

POSCO

**Condensed Separate Interim Financial Statements
(Unaudited)
June 30, 2018**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO (the "Company"), which comprise the condensed separate interim statement of financial position as of June 30, 2018, the condensed separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, the condensed separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

The separate statement of financial position of the Company as of December 31, 2017, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 28, 2018, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2017, presented for comparative purposes, is consistent, in all material respect, with the audited separate financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
August 14, 2018

<p>This report is effective as of August 14, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>
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POSCO

Condensed Separate Interim Statements of Financial Position As of June 30, 2018 and December 31, 2017 (Unaudited)

(in millions of Won)

	Notes	June 30, 2018	December 31, 2017
Assets			
Cash and cash equivalents	20	₩ 224,843	332,405
Trade accounts and notes receivable, net	4,14,20,25,32	4,419,915	3,867,714
Other receivables, net	5,20,32	293,361	210,230
Other short-term financial assets	6,20	6,104,121	5,824,087
Inventories	7,29	4,463,425	4,543,533
Assets held for sale	8	28,062	34,545
Other current assets	13	118,359	27,907
Total current assets		15,652,086	14,840,421
Long-term trade accounts and notes receivable, net	4,20	9,075	12,774
Other receivables, net	5,20	67,543	62,421
Other long-term financial assets	6,20	1,268,919	1,393,316
Investments in subsidiaries, associates and joint ventures	9	15,093,741	15,098,856
Investment property, net	10	109,884	97,307
Property, plant and equipment, net	11	21,234,346	21,561,270
Intangible assets, net	12	523,544	528,074
Other non-current assets	13	48,858	97,819
Total non-current assets		38,355,910	38,851,837
Total assets		₩ 54,007,996	53,692,258

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Financial Position, Continued As of June 30, 2018 and December 31, 2017 (Unaudited)

(in millions of Won)

	Notes	June 30, 2018	December 31, 2017
Liabilities			
Trade accounts and notes payable	20,32	₩ 897,505	1,025,027
Short-term borrowings and current installments of long-term borrowings	4,14,20	1,676,952	1,235,707
Other payables	15,20,32	814,897	862,535
Other short-term financial liabilities	16,20	13,655	23,164
Current income tax liabilities		491,111	351,148
Provisions	17	107,096	18,166
Other current liabilities	19,25	80,831	54,401
Total current liabilities		4,082,047	3,570,148
Long-term borrowings, excluding current installments	14,20	2,396,788	2,665,517
Other payables	15,20	151,500	78,481
Other long-term financial liabilities	16,20	94,598	129,176
Defined benefit liabilities, net	18	1,429	43
Deferred tax liabilities		1,241,376	1,273,896
Long-term provisions	17,33	16,943	19,250
Other non-current liabilities	19,25	13,457	14,292
Total non-current liabilities		3,916,091	4,180,655
Total liabilities		7,998,138	7,750,803
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,154,077	1,156,429
Hybrid bonds	22	199,384	996,919
Reserves	23	(148,011)	233,390
Treasury shares	24	(1,532,784)	(1,533,054)
Retained earnings		45,854,789	44,605,368
Total equity		46,009,858	45,941,455
Total liabilities and equity		₩ 54,007,996	53,692,258

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Comprehensive Income For the three-month and six-month periods ended June 30, 2018 and 2017 (Unaudited)

(in millions of Won, except per share informations)

	Notes	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2018	2017	2018	2017
Revenue	25,32 ₩	7,704,845	7,134,350	15,465,735	14,201,796
Cost of sales	7,29,32	(6,430,635)	(6,133,143)	(12,720,693)	(11,976,580)
Gross profit		1,274,210	1,001,207	2,745,042	2,225,216
Selling and administrative expenses	29,32				
Impairment loss on trade accounts and notes receivable		(121)	(2,435)	(1,946)	(1,608)
Other administrative expenses	26	(223,201)	(207,961)	(443,484)	(425,039)
Selling expenses	26	(228,764)	(205,813)	(461,573)	(418,143)
Operating profit		822,124	584,998	1,838,039	1,380,426
Finance income and costs	20,27				
Finance income		197,767	169,534	421,432	512,049
Finance costs		(154,492)	(60,185)	(287,949)	(323,550)
Other non-operating income and expenses	32				
Reversal of (impairment loss) on other receivables		(442)	(35)	2,904	(25)
Other non-operating income		136,850	31,386	181,214	275,319
Other non-operating expenses	28,29	(213,084)	(74,928)	(313,770)	(122,789)
Profit before income tax		788,723	650,770	1,841,870	1,721,430
Income tax expense	30	(208,432)	(141,606)	(492,843)	(372,629)
Profit		580,291	509,164	1,349,027	1,348,801
Other comprehensive income (loss)					
Items that will not be reclassified					
Remeasurements of defined benefit plans	18	(2,780)	(2,316)	(3,991)	(4,463)
Net changes in fair value of equity investments at fair value through other comprehensive income	6,20,23	(16,126)	-	(56,278)	-
Items that are or may be reclassified subsequently to profit or loss:					
Net changes in unrealized fair value of available-for-sale investments, net of tax	6,20,23	-	185,159	-	225,185
Total comprehensive income	₩	561,385	692,007	1,288,758	1,569,523
Basic and diluted earnings per share (in Won)	31 ₩	7,170	6,266	16,683	16,657

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Changes in Equity For the six-month periods ended June 30, 2018 and 2017 (Unaudited)

(in millions of Won)

	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2017	₩ 482,403	1,156,303	996,919	284,240	(1,533,468)	42,943,050	44,329,447
Comprehensive income:							
Profit	-	-	-	-	-	1,348,801	1,348,801
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(4,463)	(4,463)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	225,185	-	-	225,185
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)
Interim dividends	-	-	-	-	-	(119,997)	(119,997)
Interest of hybrid bonds	-	-	-	-	-	(21,501)	(21,501)
Disposal of treasury shares	-	41	-	-	214	-	255
Balance as of June 30, 2017	₩ 482,403	1,156,344	996,919	509,425	(1,533,254)	43,685,903	45,297,740
Balance as of January 1, 2018	₩ 482,403	1,156,429	996,919	233,390	(1,533,054)	44,605,368	45,941,455
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(883)	(883)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(321,654)	-	321,602	(52)
Adjusted balance as of January 1, 2018	482,403	1,156,429	996,919	(88,264)	(1,533,054)	44,926,087	45,940,520
Comprehensive income:							
Profit	-	-	-	-	-	1,349,027	1,349,027
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(3,991)	(3,991)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(59,747)	-	3,469	(56,278)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)
Interim dividends	-	-	-	-	-	(119,999)	(119,999)
Repayment of hybrid bonds	-	(2,465)	(797,535)	-	-	-	(800,000)
Interest of hybrid bonds	-	-	-	-	-	(19,805)	(19,805)
Disposal of treasury shares	-	113	-	-	270	-	383
Balance as of June 30, 2018	₩ 482,403	1,154,077	199,384	(148,011)	(1,532,784)	45,854,789	46,009,858

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows For the six-month periods ended June 30, 2018 and 2017 (Unaudited)

(in millions of Won)

	Notes	June 30, 2018	June 30, 2017
Cash flows from operating activities			
Profit	₩	1,349,027	1,348,801
Adjustments for :			
Expenses related to post-employment benefit		57,116	50,042
Depreciation		1,049,906	1,038,962
Amortization		32,857	44,036
Finance income		(336,029)	(408,910)
Finance costs		195,700	204,453
Loss on valuation of inventories		567	32,638
Gain on disposal of property, plant and equipment		(20,402)	(15,928)
Loss on disposal of property, plant and equipment		60,528	70,375
Impairment losses on property, plant and equipment		16,264	5,562
Gain on disposal of intangible assets		(99,361)	(21,976)
Impairment losses on intangible assets		-	11,822
Impairment losses on investments in subsidiaries, associates and joint ventures		34,207	12,816
Reversal of impairment losses on investments in subsidiaries, associates and joint ventures		-	(225,860)
Increase to provisions		89,106	543
Income tax expense		492,843	372,629
Others, net		5,183	2,155
Changes in operating assets and liabilities	34	(671,427)	(1,121,945)
Interest received		70,102	36,056
Interest paid		(69,487)	(70,489)
Dividends received		162,271	138,078
Income taxes paid		(364,117)	(311,257)
Net cash provided by operating activities	₩	2,054,854	1,192,603

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows, Continued For the six-month periods ended June 30, 2018 and 2017 (Unaudited)

(in millions of Won)

	Notes	June 30, 2018	June 30, 2017
Cash flows from investing activities			
Decrease in deposits	₩	1,000,729	472,923
Proceeds from disposal of short-term financial instruments		13,155,517	8,720,995
Proceeds from disposal of long-term financial instruments		-	1
Proceeds from disposal of equity securities		43,777	-
Proceeds from disposal of other securities		2,578	-
Proceeds from disposal of available-for-sale investments		-	209,958
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		101,294	-
Proceeds from disposal of property, plant and equipment		9,722	-
Proceeds from disposal of intangible assets		26,375	22,208
Proceeds from disposal of assets held for sale		231	450
Increase in deposits		(1,363,420)	(620,012)
Acquisition of short-term financial investments		(13,011,196)	(8,187,150)
Payment of short-term loans		(2,950)	-
Payment of long-term loans		(233)	-
Acquisition of debt securities		(50,221)	-
Acquisition of other securities		(174)	-
Acquisition of available-for-sale investments		-	(11,072)
Acquisition of investments in subsidiaries, associates and joint ventures		(129,856)	(12,368)
Acquisition of property, plant and equipment		(759,075)	(809,611)
Proceeds from disposal of property, plant and equipment		-	(8,821)
Acquisition of intangible asstes		(22,505)	(38,353)
Net cash used in investing activities	₩	(999,407)	(260,852)
Cash flows from financing activities			
Proceeds from borrowings		366,335	323,504
Increase in long-term financial liabilities		513	806
Receipt of government grants		86	-
Repayment of borrowings		(301,965)	(351,251)
Decrease in long-term financial liabilities		(6,227)	(5,199)
Payment of cash dividends		(400,011)	(580,129)
Payment of interest of hybrid bonds		(21,740)	(21,740)
Repayment of hybrid bonds		(800,000)	-
Net cash used in financing activities	₩	(1,163,009)	(634,009)
Effect of exchange rate fluctuation on cash held		-	2
Net increase (decrease) in cash and cash equivalents		(107,562)	297,744
Cash and cash equivalents at beginning of the period		332,405	120,529
Cash and cash equivalents at end of the period	₩	224,843	418,273

See accompanying notes to the condensed separate interim financial statements.

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Notes to the Condensed Separate Interim Financial Statements

As of June 30, 2018

(Unaudited)

1. Reporting Entity

POSCO (the “Company”) is the largest steel producer in Korea which was incorporated on April 1, 1968, to manufacture and sell steel rolled products and plates in the domestic and overseas markets.

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

As of June 30, 2018, the shares of the Company are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

2. Statement of Compliance

Statement of compliance

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

These condensed separate interim financial statements have been prepared in accordance with K-IFRS No. 1034 “Interim Financial Reporting” as part of the period covered by the Company’s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2017. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

In 2018, Company adopted K-IFRS No. 1115 “Revenue from Contracts with Customers” and K-IFRS No. 1109 “Financial Instruments” for the first time. Changes to significant accounting policies are described in Note 3.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

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

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, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments," which are described in Note 3.

(b) Measurement of fair value

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

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

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

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

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

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

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

Information about the assumptions made in measuring fair value is included in Note 20.

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2017.

Changes in Accounting Policies

The Company has initially adopted K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments" from January 1, 2018. The Company also expects to apply the accounting policies set out below for their annual reporting period ending December 31, 2018.

The effect of initially applying these standards is mainly attributed to the following:

- Identify the shipping services included in certain sales contracts as a separate performance obligation
- Estimate variable consideration such as sales discount
- Change in classification and subsequent measurement of financial assets
- Increase in impairment loss on financial assets

(a) K-IFRS No. 1115 "Revenue from Contracts with Customers"

K-IFRS No. 1115 "Revenue from Contracts with Customers" provides a unified five-step model for determining the timing, measurement and recognition of revenue. It replaced previous revenue recognition guidance, including K-IFRS No. 1018 "Revenue", K-IFRS No. 1011 "Construction Contracts", K-IFRS No. 2031 "Revenue- Barter transactions involving advertising services", K-IFRS No. 2113 "Customer Loyalty Programs", K-IFRS No. 2115 "Agreements for the construction of real estate", and K-IFRS No. 2118 "Transfers of assets from customers".

The Company applied the modified retrospective approach by recognizing the cumulative impact of initially applying the revenue standard as of January 1, 2018, the date of initial application and the Company also decided to apply the practical expedients as allowed by K-IFRS No. 1115 by applying the new standard only to those contracts that are not considered as completed contracts at the date of initial application. Accordingly, the Company did not restate the financial statements for comparative periods.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

The following table summarizes the impact, net of tax, of transition to K-IFRS No. 1115 on retained earnings as of January 1, 2018.

(in millions of Won)

		<u>Retained earnings</u>
Shipping services included in the sales contract	₩	(510)
Variable consideration for sales discounts		(373)
	₩	<u>(883)</u>

The details of new significant accounting policies and impacts of the adoption of K-IFRS No. 1115 are as follows:

1) Identification of performance obligations

The Company operates manufacturing and selling steel rolled products and plates, and certain sales contracts include transport service. When applying K-IFRS No. 1115, sales of manufactured products or merchandise and delivery of products (i.e. shipping service) are identified as separate performance obligations in the contracts with customers. For transactions for which the shipping terms are on shipment basis and the customer pays shipping costs, the two performance obligations are separately accounted for because delivery of products is performed after the control over the products is transferred to the customer. The transaction price allocated to the performance obligation of delivery service will be recognized when the obligation of delivery of the product is completed.

The Company identified shipping service included in the sales contract as a separate performance obligation that will be satisfied over the promised service period. This change in relevant accounting policy resulted in decreases in revenue and selling and administrative expenses increases in contract liabilities and decrease in other payables as of and for the six-month period ended June 30, 2018.

2) Variable consideration

The Company provides a certain percentage of price discount, if an accounts receivable is collected earlier than a certain collection date. Under K-IFRS No. 1115, the Company estimates the amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. This change in relevant accounting policy resulted in decrease in revenue and increase in contract liabilities for the six-month period ended June 30, 2018.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

3) Impact of changes in accounting policies

The effects of adoption of K-IFRS No. 1115 to the Company's condensed separate interim statements of financial position and condensed separate interim statements of comprehensive income as of and for the six-month period ended June 30, 2018 are as follows. There is no material impact on the Company's condensed separate interim statements of cash flows for the six-month period ended June 30, 2018.

(in millions of Won)

		As reported	Adjustments of K-IFRS No. 1115	Amounts without adoption of K-IFRS No. 1115
Condensed interim financial statements of financial position				
Current liabilities	₩	4,082,047	(1,081)	4,080,966
Other payables		814,897	17,441	832,338
Current income tax liabilities		491,111	216	491,327
Other current liabilities		80,831	(18,738)	62,093
Non-current liabilities		3,916,091	141	3,916,232
Deferred tax liabilities		1,241,376	141	1,241,517
Retained earnings		45,854,789	940	45,855,729
Condensed interim statements of comprehensive income				
Revenue	₩	15,465,735	3,653	15,469,388
Selling and administrative expenses		(907,003)	(3,575)	(910,578)
Profit before income tax		1,841,870	78	1,841,948
Income tax expense		(492,843)	(21)	(492,864)
Profit		1,349,027	57	1,349,084

(b) K-IFRS No. 1109 "Financial Instruments"

K-IFRS No. 1109 "Financial Instruments" regulates requirements for measurement and recognition of certain contracts in relation to trading financial assets and liabilities or nonfinancial items. It replaced existing guidance in K-IFRS No. 1039 "Financial Instruments: Recognition and Measurement".

The Company applied retrospectively application with exemptions where an entity is not required to restate the comparative information for prior periods in relation to classification and measurement (including impairment) changes. The Company recognized the accumulated effect resulting from initial application of K-IFRS No. 1109 as reserves and retained earnings of the Company at the date of initial application.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

The following table summarizes the impact, net of tax, of transition to K-IFRS No. 1109 on reserves and retained earnings as of January 1, 2018.

(in millions of Won)

	<u>Reserves</u>	<u>Retained earnings</u>
Classification to fair value through profit or loss in securities and select to fair value through other comprehensive income in equity securities	₩ (321,654)	321,654
Recognition of expected credit losses	-	(52)
	<u>₩ (321,654)</u>	<u>321,602</u>

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

1) Classification and measurement of financial assets and financial liabilities

When applying K-IFRS No. 1109, the classification of financial assets will be driven by the Company's business model for managing the financial assets and contractual terms of cash flow.

The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

<u>Business model</u>	<u>Contractual cash flows are solely payments of principal and interests</u>	<u>All other cases</u>
To collect contractual cash flows	Amortized cost(*1)	
Both to collect contractual cash flows and sell financial assets	Fair value through other comprehensive income(*1)	Fair value through profit or loss(*2)
For trading, and others	Fair value through profit or loss	

(*1) The Company may irrevocably designate as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

(*2) The Company may irrevocably designate equity investments that is not held for trading as at fair value through other comprehensive income.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

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

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, gains and losses on foreign currency translation and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

As of January 1, 2018, the date of initial application, measurement categories and carrying amounts of financial assets in accordance with K-IFRS No. 1039 "Financial Instruments: Recognition and Measurement" and K-IFRS No. 1109 "Financial Instruments" are as follows:

<i>(in millions of Won)</i>				
	Original classification under K-IFRS No. 1039	Original carrying amounts under K-IFRS No. 1039	New classification under K-IFRS No. 1109	New carrying amounts under K-IFRS No. 1109
Cash and cash equivalents	Loans and receivables	₩ 332,405	Amortized cost	₩ 332,405
Trade accounts and notes receivable(*1)	Loans and receivables	3,874,929	Amortized cost	3,874,859
Other receivables(*1)	Loans and receivables	162,313	Fair value through profit or loss	1,898
			Amortized cost	160,415
Equity securities(*2)	Available-for-sale financial assets	1,324,715	Fair value through other comprehensive income	1,324,715
Debt securities(*2)	Available-for-sale financial assets	10,305	Fair value through profit or loss	8,050
			Fair value through other comprehensive income	2,255
Other Securities(*2)	Available-for-sale financial assets	60,569	Fair value through profit or loss	60,569
Deposit instruments	Loans and receivables	666,112	Amortized cost	666,112
Short-term financial instruments	Loans and receivables	5,155,702	Fair value through profit or loss	5,155,702

(*1) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, loss allowance was increased by ₩ 70 million and retained earnings were decreased by ₩ 50 million.

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(*2) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, with respect to equity securities determined fair value through other comprehensive income, reserves were decreased by ₩321,654 million and retained earnings were increased by ₩321,654 million.

K-IFRS No. 1109 "Financial Instruments" retains most of the existing requirements of K-IFRS 1039 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. Accordingly, the application of K-IFRS No. 1109 "Financial Instruments" has no significant effect on the Company's accounting policies related to financial liabilities.

2) Impairment of financial assets

K-IFRS No. 1109 replaces the incurred loss model in the existing standard with a forward-looking expected credit loss model for debt instruments, lease receivables, contractual assets, loan commitments, and financial guarantee contracts.

Under K-IFRS No. 1109, impairment losses are likely to be recognized earlier than using the incurred loss model under the existing guidance in K-IFRS No. 1039 as loss allowances will be measured either 12-month or lifetime expected credit loss based on the extent of increase in credit risk.

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

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

As of January 1, 2018, the date of initial application, allowances for losses were increased by ₩70 million and retained earnings were decreased by ₩50 million under K-IFRS No. 1109 "Financial Instruments".

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New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published but are not mandatory for the Company for annual period beginning after January 1, 2018, and the Company has not early adopted them.

(a) K-IFRS No. 1116 “Leases”

K-IFRS No. 1116 “Leases” will replace K-IFRS No. 1017 “Leases” and K-IFRS No. 2104 “Determining whether an Arrangement contains a Lease”. It is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for a Company which has adopted to K-IFRS No. 1115.

As a lessee, the Company shall apply this standard using one of the following two methods; (a) retrospectively to each prior reporting period presented in accordance with K-IFRS No. 1008 “Accounting Policies, Changes in Accounting Estimates and Errors” but using the practical expedients for completed contracts- i.e. completed contracts as of the beginning of the earliest prior period presented are not restated; or (b) retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

K-IFRS No. 1116 suggests an single accounting model that requires a lessee to recognize lease related asset and liability in the financial statements. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease of which has a term of 12 months or less at the commencement date and low value assets. Accounting treatment for lessor is similar to the existing standard which classifies lease into finance and operating lease.

Application of K-IFRS No. 1116 will change current operating lease expense which has been recognized in straight-line method into depreciation expense of right-of-use asset and interest expense of lease liability, and therefore, nature of expense recognized in relation to lease will change. However, it is expected that there will be no significant impact on finance lease.

The Company has not yet initiated to prepare for the application of K-IFRS No. 1116 and the Company has not performed an assessment of the impact resulting from the application of K-IFRS No. 1116. The Company will complete the analysis of financial impacts arising from applying this standard in 2018.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Current			
Trade accounts and notes receivable	₩	4,436,711	3,886,950
Less: Allowance for doubtful accounts		(16,796)	(19,236)
	₩	<u>4,419,915</u>	<u>3,867,714</u>
Non-current			
Trade accounts and notes receivable	₩	13,804	18,586
Less: Present value discount		(3,393)	(5,107)
Less: Allowance for doubtful accounts		(1,336)	(705)
	₩	<u>9,075</u>	<u>12,774</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩150,500 million and ₩83,976 million as of June 30, 2018 and December 31, 2017, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and trade accounts and notes receivable are included in short-term borrowings from financial institutions. (Note 14)

5. Other Receivables

Other receivables as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Current			
Loans	₩	2,950	-
Other accounts receivable		275,480	199,724
Others		23,460	22,476
Less: Allowance for doubtful accounts		(8,529)	(11,970)
	₩	<u>293,361</u>	<u>210,230</u>
Non-current			
Loans	₩	25,248	22,877
Long-term other accounts receivable		47,937	44,616
Others		2,700	2,896
Less: Allowance for doubtful accounts		(8,342)	(7,968)
	₩	<u>67,543</u>	<u>62,421</u>

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6. Other Financial Assets

(a) Other financial assets as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018	December 31, 2017
Current			
Derivative assets	₩	12,112	-
Debt securities		51,858	-
Available-for-sale securities (bonds)		-	2,305
Deposit instruments(*1)		1,028,769	666,080
Short-term financial instruments		5,011,382	5,155,702
	₩	<u>6,104,121</u>	<u>5,824,087</u>
Non-current			
Equity securities	₩	1,202,131	-
Debt securities		8,669	-
Other securities		58,087	-
Available-for-sale securities (equity instruments)		-	1,384,784
Available-for-sale securities (others)		-	8,500
Deposit instruments(*2)		32	32
	₩	<u>1,268,919</u>	<u>1,393,316</u>

(*1) As of June 30, 2018 and December 31, 2017, ₩6,769 million and ₩10,080 million, respectively, are restricted in relation to government assigned project.

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

(b) Equity securities as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

				June 30, 2018			December 31, 2017
	Number of shares	Ownership (%)		Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value
Marketable equity securities							
Nippon Steel & Sumitomo Metal Corporation	15,698,500	1.65	₩	473,962	346,572	(127,390)	346,572
KB Financial group Inc.	3,863,520	0.92		178,839	203,994	25,155	203,994
Woori Bank	20,280,000	3.00		244,447	330,564	86,117	330,564
DONGKUK STEEL MILL CO., LTD	1,786,827	1.87		10,471	15,081	4,610	15,081
SAMWONSTEEL Co., Ltd.	5,700,000	14.25		8,930	17,556	8,626	17,556
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82		11,911	8,189	(3,722)	8,189
Others (8 companies)				77,377	50,480	(26,897)	50,480
				<u>1,005,937</u>	<u>972,436</u>	<u>(33,501)</u>	<u>972,436</u>
Non-marketable equity securities							
Congonhas Minerios S.A. (*1)	3,658,394	2.02		221,535	183,250	(38,285)	183,250
Poongsan Special Metal (*2)	315,790	5.00		7,657	7,657	-	7,657
HANKUM CO., LTD (*2)	21,000	4.99		4,599	4,599	-	4,599
Core-Industry Co., Ltd. (*2)	490,000	19.84		4,214	4,214	-	4,214
AJUSTEEL CO., LTD (*2)	17,000	4.36		4,165	4,165	-	4,165
Others (33 companies) (*2,3)				158,179	25,810	(132,369)	25,810
				<u>400,349</u>	<u>229,695</u>	<u>(170,654)</u>	<u>229,695</u>
			₩	<u>1,406,286</u>	<u>1,202,131</u>	<u>(204,155)</u>	<u>1,202,131</u>

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

(*2) The Company has not performed fair value measurement for certain equity securities measured at fair value due to materiality consideration.

(*3) Other securities amounting to ₩60,069 million as of December 31, 2017 are included in book value which is classified as fair value measuring category from January 1, 2018, first application date of K-IFRS No. 1109 "Financial Instrument".

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

7. Inventories

Inventories as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	June 30, 2018	December 31, 2017
Finished goods	₩ 819,669	927,413
Semi-finished goods	1,181,469	1,255,713
By-products	5,658	8,454
Raw materials	1,060,375	917,241
Fuel and materials	519,320	520,341
Materials-in-transit	877,001	916,255
Others	500	479
	4,463,992	4,545,896
Less: Allowance for inventories valuation	(567)	(2,363)
	₩ 4,463,425	4,543,533

The amounts of loss valuation on inventories recognized within cost of sales during the six-month period ended June 30, 2018 and the year ended December 31, 2017 were ₩567 million and ₩2,363 million, respectively.

8. Assets Held for Sale

Assets held for sale as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	June 30, 2018	December 31, 2017
Investments in subsidiaries(*1)	₩ 28,062	34,153
Property, plant and equipment	-	392
	₩ 28,062	34,545

(*1) During the year ended December 31, 2017, the Company determined to dispose part of the interest of POSCO Thainox Public Company Limited, subsidiary of the Company, and classified investments in subsidiaries as assets held for sale. The Company recognized ₩5,622 million of impairment loss from the difference between book value and net fair value of the interest, and finished disposal for part of it.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying values as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

(in millions of Won)			June 30, 2018		December 31, 2017
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
POSCO DAEWOO Corporation	Korea	Trading	62.90	₩ 3,610,164	3,610,164
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	Korea	Engineering and construction	52.80	1,014,314	1,014,314
POSCO ENERGY CO., LTD.	Korea	Power generation	89.02	658,176	658,176
POSCO Processing&Service	Korea	Steel sales and trading	93.95	385,995	385,995
POSCO ES MATERIALS CO., LTD.	Korea	Secondary battery active material manufacturing and sales	90.00	196,310	83,309
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	56.87	108,421	108,421
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780
POSCO CHEMTECH	Korea	Refractory manufacturing and sales	60.00	100,535	100,535
POSMATE	Korea	Business facility maintenance	83.83	73,374	73,374
POSCO ICT	Korea	Computer hardware and software distribution	65.38	70,990	70,990
POSCO M-TECH(*1)	Korea	Packing materials manufacturing and sales	48.85	50,857	50,857
POSCO Family Strategy Fund	Korea	Investment in venture companies	69.91	32,457	32,457
Busan E&E Co., Ltd.(*2)	Korea	Municipal solid waste fuel and power generation	70.00	30,148	30,148
Others (9 companies)				115,155	215,155
				6,550,676	6,537,675
[Foreign]					
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	813,431	813,431
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	722,569	722,569
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	100.00	633,367	631,625
POSCO Thainox Public Company Limited	Thailand	Stainless steel manufacturing and sales	84.74	416,612	416,612
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	100.00	330,623	330,623
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	58.60	283,845	283,845
POSCO SS VINA Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	241,426	241,426
POSCO-China Holding Corp.	China	Investment management	100.00	240,430	240,430
POSCO America Corporation	USA	Steel trading	99.45	192,156	192,156
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	84.84	180,072	180,072
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	160,572	160,572
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65	144,573	144,573
POSCO(Guangdong) Automotive Steel Co., Ltd.	China	Plate steel manufacturing and sales	83.64	130,751	130,751
POSCO COATED STEEL (THAILAND) CO., LTD.	Thailand	Plate steel manufacturing and sales	100.00	121,592	121,592
POSCO Asia Co., Ltd.	Hong Kong	Steel and raw material trading	100.00	117,710	117,710
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00	92,800	92,800
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99	75,567	75,567
POSCO JAPAN Co., Ltd.	Japan	Steel trading	100.00	68,436	68,436
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	70.00	65,982	65,982
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	90.00	62,494	62,494
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	100.00	50,297	50,297
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79	45,479	45,479
POSCO(Guangdong) coated Steel Co., Ltd.	China	Plate steel sheet manufacturing and sales	87.04	31,299	31,299
Others (27 companies)				385,355	371,742
				5,607,438	5,592,083
			₩	12,158,114	12,129,755

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

(*2) As of June 30, 2018 and December 31, 2017 the investment in a subsidiary amounting to ₩30,148 million was provided as collateral in relation to the loan agreements of Busan E&E Co., Ltd.

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- (b) Details of associates and carrying values as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

			June 30, 2018		December 31, 2017
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources	Korea	Mine investment	29.50	₩ 169,316	169,316
Private Equity Fund	Korea	STS material manufacturing			
SNNC		and sales	49.00	100,655	100,655
				<u>19,052</u>	<u>19,052</u>
Others (6 companies)				<u>289,023</u>	<u>289,023</u>
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing			
		and sales	49.00	189,197	189,197
7623704 Canada Inc.(*)1	Canada	Mine investment	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (4 companies)				<u>25,645</u>	<u>25,665</u>
				<u>350,186</u>	<u>350,206</u>
				₩ 639,209	639,229

- (*1) As of June 30, 2018, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

- (c) Details of joint ventures and carrying values as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 2018		December 31, 2017
			Ownership (%)	Book value	Book value
Roy Hill Holdings Pty Ltd(*)1	Australia	Mine development	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem(*)2	Brazil	Steel manufacturing and sales	20.00	538,879	573,830
POSCO-NPS Niobium LLC	USA	Mine development	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
Others (4 companies)				<u>68,504</u>	<u>67,004</u>
				<u>₩ 2,296,418</u>	<u>2,329,869</u>

- (*1) As of June 30, 2018 and December 31, 2017, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to loans from project financing of Roy Hill Holdings Pty Ltd.

- (*2) During the six-month period ended June 30, 2018, the Company performed impairment test on shares of CSP-Companhia Siderurgica do Pecem due to evidences of impairment including continuous loss. Recoverable amount of the share is determined based on its value in use which is estimated from the present value of estimated future cash flows discounted at 9.27%. As a result of impairment test, the Company has recognized an impairment loss amounting to ₩34,207 million since recoverable amount on shares of CSP is significantly less than its carrying amount.

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10. Investment Property, Net

Changes in the carrying amount of investment property for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

(a) For the six-month period ended June 30, 2018

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	38,035	-	6,611	44,646
Buildings		49,793	(1,825)	7,466	55,434
Structures		9,479	(315)	640	9,804
	₩	<u>97,307</u>	<u>(2,140)</u>	<u>14,717</u>	<u>109,884</u>

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

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	34,213	-	3,822	38,035
Buildings		46,437	(3,308)	6,664	49,793
Structures		5,646	(585)	4,418	9,479
	₩	<u>86,296</u>	<u>(3,893)</u>	<u>14,904</u>	<u>97,307</u>

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

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

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

11. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

(a) For the six-month period ended June 30, 2018

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,474,993	-	(3,709)	-	-	(6,607)	1,464,677
Buildings		2,334,399	553	(6,041)	(105,013)	-	27,584	2,251,482
Structures		2,352,008	667	(203)	(93,650)	-	40,081	2,298,903
Machinery and equipment		13,437,338	9,994	(31,414)	(832,312)	(16,264)	601,726	13,169,068
Vehicles		7,047	35	-	(2,918)	-	531	4,695
Tools		21,115	1,527	-	(5,357)	-	1,891	19,176
Furniture and fixtures		31,050	360	(31)	(4,212)	-	166	27,333
Finance lease assets		72,105	57,299	-	(4,304)	-	-	125,100
Construction-in-progress		1,831,215	740,394	-	-	-	(697,697)	1,873,912
	₩	<u>21,561,270</u>	<u>810,829</u>	<u>(41,398)</u>	<u>(1,047,766)</u>	<u>(16,264)</u>	<u>(32,325)</u>	<u>21,234,346</u>

(*1) The Company has recognized an impairment loss since recoverable amount on Fe powder factory is less than its carrying amount for the six-month period ended June 30, 2018.

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,472,419	-	(4,970)	-	-	7,544	1,474,993
Buildings		2,451,009	2,324	(4,129)	(217,381)	-	102,576	2,334,399
Structures		2,464,391	5,712	(1,876)	(188,449)	(29)	72,259	2,352,008
Machinery and equipment		13,577,042	71,692	(77,575)	(1,649,668)	(17,619)	1,533,466	13,437,338
Vehicles		11,316	521	-	(7,117)	-	2,327	7,047
Tools		23,244	3,891	(8)	(11,289)	(3)	5,280	21,115
Furniture and fixtures		33,890	3,793	(29)	(9,063)	-	2,459	31,050
Finance lease assets		77,848	-	-	(5,743)	-	-	72,105
Construction-in-progress		2,146,250	1,513,388	-	-	-	(1,828,423)	1,831,215
	₩	<u>22,257,409</u>	<u>1,601,321</u>	<u>(88,587)</u>	<u>(2,088,710)</u>	<u>(17,651)</u>	<u>(102,512)</u>	<u>21,561,270</u>

(*1) The Company has recognized impairment losses since recoverable amount on Fe powder factory and ULPC facilities were less than their carrying amount for the year ended December 31, 2017.

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

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

12. Intangible Assets, Net

Changes in the carrying amount of intangible assets for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

(a) For the six-month period ended June 30, 2018

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Transfer(*3)	Ending
Intellectual property rights	₩	24,177	-	(216)	(2,420)	2,435	23,976
Membership(*1)		48,277	2,539	-	-	(108)	50,708
Development expense		74,805	175	-	(16,127)	16,267	75,120
Port facilities usage rights		310,039	-	-	(10,835)	-	299,204
Construction-in-progress		55,292	17,635	-	-	(21,373)	51,554
Other intangible assets(*2)		15,484	75,558	-	(3,475)	(64,585)	22,982
	₩	<u>528,074</u>	<u>95,907</u>	<u>(216)</u>	<u>(32,857)</u>	<u>(67,364)</u>	<u>523,544</u>

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

(*2) The Company transferred the carrying amount of GHG emission rights amounting to ₩71,468 million which is expected to be submitted within the current period to current assets.

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩	22,671	-	(447)	(4,339)	-	6,292	24,177
Membership(*1)		48,512	-	(235)	-	-	-	48,277
Development expense		102,785	2,021	-	(61,037)	-	31,036	74,805
Port facilities usage rights		257,348	-	-	(19,990)	-	72,681	310,039
Construction-in-progress		52,925	62,200	-	-	-	(59,833)	55,292
Other intangible assets		24,649	1,573	(2)	(6,237)	(11,822)	7,323	15,484
	₩	<u>508,890</u>	<u>65,794</u>	<u>(684)</u>	<u>(91,603)</u>	<u>(11,822)</u>	<u>57,499</u>	<u>528,074</u>

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

(*2) The Company has recognized an impairment losses on some other intangible assets since the recoverable amounts were less than carrying amounts.

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

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

13. Other Assets

Other assets as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Current			
Advance payments	₩	6,594	7,156
Prepaid expenses		40,297	20,751
GHG emission rights		71,468	-
	₩	<u>118,359</u>	<u>27,907</u>
Non-current			
Long-term prepaid expenses	₩	5,243	5,395
Others(*1)		43,615	92,424
	₩	<u>48,858</u>	<u>97,819</u>

(*1) As of June 30, 2018 and December 31, 2017, the Company recognized tax assets amounting to ₩39,173 million and ₩88,633 million, respectively, based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years tax audits that were finalized and claim for rectification are finalized.

14. Borrowings

(a) Borrowings as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Short-term borrowings			
Short-term borrowings	₩	450,500	383,976
Current portion of long-term borrowings		1,125	2,715
Current portion of debentures		1,225,916	849,644
Less: Current portion of discount on debentures issued		(589)	(628)
	₩	<u>1,676,952</u>	<u>1,235,707</u>
Long-term borrowings			
Long-term borrowings	₩	1,145	1,468
Debentures		2,402,598	2,672,327
Less: Discount on debentures issued		(6,955)	(8,278)
	₩	<u>2,396,788</u>	<u>2,665,517</u>

(b) Short-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		Issuance date	Maturity date	Annual interest rate (%)	June 30, 2018	December 31, 2017
Short-term borrowings	Lenders					
	Korea Development Bank	2018.05.11	2018.12.11	2.17	₩ 300,000	300,000
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	150,500	83,976
					<u>₩ 450,500</u>	<u>383,976</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(c) Current portion of long-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	June 30, 2018	December 31, 2017
Borrowings	Woori Bank	2011.04.28	2019.03.15	1.75	₩ 1,125	2,715
Debtentures	Domestic debtentures 304-1 and others	2011.11.28~ 2016.05.03	2018.10.04~ 2019.05.08	1.76~4.05	819,595	469,736
Foreign debtentures	Samurai Bond 13	2013.12.11	2018.12.10	1.35	405,732	379,280
					₩ 1,226,452	851,731

(d) Long-term borrowings excluding current portion, as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	June 30, 2018	December 31, 2017
Borrowings	-	-	-	-	₩ -	375
Foreign borrowings	KOREA ENERGY AGENCY	2007.12.27~ 2008.12.29	2022.12.29	3 year Government bond	1,145	1,093
Debtentures	Domestic debtentures 304-2 and others	2011.11.28~ 2016.05.03	2020.10.04~ 2023.10.04	1.88~4.12	678,896	1,028,258
Foreign debtentures	Japan Yen private bond and others	2010.10.28~ 2011.12.22	2020.10.28~ 2021.12.22	2.70~5.25	1,716,747	1,635,791
					₩ 2,396,788	2,665,517

15. Other Payables

Other payables as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	June 30, 2018	December 31, 2017
Current		
Accounts payable	₩ 410,001	460,427
Accrued expenses	373,314	379,797
Dividend payable	2,722	4,671
Finance lease liabilities	7,390	6,003
Withholdings	21,470	11,637
	₩ 814,897	862,535
Non-current		
Accrued expenses	₩ 30,818	9,625
Finance lease liabilities	117,530	65,500
Long-term withholdings	3,152	3,356
	₩ 151,500	78,481

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

16. Other Financial Liabilities

Other financial liabilities as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018	December 31, 2017
Current			
Derivative liabilities	₩	-	9,632
Financial guarantee liabilities		13,655	13,532
	₩	13,655	23,164
Non-current			
Derivative liabilities	₩	43,529	74,834
Financial guarantee liabilities		51,069	54,342
	₩	94,598	129,176

17. Provisions

(a) Provisions as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018		December 31, 2017	
		Current	Non-current	Current	Non-current
Provision for bonus payments(*1)	₩	5,876	-	5,893	-
Provision for restoration(*2)		12,506	14,891	12,273	17,198
Provision for litigation(*3)		-	2,052	-	2,052
Emission liabilities(*4)		88,714	-	-	-
	₩	107,096	16,943	18,166	19,250

(*1) Represents the provision for bonuses limited to 100% of annual salaries for executives.

(*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery as provisions for restoration as of June 30, 2018. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied discount rates of 2.75% to measure present value of these costs.

(*3) The Company has recognized provisions for certain litigations as of June 30, 2018.

(*4) The Company has recognized emission liabilities which is estimated amount to be submitted to government in excess of GHG emission allowance as of June 30, 2018.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(b) Changes in provisions for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

1) For the six-month period ended June 30, 2018

(in millions of Won)

	Beginning	Increase	Utilization	Ending
Provision for bonus payments	₩ 5,893	9,440	(9,457)	5,876
Provision for restoration	29,471	392	(2,466)	27,397
Provision for litigation	2,052	-	-	2,052
Emission liabilities	-	88,714	-	88,714
	₩ 37,416	98,546	(11,923)	124,039

2) For the year ended December 31, 2017

(in millions of Won)

	Beginning	Increase	Reversal	Utilization	Ending
Provision for bonus payments	₩ 3,985	22,300	-	(20,392)	5,893
Provision for restoration	37,178	822	-	(8,529)	29,471
Provision for litigation	2,497	-	(419)	(26)	2,052
	₩ 43,660	23,122	(419)	(28,947)	37,416

18. Employee Benefits

(a) Defined contribution plans

The expense related to post-employment benefit plans under defined contribution plans for the six-month periods ended June 30, 2018 and 2017 were as follows:

(in millions of Won)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2018	2017	2018	2017
Expense related to post-employment benefit plans under defined contribution plans	₩	7,682	6,726	14,967	12,680

(b) Defined benefit plans

1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of June 30, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		June 30, 2018	December 31, 2017
Present value of funded obligations	₩	1,096,764	1,108,876
Fair value of plan assets		(1,095,335)	(1,108,833)
Net defined benefit liabilities	₩	1,429	43

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

- 2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Defined benefit obligation at the beginning of period	₩	1,108,876	1,065,255
Current service costs		57,115	115,113
Interest costs		16,878	19,468
Remeasurement		-	25,425
Amount transferred from associate		241	-
Benefits paid		(86,346)	(116,385)
Defined benefit obligation at the end of period	₩	<u>1,096,764</u>	<u>1,108,876</u>

- 3) Changes in the fair value of plan assets for the six-month period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Fair value of plan assets at the beginning of period	₩	1,108,833	1,146,876
Interest on plan assets		16,877	31,697
Remeasurement of plan assets		(5,505)	(11,643)
Contributions to plan assets		50,000	49,963
Benefits paid		(74,870)	(108,060)
Fair value of plan assets at the end of period	₩	<u>1,095,335</u>	<u>1,108,833</u>

- 4) The amounts recognized in the statements of comprehensive income for the six-month periods ended June 30, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		For the three-month ended June 30		For the six-month periods ended June 30	
		2018	2017	2018	2017
Current service costs	₩	27,704	26,644	57,115	56,156
Net interest costs		464	(3,057)	1	(6,114)
	₩	<u>28,168</u>	<u>23,587</u>	<u>57,116</u>	<u>50,042</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

19. Other Liabilities

Other liabilities as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		June 30, 2018	December 31, 2017
Current			
Advances received	₩	34,741	27,358
Withholdings		24,938	25,556
Unearned revenue		21,152	1,487
	₩	<u>80,831</u>	<u>54,401</u>
Non-current			
Unearned revenue	₩	13,457	14,292

20. Financial Instruments

(a) Classification and fair value of financial instruments

- 1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of June 30, 2018 and December 31, 2017 are as follows:

① June 30, 2018

<i>(in millions of Won)</i>		Book value	Fair value			Total
		Level 1	Level 2	Level 3		
Financial assets						
Fair value through profit or loss(*1)						
Derivative assets	₩	12,112	-	12,112	-	12,112
Short-term financial instruments		5,011,382	-	5,011,382	-	5,011,382
Debt securities		8,050	-	-	-	-
Other securities		58,087	-	-	47,552	47,552
Other receivables		1,985	-	-	-	-
Fair value through other comprehensive income(*1)						
Equity securities		1,202,131	972,436	-	183,250	1,155,686
Debt securities		2,477	-	-	-	-
Financial assets measured at amortized cost(*2)						
Cash and cash Equivalents		224,843	-	-	-	-
Trade accounts and notes receivable		4,424,513	-	-	-	-
Debt securities		50,000	-	-	-	-
Other receivables		225,281	-	-	-	-
Deposit instruments		1,028,801	-	-	-	-
	₩	<u>12,249,662</u>	<u>972,436</u>	<u>5,023,494</u>	<u>230,802</u>	<u>6,226,732</u>
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities	₩	43,529	-	43,529	-	43,529
Financial liabilities measured at amortized cost(*2)						
Trade accounts and notes payable		897,505	-	-	-	-
Borrowings		4,073,740	-	4,187,635	-	4,187,635
Financial guarantee liabilities		64,724	-	-	-	-
Others		929,151	-	-	-	-
	₩	<u>6,008,649</u>	<u>-</u>	<u>4,231,164</u>	<u>-</u>	<u>4,231,164</u>

(*1) The Company has not performed fair value measurement for certain financial assets measured at fair value due to materiality considerations.

(*2) The Company has not performed fair value measurement for financial assets and liabilities measured at amortized cost except borrowings since their fair value approximate carrying amounts.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

② December 31, 2017

(in millions of Won)

(in millions of Won)		Fair value				
	Book value	Level 1	Level 2	Level 3	Total	
Financial assets						
Available-for-sale financial assets(*1)	₩ 1,395,589	1,096,288	-	195,102	1,291,390	
Loans and receivables(*2)						
Cash and cash Equivalents	332,405	-	-	-	-	
Trade accounts and notes receivable	3,874,929	-	-	-	-	
Loans and other receivables	5,984,127	-	-	-	-	
	₩ 11,587,050	1,096,288	-	195,102	1,291,390	
Financial liabilities						
Financial liabilities at fair value through profit or loss						
Derivative liabilities	₩ 84,466	-	84,466	-	84,466	
Financial liabilities measured at amortized cost(*2)						
Trade accounts and notes payable	1,025,027	-	-	-	-	
Borrowings	3,901,224	-	4,041,204	-	4,041,204	
Financial guarantee liabilities	67,874	-	-	-	-	
Others	932,405	-	-	-	-	
	₩ 6,010,996	-	4,125,670	-	4,125,670	

(*1) The Company has not performed fair value measurement for certain financial assets measured at fair value due to materiality considerations.

(*2) The Company has not performed fair value measurement for financial assets and liabilities measured at amortized cost except borrowings since their fair value approximate carrying amounts.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

- 2) Financial liabilities were recognized in connection with financial guarantee contracts as of June 30, 2018. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount	
		Foreign currency	Won equivalent	Foreign currency	Won equivalent
Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMU	CNY 260,500,000	44,131	208,400,000	35,305
	Credit Agricole	CNY 305,000,000	51,670	244,000,000	41,336
	SMBC	CNY 195,000,000	33,035	156,000,000	26,428
POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea	USD 193,000,000	216,488	91,300,000	102,411
	HSBC	USD 110,000,000	123,387	43,000,000	48,233
	DBS	USD 100,000,000	112,170	50,000,000	56,085
	SCB	USD 106,853,000	119,857	54,318,500	60,929
	Citi	USD 60,000,000	67,302	18,000,000	20,191
	ING	USD 80,000,000	89,736	53,000,000	59,450
POSCO ASSAN TST STEEL INDUSTRY	SMBC	USD 62,527,500	70,137	56,274,750	63,123
	ING	USD 60,000,000	67,302	54,000,000	60,572
	BNP	USD 24,000,000	26,921	21,600,000	24,229
POSCO Asia Co., Ltd.	BOC	USD 50,000,000	56,085	50,000,000	56,085
POSCO MEXICO S.A. DE C.V.	BOA	USD 30,000,000	33,651	30,000,000	33,651
	BTMU	USD 30,000,000	33,651	30,000,000	33,651
	CITI BANAMEX	USD 40,000,000	44,868	40,000,000	44,868
	ING	USD 20,000,000	22,434	20,000,000	22,434
	SMBC	USD 40,000,000	44,868	40,000,000	44,868
POSCO SS VINA Co., Ltd.	Export-Import Bank of Korea	USD 249,951,050	280,370	207,849,131	233,144
	BOA	USD 40,000,000	44,868	33,232,000	37,276
	BTMU	USD 40,000,000	44,868	33,232,000	37,276
	DBS	USD 24,400,000	27,369	20,271,520	22,739
POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD 196,000,000	219,853	196,000,000	219,853
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD 567,000,000	636,004	495,361,087	555,647
	SMBC	USD 140,000,000	157,038	122,498,478	137,407
	BTMU	USD 119,000,000	133,482	102,443,478	114,911
	SCB	USD 107,800,000	120,919	94,778,478	106,313
	MIZUHO	USD 105,000,000	117,779	90,391,305	101,392
	Credit Suisse AG	USD 91,000,000	102,075	78,339,130	87,873
	HSBC	USD 91,000,000	102,075	78,339,130	87,873
	ANZ	USD 73,500,000	82,445	65,250,652	73,192
	BOA	USD 35,000,000	39,260	30,130,435	33,797
	The Tokyo Star Bank, Ltd	USD 21,000,000	23,556	18,078,261	20,278
POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & Co.	THB 5,501,000,000	186,099	5,501,000,000	186,099
LLP POSUK Titanium	SMBC	USD 15,000,000	16,826	15,000,000	16,826
CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea	USD 182,000,000	204,149	182,000,000	204,149
	Santander	USD 47,600,000	53,393	47,600,000	53,393
	BNP	USD 47,600,000	53,393	47,600,000	53,393
	MIZUHO	USD 47,600,000	53,393	47,600,000	53,393
	Credit Agricole	USD 20,000,000	22,434	17,600,000	19,742
	SOCIETE GENERALE	USD 20,000,000	22,434	17,600,000	19,742
	KfW	USD 20,000,000	22,434	20,000,000	22,434
	BBVA Seoul	USD 17,600,000	19,742	17,600,000	19,742
	ING	USD 17,600,000	19,742	17,600,000	19,742
	BNDES	BRL 464,060,000	134,758	464,060,000	134,758
Nickel Mining Company SAS	SMBC	EUR 46,000,000	59,663	46,000,000	59,663
		USD 3,342,031,550	3,748,758	2,747,888,335	3,082,307
		CNY 760,500,000	128,836	608,400,000	103,069
		EUR 46,000,000	59,663	46,000,000	59,663
		THB 5,501,000,000	186,099	5,501,000,000	186,099
		BRL 464,060,000	134,758	464,060,000	134,758

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

- 3) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2018 and 2017 were as follows:

① For the six-month period ended June 30, 2018

(in millions of Won)

	Finance income and costs							Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ 64,638	-	-	989	11,044	-	76,671	-
Financial assets at fair value through other comprehensive income	-	67,891	-	-	-	-	67,891	(56,278)
Financial assets measured at amortized cost	9,036	-	37,515	-	-	-	46,551	-
Financial liabilities at fair value through profit or loss	-	-	-	-	40,937	-	40,937	-
Financial liabilities measured at amortized cost	(63,621)	-	(130,417)	-	-	4,242	(189,796)	-
	₩ 10,053	67,891	(92,902)	989	51,981	4,242	42,254	(56,278)

- (*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩91,229 million for the six-month period ended June 30, 2018.

② For the six-month period ended June 30, 2017

(in millions of Won)

	Finance income and costs							Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total	
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	(66,905)	(66,905)	-
Available-for-sale financial assets	28	27,950	-	96,083	(52,799)	-	71,262	225,185
Loans and receivables	37,957	-	(63,652)	-	-	(396)	(26,091)	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(9,447)	(9,447)	-
Financial liabilities at amortized cost	(54,492)	-	159,365	-	-	4,800	109,673	-
	₩ (16,507)	27,950	95,713	96,083	(52,799)	(71,948)	78,492	225,185

- (*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩110,007 million for the six-month period ended June 30, 2017.

- 4) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2018 and 2017 were as follows:

① For the three-month period ended June 30, 2018

(in millions of Won)

	Finance income and costs							Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ 32,598	-	-	989	2,222	-	35,809	-
Financial assets at fair value through other comprehensive income	-	42,128	-	-	-	-	42,128	(16,126)
Financial assets measured at amortized cost	5,406	-	35,497	-	-	-	40,903	-
Financial liabilities at fair value through profit or loss	-	-	-	-	54,865	-	54,865	-
Financial liabilities measured at amortized cost	(33,260)	-	(114,385)	-	-	1,532	(146,113)	-
	₩ 4,744	42,128	(78,888)	989	57,087	1,532	27,592	(16,126)

- (*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩15,683 million for the three-month period ended June 30, 2018.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

② For the three-month period ended June 30, 2017

(in millions of Won)

	Finance income and costs						Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	8,066	8,066
Available-for-sale financial assets	14	11,202	-	96,902	(52,079)	-	56,039
Loans and receivables	18,386	-	43,287	-	-	(191)	61,482
Financial liabilities at fair value through profit or loss	-	-	-	-	-	22,644	22,644
Financial liabilities at amortized cost	(26,511)	-	(53,354)	-	-	2,438	(77,427)
₩	(8,111)	11,202	(10,067)	96,902	(52,079)	32,957	70,804
							185,159

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩38,545 million for the three-month period ended June 30, 2017.

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the separate financial statements as of and for the year ended December 31, 2017.

21. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2018 and December 31, 2017 are as follows:

(Share, in Won)

	June 30, 2018	December 31, 2017
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares(*1)	87,186,835	87,186,835
Shared capital(*2)	₩ 482,403,125,000	482,403,125,000

(*1) As of June 30, 2018, total shares of ADRs of 36,898,912, outstanding in overseas stock market, are equivalent to 9,224,728 shares of common stock.

(*2) As of June 30, 2018, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of June 30, 2018 and December 31, 2017 are as follows :

(in millions of Won)

	June 30, 2018	December 31, 2017
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	784,027	783,914
Loss from merger	(91,310)	(91,310)
Loss on disposal of hybrid bonds	(2,465)	-
₩	1,154,077	1,156,429

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

22. Hybrid Bonds

Hybrid bonds classified as equity as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate (%)</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Hybrid bond 1-1(*1)	-	-	-	₩ -	800,000
Hybrid bond 1-2(*2)	2013-06-13	2043-06-13	4.60	200,000	200,000
Issuance cost				(616)	(3,081)
				₩ 199,384	996,919

(*1) During the six-month period ended June 30, 2018, the Company exercised call option of the hybrid bond.

(*2) Details of issuance of a hybrid bond as of June 30, 2018 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of June 30, 2018 amounts to ₩454 million.

23. Reserves

Reserves as of June 30, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Changes in fair value of equity investments		
at fair value through other comprehensive income	₩ (148,011)	-
Changes in unrealized fair value		
of available-for-sale investments	-	233,390
	₩ (148,011)	233,390

24. Treasury Shares

As of June 30, 2018, the Company holds 7,185,963 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

25. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Types of revenue				
Sales of steel product	₩ 7,471,128	7,088,145	15,003,744	14,095,117
Transportation services	172,629	-	345,284	-
Others	61,088	46,205	116,707	106,679
	₩ 7,704,845	7,134,350	15,465,735	14,201,796
Timing of revenue recognition				
Revenue recognized at a point in time	₩ 7,516,739	7,120,494	15,091,782	14,174,301
Revenue recognized over time	188,106	13,856	373,953	27,495
	₩ 7,704,845	7,134,350	15,465,735	14,201,796

(b) Details of contract assets and liabilities from contracts with customers as of June 30, 2018 and January 1, 2018, initial application date of K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments", are as follows:

	The date of initial application	
	June 30, 2018	(January 1, 2018)
Receivables		
Account receivables	₩ 4,424,513	3,874,859
Contract assets		
Account receivables	4,477	5,559
Contract liabilities		
Advance received	34,741	27,358
Unearned income	34,269	30,735

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

26. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

(in millions of Won)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Wages and salaries	₩ 57,080	51,108	125,015	115,815
Expenses related to post-employment benefits	6,274	6,039	15,851	16,284
Other employee benefits	17,060	10,092	32,380	21,510
Travel	3,337	3,170	5,965	5,959
Depreciation	3,661	4,426	7,496	8,910
Amortization	7,342	14,577	14,340	28,666
Rental	12,955	10,606	26,176	22,281
Repairs	4,628	1,931	7,686	3,433
Advertising	24,341	30,252	50,291	51,416
Research & development	17,853	16,055	34,280	38,012
Service fees	44,341	39,983	84,522	76,525
supplies expense	192	1,210	1,103	2,195
Vehicles maintenance	2,244	1,412	2,269	2,892
Industry association fee	1,380	1,217	3,154	2,950
Training	6,076	4,751	10,143	9,263
Conference	1,304	1,058	2,628	2,140
Others	13,133	10,074	20,185	16,788
	₩ 223,201	207,961	443,484	425,039

(b) Selling expenses

Selling expenses for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

(in millions of Won)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Freight and custody expenses	₩ 207,449	187,004	419,288	382,281
Operating expenses for distribution center	2,447	2,401	4,847	4,813
Sales commissions	15,902	12,871	31,490	23,991
Sales advertising	374	819	829	1,091
Sales promotion	1,375	1,357	2,425	2,481
Sample	356	399	759	527
Sales insurance premium	861	962	1,935	2,959
	₩ 228,764	205,813	461,573	418,143

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

27. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
<i>(in millions of Won)</i>				
Finance income				
Interest income(*1)	₩ 38,004	18,400	73,674	37,985
Dividend income	57,811	49,747	159,120	137,957
Gain on foreign currency transactions	35,297	34,681	85,403	103,139
Gain on foreign currency translations	29,045	(32,649)	44,086	131,235
Gain on valuation of derivatives	34,594	-	53,048	-
Gain on disposals of available-for-sale investment	-	96,904	-	96,904
Gain on disposals of Financial assets measured at fair value through profit or loss	989	-	989	-
Others	2,027	2,451	5,112	4,829
	₩ 197,767	169,534	421,432	512,049
Finance costs				
Interest expenses	₩ 33,260	26,511	63,621	54,492
Loss on foreign currency transactions	61,146	54,079	91,379	118,672
Loss on foreign currency translations	82,084	(41,980)	131,012	19,989
Loss on valuation of derivatives	(23,560)	(30,711)	-	76,352
Impairment loss on available-for-sale investment	-	52,079	-	52,799
Loss on valuation of Financial assets measured at fair value through profit or loss	1,067	-	1,067	-
Others	495	207	870	1,246
	₩ 154,492	60,185	287,949	323,550

(*1) Interest income calculated using the effective interest method for the six-month periods ended June 30, 2018 and 2017 were ₩9,036 million and ₩9,031 million, respectively.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

28. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2018	2017	2018	2017
<i>(in millions of Won)</i>					
Other non-operating income					
Gain on disposals of property, plant and equipment	₩	16,824	11,385	20,402	15,928
Gain on disposals of intangible assets		70,761	15,480	99,361	21,976
Reversal of impairment losses on investments in subsidiaries, associates and joint ventures		-	-	-	225,860
Others(*1)		49,265	4,521	61,451	11,555
	₩	<u>136,850</u>	<u>31,386</u>	<u>181,214</u>	<u>275,319</u>
Other non-operating expenses					
Loss on disposals of property, plant and equipment	₩	46,985	47,016	60,528	70,375
Impairment losses on property, plant and equipment		-	-	16,264	5,562
Impairment losses on intangible assets		-	11,822	-	11,822
Impairment losses on of investment in subsidiaries, associates and joint ventures		-	12,816	34,207	12,816
Impairment loss on assets held for sale		2,588	-	5,622	-
Donations		7,429	80	21,750	15,400
Others(*2)		156,082	3,194	175,399	6,814
	₩	<u>213,084</u>	<u>74,928</u>	<u>313,770</u>	<u>122,789</u>

(*1) During the six-month period ended June 30, 2018, the Company recognized ₩41,137 million of tax refund including corporate tax due to the consequences of appeal to tax tribunal against tax investigation as non-operating income.

(*2) During the six-month period ended June 30, 2018, the Company recognized ₩161,772 million of additional taxes imposed on value added tax related to imported LNG as non-operating expense.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

29. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other non-operating expenses in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows (excluding finance costs and income tax expenses):

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
(in millions of Won)				
Changes in inventories(*1)	₩ 2,474	(34,455)	182,988	(159,031)
Raw materials and consumables used	4,384,602	4,325,414	8,501,867	8,363,455
Employee benefits expenses	412,750	394,115	902,190	809,893
Outsourced processing cost	586,774	511,269	1,173,122	1,024,466
Depreciation(*2)	526,220	520,765	1,049,906	1,038,962
Amortization	16,638	22,741	32,857	44,036
Electricity and water expenses	167,327	148,606	335,648	317,360
Service fees	66,079	58,346	124,188	112,997
Rental	17,174	15,488	37,426	33,290
Advertising	24,341	30,252	50,291	51,416
Freight and custody expenses	207,449	187,004	419,288	382,281
Sales commissions	15,902	12,871	31,490	23,991
Loss on disposals of property, plant and equipment	46,985	47,016	60,528	70,375
Impairment loss on property, plant and equipment	-	-	16,264	5,562
Impairment loss on investments in subsidiaries, associates and joint ventures	-	12,816	34,207	12,816
Others	621,532	372,067	992,550	812,315
	₩ 7,096,247	6,624,315	13,944,810	12,944,184

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

(*2) Includes depreciation of investment property.

30. Income Taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2018 and 2017 were 26.76% and 21.65%, respectively.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

31. Earnings per Share

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2018	2017	2018	2017
(in Won except per share information)					
Profit for the period	₩	580,290,733,901	509,163,850,257	1,349,027,466,410	1,348,800,781,097
Interests of hybrid bonds		(6,650,931,505)	(7,877,385,203)	(14,358,575,340)	(16,298,038,354)
Weighted-average number of common shares outstanding(*1)		80,000,630	79,998,476	80,000,147	79,998,084
Basic and diluted earnings per share		7,170	6,266	16,683	16,657

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
(in share)				
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,186,205)	(7,188,359)	(7,186,688)	(7,188,751)
Weighted-average number of common shares outstanding	80,000,630	79,998,476	80,000,147	79,998,084

Since there were no potential shares of common stock which had dilutive effects as of June 30, 2018 and 2017, diluted earnings per share is equal to basic earnings per share.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

32. Related Party Transactions

(a) Significant transactions with related companies for the six-month periods ended June 30, 2018 and 2017 were as follows:

1) For the six-month period ended June 30, 2018

(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. ₩	4,967	63	-	139,725	9	23,205
POSCO COATED & COLOR STEEL Co., Ltd.	227,199	2,724	-	-	4,218	664
POSCO ICT(*4)	1,319	7,475	-	137,368	16,173	95,168
eNtoB Corporation	5	60	175,914	8,347	58	12,292
POSCO CHEMTECH	200,582	23,081	259,624	15,978	155,550	601
POSCO ENERGY CO., LTD.	95,908	702	-	-	-	-
POSCO DAEWOO Corporation	2,892,020	38,859	343,617	-	29,378	675
POSCO Thainox Public Company Limited	140,624	5,249	5,452	-	-	-
POSCO America Corporation	135,136	-	-	-	-	947
POSCO Canada Ltd.	190	882	128,164	-	-	-
POSCO Asia Co., Ltd.	951,799	162	236,375	535	1,325	1,884
Qingdao Pohang Stainless Steel Co., Ltd.	87,177	7	-	-	-	5
POSCO JAPAN Co., Ltd.	693,432	6	11,717	1,709	-	1,493
POSCO-VIETNAM Co., Ltd.	163,916	21	-	-	-	8
POSCO MEXICO S.A. DE C.V.	146,389	37	-	-	-	-
POSCO Maharashtra Steel Private Limited	268,909	349	-	-	-	86
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	112,256	-	-	-	-	5
Others(*5)	578,854	20,540	145,626	11,014	128,471	62,924
	<u>6,700,682</u>	<u>100,217</u>	<u>1,306,489</u>	<u>314,676</u>	<u>335,182</u>	<u>199,957</u>
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.	5,268	108	1,632	75,575	10,509	4,783
SNNC	2,467	602	243,010	-	-	5
POSCO-SAMSUNG-Slovakia Processing Center	28,513	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	408,815	-	-	-
Others	5,107	45,128	35,823	-	-	5
	<u>41,355</u>	<u>45,838</u>	<u>689,280</u>	<u>75,575</u>	<u>10,509</u>	<u>4,793</u>
₩	<u>6,742,037</u>	<u>146,055</u>	<u>1,995,769</u>	<u>390,251</u>	<u>345,691</u>	<u>204,750</u>

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

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

(*3) As of June 30, 2018, the Company provided guarantees to related companies (Note 20).

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

(*5) During the six-month period ended June 30, 2018, the Company made loans of ₩2,950 million to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company. As of June 30, 2018, corresponding amounts of those loans were recorded as allowance for doubtful accounts.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

2) For the six-month period ended June 30, 2017

(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.	₩ 1,778	44	-	80,775	-	4,528
POSCO Processing&Service	298,781	1	113,628	4,595	8,309	404
POSCO COATED & COLOR STEEL Co., Ltd.	205,803	3,533	-	-	5,165	22
POSCO ICT	791	5,077	-	145,916	13,894	86,413
eNtoB Corporation	1	30	155,121	1,502	17	13,138
POSCO CHEMTECH	173,162	21,064	231,609	15,721	141,196	6,259
POSCO ENERGY CO., LTD.	83,310	698	-	-	-	-
POSCO DAEWOO Corporation	2,458,294	35,155	211,854	221	16,755	1,249
POSCO Thainox Public Company Limited	109,055	9,780	6,130	-	-	-
POSCO America Corporation	203,013	-	90	-	-	75
POSCO Canada Ltd.	218	349	142,566	-	-	-
POSCO Asia Co., Ltd.	1,000,653	610	232,150	194	764	1,575
Qingdao Pohang Stainless Steel Co., Ltd.	81,685	-	-	-	-	28
POSCO JAPAN Co., Ltd.	754,062	-	13,481	-	-	739
POSCO MEXICO S.A. DE C.V.	176,937	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	219,889	-	-	-	-	32
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	100,616	-	-	-	-	-
Others	563,923	7,039	137,576	16,730	115,190	49,604
	6,431,971	83,380	1,244,205	265,654	301,290	164,066
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	453	46	3,742	202,905	10,333	15,965
SNNC	2,657	284	244,116	-	-	1
POSCO-SAMSUNG-Slovakia Processing Center	23,459	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	362,734	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	150,097	-	-	-
Others	6,871	39,846	44,626	-	-	1
	33,440	40,176	805,315	202,905	10,333	15,967
₩	6,465,411	123,556	2,049,520	468,559	311,623	180,033

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(b) Significant transactions with related companies for the three-month periods ended June 30, 2018 and 2017 were as follows:

1) For the three-month period ended June 30, 2018

(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.	₩ 4,205	10	-	81,019	-	13,917
POSCO COATED & COLOR STEEL Co., Ltd.	116,447	164	-	-	2,626	475
POSCO ICT	671	1	-	66,547	8,086	46,321
eNtoB Corporation	4	-	90,057	5,001	13	6,479
POSCO CHEMTECH	102,349	5,406	127,033	10,291	78,268	453
POSCO ENERGY CO., LTD.	43,813	333	-	-	-	-
POSCO DAEWOO Corporation	1,429,416	7	155,339	-	15,483	353
POSCO Thainox Public Company Limited	74,649	5,249	2,255	-	-	-
POSCO America Corporation	71,770	-	-	-	-	61
POSCO Canada Ltd.	190	564	58,158	-	-	-
POSCO Asia Co., Ltd.	455,936	21	148,374	232	423	1,012
Qingdao Pohang Stainless Steel Co., Ltd.	43,146	-	-	-	-	-
POSCO JAPAN Co., Ltd.	343,676	6	5,743	984	-	499
POSCO-VIETNAM Co., Ltd.	75,630	8	-	-	-	-
POSCO MEXICO S.A. DE C.V.	81,299	20	-	-	-	-
POSCO Maharashtra Steel Private Limited	134,136	140	-	-	-	56
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	45,102	-	-	-	-	-
Others	279,009	12,612	86,258	5,843	63,203	35,253
	<u>3,301,448</u>	<u>24,541</u>	<u>673,217</u>	<u>169,917</u>	<u>168,102</u>	<u>104,879</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	4,932	28	718	47,532	4,751	2,635
SNNC	1,259	180	109,397	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	10,275	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	217,358	-	-	-
Others	2,388	35,397	18,845	-	-	-
	<u>18,854</u>	<u>35,605</u>	<u>346,318</u>	<u>47,532</u>	<u>4,751</u>	<u>2,635</u>
₩	<u>3,320,302</u>	<u>60,146</u>	<u>1,019,535</u>	<u>217,449</u>	<u>172,853</u>	<u>107,514</u>

2) For the three-month period ended June 30, 2017

(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.	₩ 1,007	16	-	42,821	-	142
POSCO COATED & COLOR STEEL Co., Ltd.	100,614	119	-	-	2,702	-
POSCO ICT	490	7	-	100,638	6,994	42,033
eNtoB Corporation	1	-	75,597	183	7	7,973
POSCO CHEMTECH	90,575	5,464	116,066	12,567	70,148	628
POSCO ENERGY CO., LTD.	39,855	331	-	-	-	-
POSCO DAEWOO Corporation	1,425,056	-	141,381	192	12,385	647
POSCO Thainox Public Company Limited	56,888	9,780	2,914	-	-	-
POSCO America Corporation	103,168	-	90	-	-	39
POSCO Canada Ltd.	218	320	82,568	-	-	-
POSCO Asia Co., Ltd.	475,664	54	164,589	-	573	598
Qingdao Pohang Stainless Steel Co., Ltd.	44,833	-	-	-	-	2
POSCO JAPAN Co., Ltd.	398,464	-	7,117	-	-	499
POSCO MEXICO S.A. DE C.V.	96,387	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	123,505	-	-	-	-	11
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	44,747	-	-	-	-	-
Others	274,699	635	93,722	5,418	57,750	26,114
	<u>3,276,171</u>	<u>16,726</u>	<u>684,044</u>	<u>161,819</u>	<u>150,559</u>	<u>78,686</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	350	5	2,955	108,239	5,299	6,249
SNNC	1,390	133	122,307	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	10,483	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	206,485	-	-	-
CSP - Companhia Siderurgica do Pecem	-	-	73,156	-	-	-
Others	3,058	27,402	20,895	-	-	-
	<u>15,281</u>	<u>27,540</u>	<u>425,798</u>	<u>108,239</u>	<u>5,299</u>	<u>6,249</u>
₩	<u>3,291,452</u>	<u>44,266</u>	<u>1,109,842</u>	<u>270,058</u>	<u>155,858</u>	<u>84,935</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(c) The related account balances of significant transactions with related companies as of June 30, 2018 and December 31, 2017 are as follows:

1) June 30, 2018

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	1	2,589	2,590	-	34,854	485	35,339
POSCO COATED & COLOR STEEL Co., Ltd.	54,928	508	55,436	-	5	1,383	1,388
POSCO ICT	-	113	113	1,059	58,484	8,470	68,013
eNtoB Corporation	-	-	-	6,235	30,281	-	36,516
POSCO CHEMTECH	67,837	3,617	71,454	18,512	53,745	17,521	89,778
POSCO ENERGY CO., LTD.	28,440	886	29,326	-	-	1,425	1,425
POSCO DAEWOO Corporation	473,524	1,521	475,045	7,860	5,791	6,139	19,790
POSCO Thainox Public Company Limited	74,662	-	74,662	672	-	-	672
POSCO America Corporation	20,761	-	20,761	-	-	-	-
POSCO Asia Co., Ltd.	459,630	595	460,225	3,611	-	-	3,611
Qingdao Pohang Stainless Steel Co., Ltd.	28,677	-	28,677	-	-	-	-
POSCO MEXICO S.A. DE C.V.	107,616	569	108,185	-	-	-	-
POSCO Maharashtra Steel Private Limited	375,963	3,934	379,897	-	-	-	-
Others	421,989	52,259	474,248	22,671	26,570	82,346	131,587
	2,114,028	66,591	2,180,619	60,620	209,730	117,769	388,119
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	5,038	1	5,039	2,575	12,842	36	15,453
SNNC	467	53	520	25,065	-	-	25,065
Roy Hill Holdings Pty Ltd	-	-	-	11,790	31	-	11,821
Others	7,326	18,829	26,155	141	-	-	141
	12,831	18,883	31,714	39,571	12,873	36	52,480
₩	2,126,859	85,474	2,212,333	100,191	222,603	117,805	440,599

2) December 31, 2017

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	2	2,908	2,910	-	21,965	674	22,639
POSCO COATED & COLOR STEEL Co., Ltd.	58,184	324	58,508	-	5	504	509
POSCO ICT	55	217	272	1,458	72,586	27,009	101,053
eNtoB Corporation	-	-	-	12,252	31,899	20	44,171
POSCO CHEMTECH	61,810	3,589	65,399	51,774	20,313	17,568	89,655
POSCO ENERGY CO., LTD.	33,239	1,673	34,912	-	-	1,425	1,425
POSCO DAEWOO Corporation	483,915	12,739	496,654	10,213	2,145	5,794	18,152
POSCO Thainox Public Company Limited	57,826	-	57,826	1,204	-	-	1,204
POSCO America Corporation	5,365	-	5,365	-	-	-	-
POSCO Asia Co., Ltd.	404,857	541	405,398	9,811	24	-	9,835
Qingdao Pohang Stainless Steel Co., Ltd.	31,693	-	31,693	-	-	-	-
POSCO MEXICO S.A. DE C.V.	55,695	530	56,225	-	-	-	-
POSCO Maharashtra Steel Private Limited	392,630	5,733	398,363	-	-	-	-
Others	384,385	49,403	433,788	15,038	59,575	31,118	105,731
	1,969,656	77,657	2,047,313	101,750	208,512	84,112	394,374
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	1,946	9	1,955	3,842	15,723	-	19,565
SNNC	648	61	709	49,506	3	-	49,509
Others	8,350	904	9,254	824	-	-	824
	10,944	974	11,918	54,172	15,726	-	69,898
₩	1,980,600	78,631	2,059,231	155,922	224,238	84,112	464,272

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

(d) For the six-month periods ended June 30, 2018 and 2017, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	June 30, 2018	June 30, 2017
Short-term benefits	₩ 23,674	27,764
Long-term benefits	2,769	3,508
Retirement benefits	7,753	5,897
	<u>₩ 34,196</u>	<u>37,169</u>

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

33. Commitments and Contingencies

(a) Commitments

The Company entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of June 30, 2018, 102 million tons of iron ore and 16 million tons of coal remained to be purchased under such long-term contracts.

The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing on August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

As of June 30, 2018, the Company entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowing, which is limited up to the amount of USD 6.49 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the project. The Company is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of June 30, 2018, the ending balance of the borrowing amounts to USD 1.02 million.

The Company 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. under construction of new power plant.

The Company provides a supplementary fund of up to ₩9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., at the request of creditors such as the Korea Development Bank.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

The Company provides supplementary funding for the purpose of promoting the Suncheon Bay PRT business of Suncheon Eco Trans Co., Ltd, a subsidiary of the Company, at the request of creditors.

(b) As of June 30, 2018, the Company has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.

(c) Litigation in progress

The Company is involved in 18 lawsuits and claims for alleged damages aggregating to ₩25.1 billion as defendant as of June 30, 2018, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩2.1 billion for 1 of 18 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company does not believe it has a present obligation as of June 30, 2018.

34. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the six-month periods ended June 30, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>	June 30, 2018	June 30, 2017
Trade accounts and notes receivable, net	₩ (521,816)	(352,875)
Other accounts receivable	(27,098)	(126,948)
Inventories	84,623	(307,372)
Prepaid expenses	(19,337)	(13,218)
Other current assets	641	(3,134)
Long-term guarantee deposits	199	(92)
Other non-current assets	(637)	-
Trade accounts and notes payable	(135,941)	(224,356)
Other accounts payable	(24,558)	(68,556)
Accrued expenses	14,514	(33,301)
Advances received	7,383	22,819
Withholdings	(618)	(2,347)
Unearned revenue	3,744	28
Other current liabilities	8,952	(2,411)
Payments of severance benefits	(86,346)	(63,711)
Plan assets	24,870	53,518
Other non-current liabilities	(2)	11
	<u>₩ (671,427)</u>	<u>(1,121,945)</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2018 (Unaudited)

35. Events after the Reporting Period

On July 5, 2018, after the current reporting period, the Company issued Unguaranteed Bond 308-1 and Unguaranteed Bond 308-2 with issue price of ₩150,000 million and ₩350,000 million, respectively. Maturity of the bonds is July 5, 2021. Also, the Company issued an unguaranteed senior dollar bond with issue price of USD 500 million on August 1, 2018. Maturity of the bond is August 1, 2023.