	-	-
Others	534,027	38,863	572,890	34,148	27,536	85,466
	1,894,388	131,015	2,025,403	57,647	278,888	138,900
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	13	5	18	1,562	29,590	-
SNNC	305	2,946	3,251	22,212	-	-
Roy Hill Holdings Pty Ltd	-	-	-	47,910	-	-
Others	968	18,064	19,032	3,292	141	-
	1,286	21,015	22,301	74,976	29,731	-
₩	1,895,674	152,030	2,047,704	132,623	308,619	138,900

2) December 31, 2019

(in millions of Won)

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

(c) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended March 31, 2020 and 2019 were as follows:

1) For the three-month period ended March 31, 2020

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 2,558	-	5	-
NewSongdo International City Development, LLC	20,200	-	-	3
SNNC	10,355	-	12,103	106,999
Chuncheon Energy Co., Ltd.	287	211	-	-
Noeul Green Energy	1,523	-	-	-
CSP - Companhia Siderurgica do Pecem	16,745	4,432	84,190	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,776	-	12,540	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	956	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	2,527	-	-	-
PT. Batutua Tembaga Raya	-	959	11,541	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	4,844	-	64	-
DMSA/AMSA	-	-	26,163	-
South-East Asia Gas Pipeline Company Ltd.	7	20,006	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	8,865	19,401	1,074	267
POSPower Co., Ltd.	41,884	-	-	-
TK CHEMICAL CORPORATION	35,341	-	12,196	-
Others	33,134	5,565	9,072	9,508
	₩ 189,046	50,574	169,904	116,777

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

2) For the three-month period ended March 31, 2019

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 3,396	-	7	3,371
New Songdo International City Development, LLC	361	4,471	-	3
SNNC	18,012	-	5,043	20,624
Chuncheon Energy Co., Ltd.	1,010	-	-	-
Noeul Green Energy	1,662	-	-	587
CSP - Companhia Siderurgica do Pecem	22,270	2,067	120,388	385
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	8,745	-	10,794	-
LLP POSUK Titanium	-	-	272	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	852	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	3,877	-	-	-
PT. Batutua Tembaga Raya	-	365	10,597	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,093	-	80	-
Sebang Steel	-	-	703	-
DMSA/AMSA	-	-	16,755	-
South-East Asia Gas Pipeline Company Ltd.	5	4,805	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	24,615	16,369	1,340	713
POSPower Co., Ltd.	37,409	-	-	-
TK CHEMICAL CORPORATION	43,375	-	21,929	-
Others	47,939	14,667	6,167	6,839
	₩ 220,769	42,744	194,927	32,522

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2020

(Unaudited)

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

1) March 31, 2020

(in millions of Won)

(in millions of Won)		Receivables				Payables		
		Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures								
	₩	1,754	-	203	1,957	-	8	8
POSCO PLANTEC Co., Ltd.								
NewSongdo International City Development, LLC		8,757	-	20,592	29,349	-	1	1
Chuncheon Energy Co., Ltd.		-	-	-	-	370	-	370
POSPower Co., Ltd.		55,386	-	-	55,386	-	58,763	58,763
Nickel Mining Company SAS		-	62,905	140	63,045	-	-	-
CSP - Companhia Siderurgica do Pecem		194,965	-	11,168	206,133	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.		11,051	-	-	11,051	3,999	-	3,999
PT. Batutua Tembaga Raya		-	39,157	951	40,108	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		8,929	-	-	8,929	73	-	73
DMSA/AMSA		74	57,822	-	57,896	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	142,276	-	142,276	-	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY		3,792	-	-	3,792	894	-	894
TK CHEMICAL CORPORATION		31,718	-	-	31,718	2,835	-	2,835
Others		78,897	139,702	103,393	321,992	3,222	12,524	15,746
	₩	395,323	441,862	136,447	973,632	11,393	71,296	82,689

2) December 31, 2019

(in millions of Won)

(in millions of Won)		Receivables				Payables		
		Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures								
	₩	4,121	-	205	4,326	791	8	799
POSCO PLANTEC Co., Ltd.								
New Songdo International City Development, LLC		23,626	-	20,592	44,218	-	10	10
Chuncheon Energy Co., Ltd.		-	8,234	-	8,234	657	-	657
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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

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

1) For the three-month period ended March 31, 2020

(in millions of Won)

		Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures						
UITrans LRT Co., Ltd.	₩	10,579	3,208	-	-	13,787
DMSA/AMSA(*1)		57,999	-	-	(177)	57,822
South-East Asia Gas Pipeline Company Ltd.		147,367	-	(12,114)	7,023	142,276
PT. Batutua Tembaga Raya		36,291	-	-	2,866	39,157
PT. Tanggamus Electric Power		4,580	-	-	257	4,837
PT. Wampu Electric Power		5,519	-	-	309	5,828
PT. POSMI Steel Indonesia		2,316	-	-	129	2,445
Nickel Mining Company SAS		60,516	-	-	2,389	62,905
KRAKATAU POS-CHEM DONG-SUH CHEMICAL		6,947	-	-	389	7,336
POS-SeAH Steel Wire (Thailand) Co., Ltd.		6,947	-	-	389	7,336
AMCI (WA) PTY LTD		78,553	825	-	(5,634)	73,744
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD		5,789	-	-	324	6,113
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD		9,262	-	-	519	9,781
Hyochun Co., Ltd.		2,382	-	-	-	2,382
Chuncheon Energy Co., Ltd.		8,234	-	(8,234)	-	-
POS-AUSTEM Suzhou Automotive Co., Ltd		5,789	-	-	324	6,113
₩		449,070	4,033	(20,348)	9,107	441,862

(*1) During the three-month period ended March 31, 2020, loans amounting to ₩3,423 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

2) For the year ended December 31, 2019

(in millions of Won)

		Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures						
UITrans LRT Co., Ltd.	₩	5,695	4,884	-	-	10,579
DMSA/AMSA(*1)		64,297	15,451	-	(21,749)	57,999
South-East Asia Gas Pipeline Company Ltd.		191,107	-	(48,027)	4,287	147,367
PT. Batutua Tembaga Raya		35,100	-	-	1,191	36,291
PT. Tanggamus Electric Power		4,423	-	-	157	4,580
PT. Wampu Electric Power		5,330	-	-	189	5,519
PT. 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
Hyochun Co., Ltd.		-	-	-	2,382	2,382
Chuncheon 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 common 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 March 31, 2020 (Unaudited)

(f) For the three-month periods ended March 31, 2020 and 2019, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>		March 31, 2020	March 31, 2019
Short-term benefits	₩	26,573	29,697
Long-term benefits		4,260	4,576
Retirement benefits		<u>4,810</u>	<u>6,518</u>
	₩	<u>35,643</u>	<u>40,791</u>

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2020

(Unaudited)

35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of March 31, 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.	BOC and others	USD	100,000,000	122,260	100,000,000
	POSCO-VIETNAM Co., Ltd.	SMBC and others	USD	156,000,000	190,726	156,000,000
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	120,000,000	146,712	120,000,000
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	205,957	5,501,000,000
	POSCO Maharashtra Steel Private Limited	ING and others	USD	83,784,000	102,434	83,784,000
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,650,878	940,488,348
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	179,144	131,874,750
	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	199,917,500	244,419	184,025,000
	POSCO INTERNATIONAL POWER (PNGLAE) LIMITED	KDB bank	USD	53,517,404	65,430	41,167,234
	GOLDEN LACE POSCO INTERNATIONAL CO., LTD.	Shinhan Bank and others	USD	11,000,000	13,449	11,000,000
POSCO INTERNATIONAL Corporation	PT. Bio Inti Agrindo	Export-Import Bank of Korea and others	USD	145,189,759	177,509	143,354,326
	POSCO ASSAN TST STEEL INDUSTRY	ING	USD	14,652,750	17,914	14,652,750
	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	61,130	8,824,800
	POSCO INTERNATIONAL Malaysia SDN BHD					
	POSCO INTERNATIONAL Deutschland GmbH					
	POSCO INTERNATIONAL Italia S.R.L.					
	Mykolaiv Milling Works PJSC.	Black Sea Trade and Development Bank	USD	25,647,074	31,356	25,647,074
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea and others	USD	47,000,000	57,462	47,000,000
	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	163,633,000	200,058	163,633,000
	POSCO Engineering and Construction India Private Limited	Hana bank	INR	221,000,000	3,582	183,875,119
	SPH Co., Ltd.	Shinyoung securities	KRW	20,000	20,000	20,000
	PT.POSCO E&C INDONESIA	POSCO Asia Co., Ltd. and others	USD	10,900,000	13,326	10,900,000
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co.,	POSCO Asia Co., Ltd. and others	USD	160,000,000	195,616	152,190,000
	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd. and others	USD	1,500,000	1,834	1,200,000
	PT.Kakatau Posco Chemtech Calcination	POSCO Asia Co., Ltd. and others	USD	15,200,000	18,584	12,000,000
	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd.	USD	13,986,947	17,100	13,986,947
	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	237,062	105,067,663
POSCO Asia Co., Ltd.	POSCO America Corporation	SMBC	USD	70,000,000	85,582	70,000,000
[Associates and joint ventures]						
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	513,493	373,565,631
	LLP POSUK Titanium	BNDES	BRL	464,060,000	109,226	464,060,000
	Nickel Mining Company SAS	SMBC	USD	15,000,000	18,339	15,000,000
	GLOBAL KOMSCO Daewoo LLC	SMBC	EUR	46,000,000	62,038	46,000,000
	New Songdo International City Development, LLC	Hana Bank	USD	8,225,000	10,066	8,050,000
	POHANG E&E	Others	KRW	386,000	386,000	386,000
	UITrans LRT Co., Ltd.	Heungkuk Life Insurance Co., Ltd.	KRW	71,930	71,930	63,301
	JB CLARK HILLS	Kookmin Bank and others	KRW	125,845	125,845	110,506
	Incheon-Gimpo Expressway Co, Ltd.	KOREA INVESTMENT&SECURITIES Co., Ltd.	KRW	60,000	60,000	55,000
	RPSD	Kookmin Bank and others	KRW	311,468	311,468	289,290
POSCO INTERNATIONAL Corporation	Metropolitan Outer Beltway Co., Ltd	Plan-up Sinsajelcha Co., Ltd	KRW	45,000	45,000	36,000
	Pureun tongyeong environment	Woori Bank and others	KRW	276,521	276,521	14,486
	Pure Gimpo.Co.,Ltd	KDB Bank and others	KRW	22,714	22,714	15,781
	Clean Iksan Co.,Ltd	KDB Bank and others	KRW	44,740	44,740	32,398
	NEXTRAIN Co., Ltd	SAMSUNG FIRE & MARINE INSURANCE	KRW	44,054	44,054	31,136
	UITrans LRT Co., Ltd.	Kookmin Bank and others	KRW	634,752	634,752	-
	Hyochun Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000
	Incheon-Gimpo Expressway Co., Ltd.	Kyobo Securities	KRW	39,575	39,575	39,575
	Seobu naeryuk Expressway Co., Ltd.	KDB Bank	KRW	100,000	100,000	100,000
	Metropolitan Outer Beltway Co., Ltd	Kookmin Bank and others	KRW	964,100	964,100	964,100
POSCO CHEMICAL CO., LTD	KRAKATAU POS-CHEM	Woori Bank and others	KRW	193,700	193,700	193,700
	DONG-SUH CHEMICAL	Hana Bank	USD	1,140,000	1,394	506,667
	POSCO(Suzhou)	Export-Import Bank of Korea and others	USD	769,500	941	769,500
	Automotive Processing Center Co.,Ltd.					
[Others]						
POSCO INTERNATIONAL Corporation	Sheritt International Corporation and others	Export-Import Bank of Korea	USD	21,818,182	26,675	3,019,552
	Ecocity CO.,LTD and others	Kookmin Bank and others	KRW	3,502,259	3,502,259	2,043,673
	POSCO ENGINEERING & CONSTRUCTION CO., LTD.					
	POSCO ICT	BLT Enterprise and others	KRW	1,180,324	1,180,324	1,180,324
	POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government) and others	AUD	11,637,124	8,758	11,637,124
	PT. Bio Inti Agrindo	Bank Muamalat	IDR	80,000,000,000	5,984	80,000,000,000
			USD	3,599,608,616	4,400,883	2,937,707,242
			KRW	8,098,982	8,098,982	5,651,270
			IDR	80,000,000,000	5,984	80,000,000,000
			INR	221,000,000	3,582	183,875,119
POSCO INTERNATIONAL Corporation			THB	5,501,000,000	205,957	5,501,000,000
			EUR	46,000,000	62,038	46,000,000
			AUD	11,637,124	8,758	11,637,124
			BRL	464,060,000	109,226	464,060,000

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2020

(Unaudited)

(b) Other commitments

Details of other commitments of the Company as of March 31, 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 March 31, 2020, 92 million tons of iron ore and 13 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>POSCO has long-term service contracts for the transportation of raw material. As of March 31, 2020, there are 39 vessels under contracts, and the average remaining contract period is about 10 years.</p> <p>As of March 31, 2020, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the project. POSCO is not liable for the repayment in full or in part of the amount borrowed 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 March 31, 2020, the ending balance of the borrowing amounts to USD 1.02 million.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd., a subsidiary of the Company, under construction of new power plant.</p> <p>POSCO provides a supplementary funding of up to ₩9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., a subsidiary of the Company, at the request of creditors such as the Korea Development Bank.</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of March 31, 2020, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantees of up to USD 2,716 million provided by financial institutions and used USD 825 million with Woori Bank and others.</p> <p>The Company is responsible for completion of 2 projects, including the development of Parc One in Yeouido-dong. As of March 31, 2020, the outstanding amount of loans related to the responsible payment arrangement is ₩2,034 billion which may be assumed in the case of non-performance of developers. If the responsibility is not fulfilled, there are duties such as debt assumption and responsibility for lease.</p>
POSCO ICT	<p>As of March 31, 2020, in relation to contract enforcement, POSCO ICT was provided with ₩85,600 million, ₩3,277 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 13 projects, including the construction of Bundang Center. As of March 31, 2020, the outstanding amount of developers' borrowings amounting to ₩758.6 billion. If the responsibility is not fulfilled in which the Company provides payment guarantee.</p>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 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 March 31, 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 329 lawsuits, including claim for employee right aggregating to ~~₩~~868.6 billion as defendant as of March 31, 2020, which arise from ordinary course of business. The Company has recognized provisions amounting to ~~₩~~48.2 billion for 95 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for other lawsuits and claims since the Company believes that it does not have a present obligation as of March 31, 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 March 31, 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 March 31, 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 ₩ 7,945,256 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
POSCO ICT	As of March 31, 2020, POSCO ICT has provided 2 blank promissory notes and 6 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

36. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the three-month periods ended March 31, 2020 and 2019 were as follows:

(in millions of Won)

		March 31, 2020	March 31, 2019
Trade accounts and notes receivable	₩	(289,141)	(593,651)
Other receivables		355,792	89,387
Inventories		345,162	338,259
Other current assets		(59,248)	(180,573)
Other non-current assets		(96,580)	(37,240)
Trade accounts and notes payable		(140,113)	(437,067)
Other payables		(180,907)	(62,899)
Other current liabilities		321,373	252,888
Provisions		(103,259)	(41,381)
Payments of severance benefits		(70,418)	(68,754)
Plan assets		44,390	45,631
Other non-current liabilities		(3,947)	(19,218)
	₩	<u>123,104</u>	<u>(714,618)</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 March 31, 2020 (Unaudited)

(a) Information about reportable segments for the three-month periods ended March 31, 2020 and 2019 were as follows:

1) For the three-month period ended March 31, 2020

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	7,105,453	5,055,675	1,618,924	765,761	14,545,813
Internal revenues		3,969,596	3,368,091	317,815	696,507	8,352,009
Inter segment revenue		2,745,676	1,638,499	292,565	639,095	5,315,835
Total revenues		11,075,049	8,423,766	1,936,739	1,462,268	22,897,822
Segment profits		285,140	77,915	102,690	113,109	578,854

2) For the three-month period ended March 31, 2019

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	8,071,816	5,537,881	1,518,642	885,899	16,014,238
Internal revenues		4,484,586	3,833,489	118,868	643,475	9,080,418
Inter segment revenue		3,056,377	2,086,732	105,135	612,863	5,861,107
Total revenues		12,556,402	9,371,370	1,637,510	1,529,374	25,094,656
Segment profits		634,787	73,041	21,152	106,937	835,917

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the three-month periods ended March 31, 2020 and 2019 were as follows:

<i>(in millions of Won)</i>		March 31, 2020	March 31, 2019
Total profit for reportable segments	₩	578,854	835,917
Corporate fair value adjustments		(19,047)	(20,875)
Elimination of inter-segment profits		(125,149)	(36,597)
Income tax expense		225,745	368,496
Profit before income tax expense	₩	660,403	1,146,941

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2020 (Unaudited)

38. Events after the Reporting Period

- (a) Pursuant to the resolution of the Board of Directors on April 10, 2020, the Company decided to enter into a trust contract for acquisition of its treasury shares. The amount of this trust contract is ~~₩~~ 1,000 billion, and the contract period is from April 13, 2020 to April 12, 2021.
- (b) Pursuant to the resolution of the Board of Directors on May 8, 2020, the Company decided to pay interim cash dividends of ~~₩~~1,500 per common share (total dividend: ~~₩~~120.2 billion).
- (c) With the outbreak of global COVID-19, governments around the globe have implemented measures such as mandatory factory shutdown, self-quarantine, closing borders, and travel bans. 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 of 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 expect it to be partially affected to the most areas where the Company operates. The extent and duration of COVID-19's impact on the Company's business have not yet to be determined.