

POSCO and Subsidiaries

**Condensed Consolidated Interim Financial Statements
(Unaudited)
March 31, 2019**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of March 31, 2019, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2019 and 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

The consolidated statement of financial position of the Company as of December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 7, 2019, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2018, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
May 15, 2019

This report is effective as of May 15, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of March 31, 2019 and December 31, 2018
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Assets			
Cash and cash equivalents	21	₩ 2,637,550	2,643,865
Trade accounts and notes receivable, net	4,21,26,27,34	10,109,781	9,282,609
Other receivables, net	5,21,34	1,416,916	1,385,629
Other short-term financial assets	6,21	8,284,797	8,081,096
Inventories	7	11,259,369	11,499,928
Current income tax assets		37,827	51,557
Assets held for sale	8	62,158	21,854
Other current assets	14	<u>869,389</u>	<u>684,464</u>
Total current assets		<u>34,677,787</u>	<u>33,651,002</u>
Long-term trade accounts and notes receivable, net	4,21	577,641	427,125
Other receivables, net	5,21	874,296	863,240
Other long-term financial assets	6,21	1,666,475	1,647,898
Investments in associates and joint ventures	9	3,781,037	3,650,003
Investment property, net	11	928,145	928,615
Property, plant and equipment, net	12	30,486,060	30,018,273
Intangible assets, net	13	5,171,973	5,170,825
Defined benefit assets, net	19	223	1,489
Deferred tax assets		1,335,162	1,381,031
Other non-current assets	14	<u>241,051</u>	<u>508,764</u>
Total non-current assets		<u>45,062,063</u>	<u>44,597,263</u>
Total assets		<u>₩ 79,739,849</u>	<u>78,248,265</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Comprehensive Income
For the three-month periods ended March 31, 2019 and 2018
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Liabilities			
Trade accounts and notes payable	21,34	₩ 3,760,796	4,006,135
Short-term borrowings and current installments of long-term borrowings	4,15,21	9,493,467	10,289,619
Other payables	16,21,34	2,290,216	1,720,097
Other short-term financial liabilities	17,21	96,605	77,800
Current income tax liabilities		1,169,620	948,166
Liabilities directly related to assets held for sale	8	12,131	-
Provisions	18,35	310,824	301,280
Other current liabilities	20,26,27	1,811,737	1,594,888
Total current liabilities		<u>18,945,396</u>	<u>18,937,985</u>
Long-term trade accounts and notes payable	21	3,290	29,825
Long-term borrowings, excluding current installments	15,21	10,438,232	9,919,651
Other payables	16,21	647,143	148,868
Other long-term financial liabilities	17,21	34,043	64,162
Defined benefit liabilities, net	19	194,187	140,933
Deferred tax liabilities		1,665,371	1,688,893
Long-term provisions	18,35	461,658	431,036
Other non-current liabilities	20,26	106,127	127,361
Total non-current liabilities		<u>13,550,051</u>	<u>12,550,729</u>
Total liabilities		<u>32,495,447</u>	<u>31,488,714</u>
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,445,064	1,410,551
Hybrid bonds	23	199,384	199,384
Reserves	24	(1,240,554)	(1,404,368)
Treasury shares	25	(1,508,303)	(1,532,728)
Retained earnings		44,566,855	44,216,018
Equity attributable to owners of the controlling company		<u>43,944,849</u>	<u>43,371,260</u>
Non-controlling interests	23	<u>3,299,553</u>	<u>3,388,291</u>
Total equity		<u>47,244,402</u>	<u>46,759,551</u>
Total liabilities and equity		<u>₩ 79,739,849</u>	<u>78,248,265</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Comprehensive Income
For the three-month periods ended March 31, 2019 and 2018
(Unaudited)

(in millions of Won, except per share information)

	<u>Notes</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Revenue	26,27,34,37 ₩	16,014,238	15,862,284
Cost of sales	7,27,31,34	<u>(14,200,867)</u>	<u>(13,476,127)</u>
Gross profit		1,813,371	2,386,157
Selling and administrative expenses	31,34		
Impairment loss on trade accounts and notes receivable		(13,132)	(13,554)
Other administrative expenses	28	(506,083)	(518,091)
Selling expenses	28	<u>(91,260)</u>	<u>(366,808)</u>
Operating profit		1,202,896	1,487,704
Share of profit of equity-accounted investees, net	9	66,859	87,387
Finance income and costs	21,29		
Finance income		494,014	456,488
Finance costs		(550,593)	(519,290)
Other non-operating income and expenses	34		
Reversal of (impairment loss) on other receivables		(3,390)	4,655
Other non-operating income	30	74,344	60,956
Other non-operating expenses	30,31	<u>(137,189)</u>	<u>(94,887)</u>
Profit before income tax	37	1,146,941	1,483,013
Income tax expense	32,37	<u>(368,496)</u>	<u>(399,471)</u>
Profit		778,445	1,083,542
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	19	(9,706)	(26,556)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	(5,540)	(44,756)
Items that are or may be reclassified subsequently to profit or loss:			
Capital adjustment arising from investments in equity-accounted investees		48,839	(11,126)
Foreign currency translation differences		121,161	21,819
Gains or losses on valuation of derivatives	21	<u>32</u>	<u>(159)</u>
Other comprehensive income (loss), net of tax		<u>154,786</u>	<u>(60,778)</u>
Total comprehensive income		₩ <u>933,231</u>	<u>1,022,764</u>
Profit attributable to:			
Owners of the controlling company		₩ 741,253	993,516
Non-controlling interests		<u>37,192</u>	<u>90,026</u>
Profit		₩ <u>778,445</u>	<u>1,083,542</u>
Total comprehensive income attributable to :			
Owners of the controlling company		₩ 912,402	932,193
Non-controlling interests		<u>20,829</u>	<u>90,571</u>
Total comprehensive income		₩ <u>933,231</u>	<u>1,022,764</u>
Basic and diluted earnings per share (in Won)	33	9,233	12,323

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the three-month periods ended March 31, 2019 and 2018
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company						Subtotal	Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings			
Balance as of January 1, 2018	₩ 482,403	1,412,565	996,919	(682,556)	(1,533,054)	43,056,600	43,732,877	3,731,131	47,464,008
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(76,359)	(76,359)	(63,792)	(140,151)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(412,102)	-	379,370	(32,732)	(19,544)	(52,276)
Adjusted balance as of January 1, 2018	482,403	1,412,565	996,919	(1,094,658)	(1,533,054)	43,359,611	43,623,786	3,647,795	47,271,581
Comprehensive income:									
Profit	-	-	-	-	-	993,516	993,516	90,026	1,083,542
Other comprehensive income (loss)									
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	(14,599)	(14,599)	(11,957)	(26,556)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(15,555)	-	-	(15,555)	4,429	(11,126)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(50,621)	-	1,628	(48,993)	4,237	(44,756)
Foreign currency translation differences, net of tax	-	-	-	17,990	-	-	17,990	3,829	21,819
Gains or losses on valuation of derivatives, net of tax	-	-	-	(166)	-	-	(166)	7	(159)
Total comprehensive income	-	-	-	(48,352)	-	980,545	932,193	90,571	1,022,764
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)	(42,655)	(322,654)
Changes in subsidiaries	-	-	-	-	-	-	-	(31)	(31)
Changes in ownership interest in subsidiaries	-	(814)	-	-	-	-	(814)	200	(614)
Interest of hybrid bonds	-	-	-	-	-	(10,631)	(10,631)	(5,964)	(16,595)
Disposal of treasury shares	-	9	-	-	15	-	24	-	24
Others	-	(423)	-	473	-	(4,579)	(4,529)	1,316	(3,213)
Total transactions with owners of the controlling company	-	(1,228)	-	473	15	(295,209)	(295,949)	(47,134)	(343,083)
Balance as of March 31, 2018	₩ 482,403	1,411,337	996,919	(1,142,537)	(1,533,039)	44,044,947	44,260,030	3,691,232	47,951,262

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity, Continued
For the three-month periods ended March 31, 2019 and 2018
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
Balance as of January 1, 2019	₩ 482,403	1,410,551	199,384	(1,404,368)	(1,532,728)	44,216,018	43,371,260	3,388,291	46,759,551
Comprehensive income:									
Profit	-	-	-	-	-	741,253	741,253	37,192	778,445
Other comprehensive income (loss)									
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	(3,164)	(3,164)	(6,542)	(9,706)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	45,224	-	-	45,224	3,615	48,839
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	23,183	-	(26,417)	(3,234)	(2,306)	(5,540)
Foreign currency translation differences, net of tax	-	-	-	132,293	-	-	132,293	(11,132)	121,161
Gains or losses on valuation of derivatives, net of tax	-	-	-	30	-	-	30	2	32
Total comprehensive income	-	-	-	200,730	-	711,672	912,402	20,829	933,231
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(400,006)	(400,006)	(56,485)	(456,491)
Changes in subsidiaries	-	-	-	-	-	-	-	(59)	(59)
Changes in ownership interest in subsidiaries	-	22,212	-	-	-	-	22,212	(49,856)	(27,644)
Interest of hybrid bonds	-	-	-	-	-	(2,268)	(2,268)	(1,799)	(4,067)
Disposal of treasury shares	-	12,576	-	-	24,425	-	37,001	-	37,001
Others	-	(275)	-	(36,916)	-	41,439	4,248	(1,368)	2,880
Total transactions with owners of the controlling company	-	34,513	-	(36,916)	24,425	(360,835)	(338,813)	(109,567)	(448,380)
Balance as of March 31, 2019	₩ 482,403	1,445,064	199,384	(1,240,554)	(1,508,303)	44,566,855	43,944,849	3,299,553	47,244,402

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows
For the three-month periods ended March 31, 2019 and 2018
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Cash flows from operating activities			
Profit	₩	778,445	1,083,542
Adjustments for:			
Depreciation		764,760	713,382
Amortization		99,262	108,855
Finance income		(341,882)	(252,310)
Finance costs		386,371	331,842
Income tax expense		368,496	399,471
Impairment loss on property, plant and equipment		68,345	18,222
Gain on disposal of property, plant and equipment		(12,282)	(3,805)
Loss on disposal of property, plant and equipment		12,297	12,210
Impairment loss on other intangible assets		1,004	1,726
Gain on disposal of investments in subsidiaries, associates and joint ventures		(14,436)	-
Loss on disposal of investments in subsidiaries, associates and joint ventures		1,871	435
Share of loss of equity-accounted investees		(66,859)	(87,387)
Gain on disposals of assets held for sale		4,195	-
Expenses related to post-employment benefit		60,027	54,834
Impairment loss on trade and other receivables		16,522	8,899
Loss on valuation of inventories		68,743	60,848
Increase to provisions		57,307	41,605
Others, net		6,908	(21,788)
		<u>1,480,649</u>	<u>1,387,039</u>
Changes in operating assets and liabilities	36	(714,618)	(880,133)
Interest received		59,458	50,660
Interest paid		(161,145)	(115,532)
Dividends received		29,566	56,828
Income taxes paid		(81,863)	(81,795)
Net cash provided by operating activities	₩	<u>1,390,492</u>	<u>1,500,609</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows, Continued
For the three-month periods ended March 31, 2019 and 2018
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(7,142,031)	(7,268,757)
Proceeds from disposal of short-term financial instruments		7,126,453	6,455,032
Increase in loans		(145,366)	(155,944)
Collection of loans		174,199	169,818
Acquisitions of securities		(204,535)	(86,250)
Proceeds from disposal of securities		18,737	24,885
Acquisitions of investment in associates and joint ventures		(32,844)	(7,830)
Proceeds from disposal of investment in associates and joint ventures		2,998	3,670
Acquisitions of investment property		(4,395)	(2,278)
Proceeds from disposal of investment property		376	428
Acquisitions of property, plant and equipment		(458,378)	(404,066)
Proceeds from disposal of property, plant and equipment		15,856	12,750
Acquisitions of intangible assets		(113,388)	(31,043)
Proceeds from disposal of intangible assets		2,018	66,630
Proceeds from disposal of assets held for sale		311	9,036
Cash received from disposal of business, net of cash transferred		-	(13)
Others, net		15,903	(978)
Net cash used in investing activities		<u>(744,086)</u>	<u>(1,214,910)</u>
Cash flows from financing activities			
Proceeds from borrowings		437,174	444,665
Repayment of borrowings		(690,360)	(440,269)
Proceeds from short-term borrowings, net		(389,652)	(25,282)
Capital contribution from non-controlling interests		23,579	808
Payment of cash dividends		(8,904)	(5,499)
Payment of interest of hybrid bonds		(4,087)	(16,781)
Others, net		(46,389)	(33,224)
Net cash used in financing activities		<u>(678,639)</u>	<u>(75,582)</u>
Effect of exchange rate fluctuation on cash held		<u>33,448</u>	<u>15,742</u>
Net increase in cash and cash equivalents		1,215	225,859
Cash and cash equivalents at beginning of the period		<u>2,643,865</u>	<u>2,612,530</u>
Cash and cash equivalents at end of the period	8 ₩	<u>2,645,080</u>	<u>2,838,389</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As of March 31, 2019
(Unaudited)

1. General Information

General information about POSCO, its 33 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 135 foreign subsidiaries including POSCO America Corporation (collectively "the Company") and its 128 associates and joint ventures are as follows:

(a) The controlling company

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

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

As of March 31, 2019, the shares of the POSCO are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchange.

(b) There are no consolidated subsidiaries newly included during the three-month period ended March 31, 2019.

(c) Subsidiaries excluded from consolidation during the three-month period ended March 31, 2019 were as follows:

Company	Date of exclusion	Reason
POSCO Processing&Service	January 2019	Merged into POSCO
Daewoo Precious Resources CO., Ltd.	January 2019	Liquidation
BLUE O&M Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd. (formerly, POSMATE)
MegaAsset Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd. (formerly, POSMATE)

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

2. Statement of Compliance

Statement of compliance

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

These condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No. 1034 "Interim Financial Reporting" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as of and for the year ended December 31, 2018. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

The Company adopted K-IFRS No. 1116 "Leases" for the first time. Changes to significant accounting policies are described in Note 3.

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1116 "Leases" 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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2019

(Unaudited)

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

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

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

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

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

Information about the assumptions made in measuring fair value is included in Note 21.

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2018.

K-IFRS No. 1116 "Leases"

The Company has initially adopted K-IFRS No. 1116 "Leases" from January 1, 2019. The Company also expects to apply the accounting policies set out below for their annual reporting period ending December 31, 2019.

K-IFRS No. 1116 "Leases" introduced a single accounting model for lessees. As a result, the Company, as a lessee, recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

The Company applied K-IFRS No. 1116 "Leases" using the modified retrospective approach by recognizing the cumulative effect of initial application as of January 1, 2019, the date of initial application. Accordingly, the comparative information presented for 2018 has not been restated.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under K-IFRS No. 2014 "Determining Whether an Arrangement contains a Lease". The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under K-IFRS No. 1116 "Leases", a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to K-IFRS No. 1116 "Leases", the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied K-IFRS No. 1116 only to contract that were previously identified as leases. Contracts that were not identified as leases under K-IFRS No. 1017 "Leases" and K-IFRS No. 2104 "Determining Whether an Arrangement contains a Lease" were not reassessed. Therefore, the definition of a lease under K-IFRS No. 1116 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease a non-lease component on the basis of their relative stand-alone prices.

(b) As a lessee

The Company leases many assets, including land, warehouses, handling equipment and IT equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under K-IFRS No. 1116 "Leases", the Company recognizes right-of-use assets and lease liabilities for most leases. That is, most leases are presented in the statement of financial position.

However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. desktops, IT supplies, etc.). The Company recognizes lease payments associated with these leases as an expense on a straight-line basis over the lease term.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

The Company presents right-of-use assets in the same line item as it presents underlying assets of the same nature that it owns, and lease liabilities are included in other payables on the consolidated statements of financial position. The carrying amounts of right-of-use assets as of January 1, 2019, the date of initial application, and March 31, 2019 are as follows:

	Property, Plant and Equipment (*1)					
(in millions of Won)	Land	Buildings and structures	Machinery and equipment	Vehicles	Furniture, fixtures and others	Total
The date of initial application (January 1, 2019) ₩	323,533	187,921	223,985	19,238	38,794	793,471
March 31, 2019	354,070	184,870	218,446	24,035	28,586	810,007

(*1) Leases classified as a finance lease under with K-IFRS No. 1017 "Leases" at the end of 2018 are included, the carrying amounts of right-of-use assets and lease liabilities to the leases are equal to the carrying amounts of the finance lease assets and financial lease liabilities measured in accordance with K-IFRS 1017 "Leases" as of January 1, 2019, the date of initial application.

1) Significant accounting policies

The Company recognizes a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

2) Transition

At transition, for leases classified as operating leases under K-IFRS No. 1017 "Leases", lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019, the date of initial application. Right-of-use assets are measured at amounts equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Company used the following practical expedients when applying K-IFRS No. 1116 "Leases" to leases previously classified as operating leases under K-IFRS No. 1017 "Leases".

- Applied the exemption not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Company leases out its investment property. The Company classified these leases as operating leases, and the accounting policies applicable to the Company as a lessor are not different from those under K-IFRS No. 1017 "Leases". However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company provides sub-leases for leases of vessels classified as operating leases under K-IFRS No. 1017 "Leases" as an intermediate lessor, and classified the sub-leases as finance leases as of January 1, 2019, the date of initial application of K-IFRS No. 1116 "Leases". Accordingly, the Company recognized finance lease receivables amounting to ₩225,198 million. In addition, the Company did not make any adjustments to leases for which the Company is a lessor, except for sub-leases described above as of January 1, 2019, the date of initial application.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

(d) Impact on financial statements

The Company recognized additional right-of-use assets, lease receivables and lease liabilities as of January 1, 2019, the date of initial application. The effect on the financial statements as of January 1, 2019, the date of initial application is as follows:

<i>(in millions of Won)</i>	The date of initial application (January 1, 2019)	
Consolidated statements of financial position		
Right-of-use assets presented as property, plant and equipment(*1)	₩	655,907
Lease receivables		225,198
Lease liabilities		609,094

(*1) Prepaid lease payments amounting to ₩272,011 million, classified as operating leases as of December 31, 2018, was reclassified from other assets to property, plant and equipment.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rates as of January 1, 2019, the date of initial application, and the weighted-average rates applied are 1.8 ~ 12.6%. The carrying amount of lease liabilities as of January 1, 2019, the date of initial application, is as follow:

<i>(in millions of Won)</i>	The date of initial application (January 1, 2019)	
Operating lease commitments as of December 31, 2018	₩	886,021
Operating lease commitments not recognized as lease liabilities		(60,843)
- Leases of low-value assets		(46,551)
- Leases with less than 12 months of lease term at transition		(14,292)
Operating lease commitments recognized as lease liabilities		825,178
Amount discounted using the incremental borrowing rate as of January 1, 2019, the date of initial application		609,094
Finance lease liabilities recognized as of December 31, 2018		94,754
Lease liabilities as of January 1, 2019, the date of initial application		703,848

As of March 31, 2019, the Company recognized ₩676,035 million of right-of-use assets and ₩607,719 million of lease liabilities for leases that were previously classified as operating leases.

In addition, the Company recognized depreciation and interest expenses instead of operating lease expenses, instead of operating lease expenses. The Company recognized depreciation expenses amounted to ₩32,804 million and interest expenses amounted to ₩8,236 million during the three-month period ended March 31, 2019.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current		
Trade accounts and notes receivable	₩ 9,420,946	8,648,250
Finance lease receivables	43,717	57,487
Due from customers for contract work	1,046,671	963,060
Less: Allowance for doubtful accounts	(401,553)	(386,188)
	<u>₩ 10,109,781</u>	<u>9,282,609</u>
Non-current		
Trade accounts and notes receivable	₩ 563,969	583,797
Finance lease receivables	214,676	45,873
Less: Allowance for doubtful accounts	(201,004)	(202,545)
	<u>₩ 577,641</u>	<u>427,125</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩356,312 million and ₩468,706 million as of March 31, 2019 and December 31, 2018, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and recognized as short-term borrowings from financial institutions.

5. Other Receivables

Other receivables as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current		
Loans	₩ 284,910	236,782
Other accounts receivable	936,548	954,030
Accrued income	206,686	220,066
Deposits	111,634	108,640
Others	28,768	16,201
Less: Allowance for doubtful accounts	(151,630)	(150,090)
	<u>₩ 1,416,916</u>	<u>1,385,629</u>
Non-current		
Loans	₩ 686,540	731,344
Other accounts receivable	152,315	155,936
Accrued income	56,636	1,855
Deposits	161,107	152,072
Less: Allowance for doubtful accounts	(182,302)	(177,967)
	<u>₩ 874,296</u>	<u>863,240</u>

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of March 31, 2019
(Unaudited)

6. Other Financial Assets

Other financial assets as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	March 31, 2019	December 31, 2018
Current		
Derivatives assets	₩ 35,708	47,288
Debt securities	193,144	2,987
Deposit instruments(*1,2)	2,134,507	1,931,518
Short-term financial instruments(*2)	5,921,438	6,099,303
	<u>₩ 8,284,797</u>	<u>8,081,096</u>
Non-current		
Derivatives assets	₩ 25,262	1,795
Equity securities(*3)	1,232,572	1,238,630
Debt securities	33,722	34,327
Other securities(*3)	340,417	338,106
Deposit instruments(*2)	34,502	35,040
	<u>₩ 1,666,475</u>	<u>1,647,898</u>

(*1) As of March 31, 2019 and December 31, 2018, ₩4,398 million and ₩5,715 million, respectively, are restricted for the use in a government project.

(*2) As of March 31, 2019 and December 31, 2018, financial instruments amounting to ₩79,897 million and ₩73,935 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) As of March 31, 2019 and December 31, 2018, ₩115,586 million and ₩115,431 million of equity and other securities, respectively, have been provided as collateral for borrowings, construction projects and others.

7. Inventories

Inventories as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	March 31, 2019	December 31, 2018
Finished goods	₩ 1,669,364	1,886,040
Merchandise	1,065,799	1,131,416
Semi-finished goods	1,952,082	1,945,567
Raw materials	2,985,382	2,821,972
Fuel and materials	948,784	888,941
Construction inventories	700,391	718,884
Materials-in-transit	2,069,856	2,245,740
Others	64,607	68,150
	<u>11,456,265</u>	<u>11,706,710</u>
Less: Allowance for inventories valuation	(196,896)	(206,782)
	<u>₩ 11,259,369</u>	<u>11,499,928</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the three-month period ended March 31, 2019 and the year ended December 31, 2018 were ₩68,743 million and ₩141,799 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

8. Assets Held for Sale

Details of assets held for sale and related liabilities as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

		<u>March 31, 2019</u>	<u>December 31, 2018</u>
		<u>Subsidiaries(*1,2)</u>	<u>Subsidiaries(*2)</u>
Assets			
Cash and cash equivalents(*3)	₩	7,530	-
Inventories		12,766	-
Property, plant and equipment		36,681	21,076
Others		5,181	778
	₩	<u>62,158</u>	<u>21,854</u>
Liabilities			
Borrowings	₩	10,064	-
Others		2,067	-
	₩	<u>12,131</u>	<u>-</u>

(*1) During the three-month period ended March 31, 2019, the Company and POSCO-China Holdings Corp. determined to dispose the interest in POSCO (Guangdong) Coated Steel Co., Ltd., a subsidiary of the Company, and entered into a sale agreement. Accordingly, assets and liabilities of POSCO (Guangdong) Coated Steel Co., Ltd. are classified as held for sale assets and liabilities. The Company recognized ₩4,195 million of impairment loss from the difference between book value and net fair value of the assets and liabilities held for sale during the three-month period ended March 31, 2019.

(*2) During the year ended December 31, 2018, DAESAN (CAMBODIA) Co., Ltd., a subsidiary of the Company, determined to dispose of the land and classified the related property, plant and equipment amounting to ₩21,076 million as assets held for sale.

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(Unaudited)

9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

Company	March 31, 2019			December 31, 2018	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,713,975,892	31.27	₩ 178,787	₩ 174,625	174,123
POSPower Co., Ltd>(*1)	4,507,138	34.00	179,410	173,165	161,477
SNNC	18,130,000	49.00	90,650	115,516	116,922
QSONE Co.,Ltd.	200,000	50.00	84,395	84,891	85,550
Chun-cheon Energy Co., Ltd(*1)	17,308,143	49.10	86,541	68,735	62,478
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	2,008,000	29.53	10,040	17,566	17,382
Daesung Steel(*3)	108,038	17.54	14,000	15,644	15,644
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.26	45,163	11,902	13,329
Keystone NO. 1. Private Equity Fund	13,800,000	40.45	13,800	11,961	11,183
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*3)	6,485	12.50	6,485	5,756	5,739
KONES, Corp.	3,250,000	41.67	6,893	2,649	2,849
Others (47 companies)(*1)				119,918	123,734
				<u>802,328</u>	<u>790,410</u>
[Foreign]					
AES-VCM Mong Duong Power Company Limited(*2)	-	30.00	164,303	222,916	209,936
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	135,899	194,609	179,459
7623704 Canada Inc.(*3)	114,452,000	10.40	124,341	130,133	126,885
Eureka Moly LLC	-	20.00	240,123	83,899	82,447
AMCI (WA) PTY LTD	49	49.00	209,664	71,981	71,086
Nickel Mining Company SAS	3,234,698	49.00	157,585	41,034	41,712
KOREA LNG LTD.	2,400	20.00	135,205	45,731	43,554
NCR LLC	-	29.41	40,868	38,758	37,602
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	134,400,000	40.00	22,423	22,654	-
PT. Batutua Tembaga Raya	128,285	22.00	21,824	11,130	20,479
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	14,093	14,120
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,519	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	6,801	6,478
Others (29 companies)(*1)				109,547	99,728
				<u>1,008,805</u>	<u>948,282</u>
			₩	<u>1,811,133</u>	<u>1,738,692</u>

(*1) As of March 31, 2019 and December 31, 2018, investments in associates amounting to ₩304,777 million and ₩285,066 million, respectively, are provided as collateral in relation to the associates' borrowings.

(*2) As of March 31, 2019 and December 31, 2018, shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, are provided as collateral in relation to the associates' borrowings.

(*3) As of March 31, 2019, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

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(b) Details of investments in joint ventures as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

Company	March 31, 2019			December 31, 2018	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 173,837	180,192
Others (8 companies)				10,072	9,124
				<u>183,909</u>	<u>189,316</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,084,148	1,041,600
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	370,504	363,506
KOBRASCO	2,010,719,185	50.00	32,950	155,946	133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	91,531	88,391
DMSA/AMSA(*1)	-	4.00	332,952	30,280	26,709
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	8,349	24,832
Others (13 companies)				45,237	43,508
				<u>1,785,995</u>	<u>1,721,995</u>
				<u>₩ 1,969,904</u>	<u>1,911,311</u>

(*1) As of March 31, 2019 and December 31, 2018, the investments in joint ventures were provided as collateral in relation to the joint ventures' borrowings.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(c) The movements of investments in associates and joint ventures for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

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

(in millions of Won)

Company	December 31, 2018		Dividends	Share of profits (losses)	Other increase (decrease)(*1)	March 31, 2019 Book value
	Book value	Acquisition				
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 174,123	-	-	502	-	174,625
POSPower Co., Ltd	161,477	-	-	(1,092)	12,780	173,165
SNNC	116,922	-	(1,450)	44	-	115,516
QSONE Co.,Ltd.	85,550	-	(950)	291	-	84,891
Chun-cheon Energy Co., Ltd	62,478	6,050	-	207	-	68,735
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	17,382	-	-	184	-	17,566
Daesung Steel	15,644	-	-	-	-	15,644
Incheon-Gimpo Expressway Co., Ltd.	13,329	-	-	(1,427)	-	11,902
Keystone NO. 1. Private Equity Fund	11,183	-	-	778	-	11,961
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	5,739	-	-	17	-	5,756
KONES, Corp.	2,849	-	-	(200)	-	2,649
POSCO MITSUBISHI CARBON TECHNOLOGY	180,192	-	(16,369)	10,014	-	173,837
Others (55 companies)	132,858	3,275	(530)	1,120	(6,733)	129,990
	<u>979,726</u>	<u>9,325</u>	<u>(19,299)</u>	<u>10,438</u>	<u>6,047</u>	<u>986,237</u>
[Foreign]						
AES-VCM Mong Duong Power Company Limited	209,936	-	-	10,573	2,407	222,916
South-East Asia Gas Pipeline Company Ltd.	179,459	-	-	11,847	3,303	194,609
7623704 Canada Inc.	126,885	-	(3,530)	4,486	2,292	130,133
Eureka Moly LLC	82,447	-	-	(40)	1,492	83,899
AMCI (WA) PTY LTD	71,086	-	-	(667)	1,562	71,981
Nickel Mining Company SAS	41,712	-	-	(507)	(171)	41,034
KOREA LNG LTD.	43,554	-	(4,088)	4,098	2,167	45,731
NCR LLC	37,602	729	-	(95)	522	38,758
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	-	22,423	-	(44)	275	22,654
PT. Batutua Tembaga Raya	20,479	-	-	(9,460)	111	11,130
PT. Wampu Electric Power	14,120	-	-	(262)	235	14,093
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	14,796	-	-	75	648	15,519
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,478	-	-	(74)	397	6,801
Roy Hill Holdings Pty Ltd	1,041,600	-	-	15,274	27,274	1,084,148
POSCO-NPS Niobium LLC	363,506	-	(6,712)	7,292	6,418	370,504
KOBRASCO	133,449	-	-	21,342	1,155	155,946
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,391	-	-	100	3,040	91,531
DMSA/AMSA	26,709	10,356	-	(7,753)	968	30,280
CSP - Companhia Siderurgica do Pecern	24,832	-	-	(15,630)	(853)	8,349
Others (42 companies)	143,236	366	(9,796)	15,866	5,112	154,784
	<u>2,670,277</u>	<u>33,874</u>	<u>(24,126)</u>	<u>56,421</u>	<u>58,354</u>	<u>2,794,800</u>
₩	<u>3,650,003</u>	<u>43,199</u>	<u>(43,425)</u>	<u>66,859</u>	<u>64,401</u>	<u>3,781,037</u>

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

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2) For the year ended December 31, 2018

(in millions of Won)

Company	December 31, 2017		Dividends	Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2018
	Book value	Acquisition				Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,553	-	-	(1,430)	-	174,123
POSPower Co., Ltd	-	176,731	-	(3,198)	(12,056)	161,477
SNNC	110,424	-	-	6,624	(126)	116,922
QSONE Co.,Ltd.	85,049	-	(550)	1,051	-	85,550
Chun-cheon Energy Co., Ltd	74,378	-	-	(11,900)	-	62,478
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	17,252	-	-	130	-	17,382
BLUE OCEAN Private Equity Fund	19,620	-	-	(17,930)	(1,690)	-
Daesung Steel	15,500	-	-	144	-	15,644
Incheon-Gimpo Expressway Co., Ltd.	31,660	-	-	(18,331)	-	13,329
Keystone NO. 1. Private Equity Fund	12,379	-	-	(1,295)	99	11,183
UITrans LRT Co., Ltd.	15,841	-	-	(15,841)	-	-
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	6,828	-	-	(1,089)	-	5,739
KONES, Corp.	2,827	-	-	29	(7)	2,849
POSCO MITSUBISHI CARBON TECHNOLOGY	110,760	-	-	69,594	(162)	180,192
Others (52 companies)	73,419	44,629	(784)	18,942	(3,348)	132,858
	<u>751,490</u>	<u>221,360</u>	<u>(1,334)</u>	<u>25,500</u>	<u>(17,290)</u>	<u>979,726</u>
[Foreign]						
AES-VCM Mong Duong Power Company Limited	142,348	-	(26,108)	30,096	63,600	209,936
South-East Asia Gas Pipeline Company Ltd.	197,069	-	(29,301)	17,709	(6,018)	179,459
7623704 Canada Inc.	121,702	-	(4,509)	4,373	5,319	126,885
Eureka Moly LLC	79,398	-	-	(406)	3,455	82,447
AMCI (WA) PTY LTD	63,378	-	-	(3,412)	11,120	71,086
Nickel Mining Company SAS	45,905	-	-	(4,268)	75	41,712
KOREA LNG LTD.	33,422	-	(10,544)	10,542	10,134	43,554
NCR LLC	33,738	2,505	-	(5,909)	7,268	37,602
PT. Batutua Tembaga Raya	21,823	-	-	(1,817)	473	20,479
PT. Wampu Electric Power	13,391	-	-	177	552	14,120
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	15,617	-	-	(735)	(86)	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,517	-	-	23	(62)	6,478
Roy Hill Holdings Pty Ltd	1,125,133	-	-	59,095	(142,628)	1,041,600
POSCO-NPS Niobium LLC	348,836	-	(22,254)	21,536	15,388	363,506
KOBRASCO	108,485	-	(37,710)	75,170	(12,496)	133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,305	-	-	540	(454)	88,391
DMSA/AMSA	56,735	17,973	-	(48,802)	803	26,709
CSP - Companhia Siderurgica do Pecem	146,427	-	-	(109,714)	(11,881)	24,832
Others (42 companies)	158,213	2,771	(22,588)	42,937	(38,097)	143,236
	<u>2,806,442</u>	<u>23,249</u>	<u>(153,014)</u>	<u>87,135</u>	<u>(93,535)</u>	<u>2,670,277</u>
₩	<u>3,557,932</u>	<u>244,609</u>	<u>(154,348)</u>	<u>112,635</u>	<u>(110,825)</u>	<u>3,650,003</u>

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

POSCO and Subsidiaries
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(d) Summarized financial information of associates and joint ventures as of and for the three-month period March 31, 2019 and the year ended December 31, 2018 are as follows:

1) March 31, 2019

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natual Resources Private Equity Fund	₩ 554,332	749	553,583	-	1,606
POSPower Co., Ltd	542,455	14,598	527,857	-	(1,504)
SNNC	689,677	436,396	253,281	149,874	(4,187)
QSONE Co.,Ltd.	250,043	80,261	169,782	4,153	583
Chun-cheon Energy Co., Ltd	658,529	516,037	142,492	103,175	346
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	61,139	31,964	29,175	3,900	624
Daesung Steel	172,259	114,863	57,803	25,061	(407)
Incheon-Gimpo Expressway Co., Ltd.	1,041,689	951,339	90,350	11,824	(9,338)
Keystone NO. 1. Private Equity Fund	176,844	142,143	34,701	7,638	1,923
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	46,971	923	46,048	267	134
KONES, Corp.	2,043	1,320	723	835	(480)
POSCO MITSUBISHI CARBON TECHNOLOGY	536,090	247,153	288,937	64,237	16,644
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,783,366	1,006,184	777,182	128,619	47,312
7623704 Canada Inc.	1,265,498	2,064	1,263,434	-	43,136
Nickel Mining Company SAS	467,341	335,899	131,442	37,407	(4,678)
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	57,130	545	56,585	24	(111)
KOREA LNG LTD.	228,772	116	228,656	21,074	20,489
PT. Batutua Tembaga Raya	387,750	372,805	14,945	22,568	(43,281)
PT. Wampu Electric Power	220,118	152,652	67,466	5,088	(1,312)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	74,061	22,776	51,285	26,582	221
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	62,830	35,079	27,751	14,846	(280)
Roy Hill Holdings Pty Ltd	9,870,206	5,926,031	3,944,175	703,301	197,781
POSCO-NPS Niobium LLC	740,805	-	740,805	-	14,118
KOBRASCO	335,434	23,541	311,893	59,645	42,683
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	637,372	298,864	338,508	320,736	401
DMSA/AMSA	5,566,007	4,119,906	1,446,101	146,995	(194,431)
CSP - Compania Siderurgica do Pecem	4,044,914	4,120,904	(75,990)	408,398	(79,229)

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2) December 31, 2018

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natual Resources Private Equity Fund	₩ 552,760	783	551,977	-	10,249
POSPower Co., Ltd	425,632	35,761	389,871	-	(4,536)
SNNC	645,013	384,586	260,427	656,320	14,229
QSONE Co.,Ltd.	249,384	78,285	171,099	16,597	2,101
Chun-cheon Energy Co., Ltd	667,454	525,308	142,146	320,950	(18,796)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	63,554	35,003	28,551	16,237	439
BLUE OCEAN Private Equity Fund	305,876	174,640	131,236	459,491	(5,294)
Daesung Steel	169,305	111,502	57,803	75,474	824
Incheon-Gimpo Expressway Co., Ltd.	1,049,629	931,937	117,692	45,566	(92,202)
Keystone NO. 1. Private Equity Fund	177,024	144,186	32,838	15,507	(3,962)
UITrans LRT Co., Ltd.	430,227	435,699	(5,472)	12,929	(85,344)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	59,464	1,061	58,403	2,401	(12,313)
KONES, Corp.	2,618	1,414	1,204	5,167	70
POSCO MITSUBISHI CARBON TECHNOLOGY	537,138	237,563	299,575	300,986	116,049
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,726,410	1,009,731	716,679	343,471	70,717
7623704 Canada Inc.	1,232,208	1	1,232,207	-	44,320
Nickel Mining Company SAS	465,463	329,084	136,379	207,956	(4,569)
KOREA LNG LTD.	217,883	110	217,773	54,357	52,720
PT. Batutua Tembaga Raya	332,305	274,580	57,725	128,609	(8,451)
PT. Wampu Electric Power	223,009	155,407	67,602	13,461	887
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	73,515	24,264	49,251	121,104	(2,231)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	61,782	34,740	27,042	85,619	78
Roy Hill Holdings Pty Ltd	9,666,619	6,043,492	3,623,127	3,259,256	497,469
POSCO-NPS Niobium LLC	726,810	-	726,810	-	41,812
KOBRASCO	317,842	50,945	266,897	229,340	150,550
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	710,518	384,572	325,946	1,341,849	2,159
DMSA/AMSA	5,562,877	4,171,896	1,390,981	731,127	(529,844)
CSP - Compania Siderurgica do Pecem	4,194,242	4,192,867	1,375	1,860,198	(542,865)

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10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of March 31, 2019 are as follows:

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

11. Investment Property, Net

Changes in the carrying amount of investment property for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

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

<i>(in millions of Won)</i>	Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩ 278,585	-	(84)	-	735	279,236
Buildings	571,335	-	(217)	(4,871)	(592)	565,655
Structures	1,408	-	-	(159)	(240)	1,009
Construction-in-progress	77,287	3,852	-	-	1,106	82,245
	₩ <u>928,615</u>	<u>3,852</u>	<u>(301)</u>	<u>(5,030)</u>	<u>1,009</u>	<u>928,145</u>

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

(b) For the year ended December 31, 2018

<i>(in millions of Won)</i>	Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩ 360,402	1,327	(26,826)	(16,743)	(39,575)	278,585
Buildings	634,040	727	(32,807)	(28,358)	(2,267)	571,335
Structures	6,281	-	-	(603)	(4,270)	1,408
Construction-in-progress	64,191	42,052	-	(24,948)	(4,008)	77,287
	₩ <u>1,064,914</u>	<u>44,106</u>	<u>(59,633)</u>	<u>(70,652)</u>	<u>(50,120)</u>	<u>928,615</u>

(*1) Includes impairment loss on investment property recognized by each of the consolidated subsidiaries, including the office for rent of POSCO(Dalian) IT Center Development Co., Ltd. amounting to ₩51,461 million.

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

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12. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

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

(in millions of Won)

	Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1)	Others(*2)	Ending
Land	₩ 2,548,002	366	(4,334)	-	-	12,311	2,556,345
Buildings	4,402,452	3,257	(3,631)	(79,071)	2,257	66,091	4,391,355
Structures	2,917,924	3,536	(898)	(56,553)	(4,765)	27,541	2,886,785
Machinery and equipment	18,518,129	27,113	(5,760)	(559,312)	(66,052)	288,287	18,202,405
Vehicles	31,341	1,804	(123)	(3,788)	34	2,293	31,561
Tools	66,164	3,629	(206)	(7,145)	180	4,402	67,024
Furniture and fixtures	136,287	6,896	(54)	(9,448)	1	3,277	136,959
Lease assets(*3)	137,564	10,693	(117)	(43,169)	-	705,036	810,007
Bearer plants	80,771	-	-	(1,244)	-	12,890	92,417
Construction-in-progress	1,179,639	405,484	(748)	-	-	(273,173)	1,311,202
	₩ 30,018,273	462,778	(15,871)	(759,730)	(68,345)	848,955	30,486,060

(*1) The recoverable amount of the CEM plant and others was less than important in the carrying amount, so the consolidation entity recognized the impairment loss during the current quarter.

(*2) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

(*3) On the date of initial application of K-IFRS No.1116 (January 1, 2019), recognition of ₩655,907 million of right-of-use assets is represented in others.

(b) For the year ended December 31, 2018

(in millions of Won)

	Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1,2)	Others(*3)	Ending
Land	₩ 2,527,650	28,998	(26,157)	-	6,399	11,112	2,548,002
Buildings	4,877,018	46,129	(21,501)	(331,688)	(73,523)	(93,983)	4,402,452
Structures	2,765,852	18,749	(2,834)	(220,218)	(6,652)	363,027	2,917,924
Machinery and equipment	19,367,957	145,220	(62,135)	(2,224,000)	(143,293)	1,434,380	18,518,129
Vehicles	32,861	8,538	(1,149)	(14,835)	(56)	5,982	31,341
Tools	63,640	21,337	(1,867)	(26,421)	(206)	9,681	66,164
Furniture and fixtures	145,439	32,258	(577)	(51,835)	(1,494)	12,496	136,287
Lease assets	145,257	28,466	(420)	(19,224)	-	(16,515)	137,564
Bearer plants	65,515	-	-	(3,636)	-	18,892	80,771
Construction-in-progress	1,892,346	1,884,125	(23,814)	-	(778,373)	(1,794,645)	1,179,639
	₩ 31,883,535	2,213,820	(140,454)	(2,891,857)	(997,198)	(49,573)	30,018,273

(*1) During 2018, the Controlling Company evaluated future economic performance of its Synthetic Natural Gas (SNG) facility that was still in trial run stage. Considering the continuous decline in LNG price, increase in coal prices and the need for additional capital investment in the SNG facility, the Controlling Company concluded that the profitability for the SNG facility is unlikely to be sustainable and decided to terminate the operation of SNG facility as of December 31, 2018. The property, plant and equipment in the SNG facility are primarily comprised of machinery and equipment, among which assets with a carrying value of ₩167,054 million are expected to be reused in other facilities of the Controlling Company therefore no impairment test was conducted. For the remaining assets impairment test was performed by estimating the recoverable amount of each individual assets. For the assets which are determined to be technically obsolete and therefore sale is unlikely, recoverable amount represents expected scrap value less cost of disposal.

POSCO and Subsidiaries

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For the assets for which sale is probable, the recoverable amount is determined based on fair value less cost of disposal. Fair value was measured using cost approach, which is based on estimated the current cost to purchase or replace the asset less applicable depreciation and obsolescence.

Specifically, the Controlling Company used indirect cost approach to estimate the replacement cost for a new asset by applying asset specific inflation factors to the asset's historical cost. Then the Controlling Company estimates and deducts depreciation for physical deterioration. Depreciation factors are applied primarily based on estimated useful life of the asset and declining balance depreciation method. The fair value measurement of assets in SNG facility is considered to be level 3 because significant inputs used in the estimate, such as asset specific inflation factors and estimated useful lives, are unobservable.

As a result of the impairment test, the Company recognized an impairment loss of ~~₩~~809,737 million in connection with the property, plant and equipment in the SNG facility.

The Controlling Company has recognized an impairment loss amounting to ~~₩~~61,787 million since recoverable amount on Strip Casting facilities and others is less than its carrying amount for the period ended December 31, 2018.

- (*2) As of December 31, 2018, POSCO ENERGY CO., LTD., as a subsidiary, performed the impairment test due to the consecutive operating loss of the fuel cell business, a recognized impairment losses amounting to ~~₩~~54,250 million.
- (*3) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, reclassifications resulting from changing purpose of use, adjustments of foreign currency translation differences and others.

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13. Goodwill and Other Intangible Assets, Net

Changes in the carrying amount of goodwill and other intangible assets for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

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

(in millions of Won)

		Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩	1,125,149	-	-	-	-	1,580	1,126,729
Intellectual property rights		2,399,525	44,212	(54)	(58,012)	-	12,072	2,397,743
Premium in rental(*1)		134,793	10,455	(1,996)	(40)	275	1,860	145,347
Development expense		99,163	574	-	(11,032)	-	6,430	95,135
Port facilities usage rights		305,081	-	-	(5,774)	-	1	299,308
Exploration and evaluation assets		192,130	843	-	-	(3)	4,844	197,814
Customer relationships		421,773	-	-	(13,432)	-	792	409,133
Other intangible assets		493,211	26,970	(54)	(10,972)	(510)	(7,881)	500,764
	₩	<u>5,170,825</u>	<u>83,054</u>	<u>(2,104)</u>	<u>(99,262)</u>	<u>(238)</u>	<u>19,698</u>	<u>5,171,973</u>

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

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

(b) For the year ended December 31, 2018

(in millions of Won)

		Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*3)	Ending
Goodwill	₩	1,349,838	-	-	-	(223,709)	(980)	1,125,149
Intellectual property rights		2,449,193	334,667	(18,619)	(198,282)	(96,475)	(70,959)	2,399,525
Premium in rental(*1)		118,310	36,196	(15,675)	(330)	(4,218)	510	134,793
Development expense		80,218	4,248	(32)	(37,305)	(411)	52,445	99,163
Port facilities usage rights		309,373	-	-	(22,975)	-	18,683	305,081
Exploration and evaluation assets		205,944	2,654	-	-	(3,339)	(13,129)	192,130
Customer relationships		466,945	-	-	(48,499)	-	3,327	421,773
Power generation permit(*2)		539,405	-	-	-	-	(539,405)	-
Other intangible assets		433,043	164,594	(1,644)	(49,190)	(8,844)	(44,748)	493,211
	₩	<u>5,952,269</u>	<u>542,359</u>	<u>(35,970)</u>	<u>(356,581)</u>	<u>(336,996)</u>	<u>(594,256)</u>	<u>5,170,825</u>

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

(*2) During the year ended December 31, 2018, the Company disposed of a portion of shares of its subsidiary, POSPower Co., Ltd, which resulted in the Company's loss of control, and derecognition of corresponding intangible assets.

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

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14. Other Assets

Other assets as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current		
Advance payments	₩ 607,780	539,894
Prepaid expenses	237,440	123,770
Firm commitment asset	18,368	11,246
Others	5,801	9,554
	<u>₩ 869,389</u>	<u>684,464</u>
Non-current		
Long-term advance payments	₩ 22,145	24,280
Long-term prepaid expenses	48,753	334,918
Others(*1)	170,153	149,566
	<u>₩ 241,051</u>	<u>508,764</u>

(*1) As of March 31, 2019 and December 31, 2018, the Company recognized tax assets amounting to ₩116,693 million based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years' tax audits that were finalized and claim for rectification are finalized.

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15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	Lenders	Interest rate (%)	March 31, 2019	December 31, 2018
Short-term borrowings				
Bank overdrafts	JP Morgan and others	0.9~9.1	₩ 293,195	294,364
Short-term borrowings	HSBC and others	0.3~10.4	6,743,194	7,193,416
			<u>7,036,389</u>	<u>7,487,780</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.5~8.5	1,046,175	1,234,915
Current portion of debentures	Korea Development Bank and others	1.8~6.3	1,411,593	1,568,108
Less: Current portion of discount on debentures issued			(690)	(1,184)
			<u>2,457,078</u>	<u>2,801,839</u>
			₩ <u>9,493,467</u>	<u>10,289,619</u>

(b) Long-term borrowings, excluding current portion as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	Lenders	Interest rate (%)	March 31, 2019	December 31, 2018
Long-term borrowings	Export-Import Bank of Korea and others	0.2~8.8	₩ 4,621,827	4,499,199
Less: Present value discount			(28,980)	(30,526)
Debentures	KB Securities and others	1.9~5.3	5,863,800	5,469,580
Less: Discount on debentures issued			(18,415)	(18,602)
			₩ <u>10,438,232</u>	<u>9,919,651</u>

(c) Assets pledged as collateral in regards to the borrowings as of March 31, 2019 are as follows:

<i>(in millions of Won)</i>	Lenders	Book value	Pledged amount
Cash and cash equivalents	Sinhan Bank and others	₩ 8,379	8,379
Property, plant and equipment and Investment property	Korea Development Bank and others	5,562,957	5,383,896
Trade accounts and notes receivable	Korea Development Bank	146,524	146,524
Inventories	Export-Import Bank of Korea and others	235,249	165,301
Financial instruments	Kookmin Bank and others	51,032	51,032
		₩ <u>6,004,141</u>	<u>5,755,132</u>

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16. Other Payables

Other payables as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current		
Accounts payable	₩ 812,364	783,562
Accrued expenses	715,209	720,773
Dividend payable	456,240	8,673
Lease liabilities(*1)	114,276	10,152
Withholdings	192,127	196,937
	<u>₩ 2,290,216</u>	<u>1,720,097</u>
Non-current		
Accounts payable	₩ 1,543	1,624
Accrued expenses	3,547	19,021
Lease liabilities(*1)	592,562	84,602
Long-term withholdings	49,491	43,621
	<u>₩ 647,143</u>	<u>148,868</u>

(*1) As of the end of the March 31, 2019, the company recognized lease liabilities of ₩607,719 million on initial application of K-IFRS No. 1116 "Leases".

17. Other Financial Liabilities

Other financial liabilities as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current		
Derivative liabilities	₩ 47,399	27,328
Financial guarantee liabilities	49,206	50,472
	<u>₩ 96,605</u>	<u>77,800</u>
Non-current		
Derivative liabilities	₩ 18,214	46,429
Financial guarantee liabilities	15,829	17,733
	<u>₩ 34,043</u>	<u>64,162</u>

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18. Provisions

(a) Provisions as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 35,525	43,095	46,514	26,964
Provision for construction warranties	11,423	135,420	11,842	130,391
Provision for legal contingencies and claims(*1)	14,232	95,643	16,981	94,169
Provision for the restoration(*2)	8,930	86,480	9,379	79,789
Others(*3,4)	240,714	101,020	216,564	99,723
	₩ <u>310,824</u>	<u>461,658</u>	<u>301,280</u>	<u>431,036</u>

(*1) The Company recognized probable outflow of resources amounting to ₩48,724 million and ₩50,888 million as provisions in relation to lawsuits against the Company as of March 31, 2019 and December 31, 2018, respectively.

(*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩27,901 million as provisions for restoration as of March 31, 2019. 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 a discount rate of 1.99~2.11% to measure present value of these costs.

(*3) As of March 31, 2019 and December 31, 2018, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩206,891 million and ₩200,407 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*4) As of March 31, 2019 and December 31, 2018, the amount includes a provision of ₩17,595 million, for expected outflow of resources in connection with the performance guarantee for the Hwaseong-Dongtan complexes development project of POSCO ENGINEERING & CONSTRUCTION CO., LTD.

(b) Changes in provisions for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

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

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 73,478	13,790	(23,907)	(1,466)	16,725	78,620
Provision for construction warranties	142,233	12,243	(6,946)	(729)	42	146,843
Provision for legal contingencies and claims	111,150	3,491	(5,340)	(442)	1,016	109,875
Provision for the restoration	89,168	11,823	(6,185)	(292)	896	95,410
Others	316,287	44,185	(5,401)	(12,972)	(365)	341,734
	₩ <u>732,316</u>	<u>85,532</u>	<u>(47,779)</u>	<u>(15,901)</u>	<u>18,314</u>	<u>772,482</u>

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

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2) For the year ended December 31, 2018

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Increase</u>	<u>Utilization</u>	<u>Reversal</u>	<u>Others(*1)</u>	<u>Ending</u>
Provision for bonus payments	₩ 49,171	88,879	(60,723)	(3,856)	7	73,478
Provision for construction warranties	118,036	56,560	(24,608)	(7,660)	(95)	142,233
Provision for legal contingencies and claims	36,764	84,242	(6,066)	(3,399)	(391)	111,150
Provision for the restoration	134,190	14,912	(9,212)	(47,682)	(3,040)	89,168
Others	249,957	328,879	(118,388)	(216,668)	72,507	316,287
	₩ <u>588,118</u>	<u>573,472</u>	<u>(218,997)</u>	<u>(279,265)</u>	<u>68,988</u>	<u>732,316</u>

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

19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		<u>March 31, 2019</u>	<u>March 31, 2018</u>
Expense related to post-employment benefit plans under defined contribution plans	₩	12,528	10,509

(b) Defined benefit plan

1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>		<u>March 31, 2019</u>	<u>December 31, 2018</u>
Present value of funded obligations	₩	2,140,054	2,117,829
Fair value of plan assets(*1)		(1,961,792)	(1,997,717)
Present value of non-funded obligations		15,702	19,332
Net defined benefit liabilities	₩	<u>193,964</u>	<u>139,444</u>

(*1) As of March 31, 2019 and December 31, 2018, the Company recognized net defined benefit assets amounting to ₩223 million and ₩1,489 million, respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

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- 2) Changes in present value of defined benefit obligations for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

<i>(in millions of Won)</i>	March 31, 2019	December 31, 2018
Defined benefit obligation		
at the beginning of period	₩ 2,137,161	1,843,135
Current service costs	58,930	212,323
Interest costs	13,047	54,950
Remeasurements	12,965	212,678
Benefits paid	(68,754)	(189,165)
Others	2,407	3,240
Defined benefit obligation at the end of period	₩ <u>2,155,756</u>	<u>2,137,161</u>

- 3) Changes in fair value of plan assets for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

<i>(in millions of Won)</i>	March 31, 2019	December 31, 2018
Fair value of plan assets		
at the beginning of period	₩ 1,997,717	1,714,166
Interest on plan assets	11,950	50,784
Remeasurement of plan assets	(2,094)	(19,761)
Contributions to plan assets	-	408,326
Benefits paid	(45,631)	(163,112)
Others	(150)	7,314
Fair value of plan assets at the end of period	₩ <u>1,961,792</u>	<u>1,997,717</u>

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>	March 31, 2019	March 31, 2018
Current service costs	₩ 58,930	54,417
Net interest costs	1,097	417
	₩ <u>60,027</u>	<u>54,834</u>

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20. Other Liabilities

Other liabilities as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

		March 31, 2019	December 31, 2018
Current			
Due to customers for contract work	₩	733,787	709,180
Advances received		744,608	567,375
Unearned revenue		90,180	49,805
Withholdings		219,428	233,981
Firm commitment liability		13,151	24,373
Others		10,583	10,174
	₩	<u>1,811,737</u>	<u>1,594,888</u>
Non-current			
Unearned revenue	₩	46,658	42,992
Others		59,469	84,369
	₩	<u>106,127</u>	<u>127,361</u>

21. 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 March 31, 2019 and December 31, 2018 are as follows

① March 31, 2019

(in millions of Won)

	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Fair value through profit or loss					
Derivative assets	₩ 51,179	-	51,179	-	51,179
Short-term financial instruments	5,921,438	-	5,921,438	-	5,921,438
Debt securities	26,747	-	-	26,747	26,747
Other securities	340,417	1,224	4,526	334,667	340,417
Other receivables	2,000	-	-	2,000	2,000
Derivatives hedging instrument(*2)	9,791	-	9,791	-	9,791
Fair value through other comprehensive income					
Equity securities	1,232,572	854,886	-	377,686	1,232,572
Debt securities	1,638	-	-	1,638	1,638
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	2,637,550	-	-	-	-
Trade accounts and notes receivable	9,716,547	-	-	-	-
Other receivables	1,948,451	-	-	-	-
Debt securities	198,481	-	-	-	-
Deposit instruments	2,169,009	-	-	-	-
	₩ <u>24,255,820</u>	<u>856,110</u>	<u>5,986,934</u>	<u>742,738</u>	<u>7,585,782</u>
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 45,623	-	45,623	-	45,623
Derivatives hedging instrument(*2)	19,990	-	19,990	-	19,990
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	3,764,086	-	-	-	-
Borrowings	19,931,699	-	20,162,906	-	20,162,906
Financial guarantee liabilities	65,035	-	-	-	-
Others	2,409,126	-	-	-	-
	₩ <u>26,235,559</u>	<u>-</u>	<u>20,228,519</u>	<u>-</u>	<u>20,228,519</u>

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

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

② December 31, 2018

(in millions of Won)

	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Fair value through profit or loss					
Derivative assets	₩ 16,662	-	16,662	-	16,662
Short-term financial instruments	6,099,303	-	6,099,303	-	6,099,303
Debt securities	27,229	-	-	27,229	27,229
Other securities	338,106	1,224	5,205	331,677	338,106
Other receivables	2,000	-	-	2,000	2,000
Derivatives hedging instrument	32,421	-	32,421	-	32,421
Fair value through other comprehensive income					
Equity securities	1,238,630	891,514	-	347,116	1,238,630
Debt securities	1,638	-	-	1,638	1,638
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	2,643,865	-	-	-	-
Trade accounts and notes receivable	8,819,617	-	-	-	-
Other receivables	1,843,381	-	-	-	-
Debt securities	8,447	-	-	-	-
Deposit instruments	1,966,558	-	-	-	-
	₩ 23,037,857	892,738	6,153,591	709,660	7,755,989
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 60,047	-	60,047	-	60,047
Derivatives hedging instrument	13,710	-	13,710	-	13,710
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	4,035,960	-	-	-	-
Borrowings	20,209,270	-	20,377,105	-	20,377,105
Financial guarantee liabilities	68,205	-	-	-	-
Others	1,803,353	-	-	-	-
	₩ 26,190,545	-	20,450,862	-	20,450,862

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

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2) Finance income and costs by category of financial instrument for the three-month periods ended March 31, 2019 and 2018 were as follows:

① For the three-month period ended March 31, 2019

(in millions of Won)

	Finance income and costs						Other comprehensive income(loss)
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 35,073	784	-	720	598	37,175	-
Derivatives assets	-	48,024	-	32,590	-	80,614	-
Financial assets at fair value through other comprehensive income	-	-	-	-	30,910	30,910	(5,540)
Financial assets measured at amortized cost	40,454	-	151,402	(9,408)	(108)	182,340	-
Derivatives liabilities	-	(4,241)	-	(40,340)	-	(44,581)	32
Financial liabilities measured at amortized cost	(200,478)	-	(133,050)	(2,237)	(7,271)	(343,036)	-
₩	(124,951)	44,567	18,352	(18,675)	24,129	(56,578)	(5,508)

② For the three-month period ended March 31, 2018

(in millions of Won)

	Finance income and costs						Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Financial assets at fair value through profit or loss	₩ 34,181	522	-	5,399	(2,705)	1,804	39,201
Derivatives assets	-	59,425	-	28,450	-	-	87,875
Financial assets at fair value through other comprehensive income	-	-	-	-	-	30,694	30,694
Financial assets measured at amortized cost	37,668	-	28,895	(10,855)	-	(92)	55,616
Derivatives liabilities	-	(48,960)	-	(47,726)	-	-	(96,686)
Financial liabilities measured at amortized cost	(161,860)	-	(17,532)	-	-	(110)	(179,502)
₩	(90,011)	10,987	11,363	(24,732)	(2,705)	32,296	(62,802)

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2018.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

22. Share Capital and Capital Surplus

(a) Share capital as of March 31, 2019 and December 31, 2018 are as follows:

<i>(Share, in Won)</i>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
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 March 31, 2019, total shares of ADRs of 35,315,420 outstanding in overseas stock market are equivalent to 8,828,855 shares of common stock.

(*2) As of March 31, 2019, 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 March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	796,623	784,047
Other capital surplus	184,616	162,679
	₩ <u>1,445,064</u>	<u>1,410,551</u>

(c) POSCO Energy Co., Ltd., a subsidiary of the Company, issued redeemable convertible preferred shares which are classified as non-controlling interests in the consolidated financial statements. The details of redeemable convertible preferred shares as of March 31, 2019 are as follows:

<i>(Share, in Won)</i>	<u>Redeemable Convertible Preferred Shares</u>
Issue date	February 25, 2017
Number of shares issued	8,643,193 shares
Price per share	28,346
Voting rights	No voting rights for 3 years from issue date
Dividend rights	Comparative, Non-participating · Minimum dividend rate for 1~3 years : 3.98% · Minimum dividend rate after 4 years : Comparative rate + Issuance spread + 2%
Details about Redemption	Issuer can demand redemption of all or part of redeemable convertible preferred shares every year after the issue date, for a period of 10 years from the issue date.
Details about Conversion	Stockholders of redeemable convertible preferred shares can convert them from 3 years after the issue date to the end of the redemption period (10 years).

Redeemable convertible preferred stocks are classified as equity because the issuer has a redemption right and can control the circumstances in which the entity can settle a variable quantity of equity instruments.

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23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>(%)</u>		<u>March 31, 2019</u>	<u>December 31, 2018</u>
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60	₩	200,000	200,000
Issuance cost					(616)	(616)
				₩	<u>199,384</u>	<u>199,384</u>

(*1) Details of issuance of hybrid bonds as of March 31, 2019 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 condition	Quarterly (Optional deferral of interest payment is available to POSCO)
Others	Posco can call the hybrid bond at year 10 and interest payment date afterwards

The hybrid bond holder's 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 March 31, 2019 amounts to ₩479 million.

(b) POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued hybrid bonds which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>		<u>March 31, 2019</u>	<u>December 31, 2018</u>
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21	₩	140,000	140,000
Issuance cost					(429)	(429)
				₩	<u>139,571</u>	<u>139,571</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

(*1) Details of hybrid bonds of POSCO ENERGY Co., Ltd. as of March 31, 2019 are as follows:

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

The interest accumulated but not paid on the hybrid bonds as of March 31, 2019 amounts to ₩619 million.

24. Reserves

Reserves as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	March 31, 2019	December 31, 2018
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (664,646)	(670,435)
Changes in fair value of equity investments at fair value through other comprehensive income	(272,117)	(295,300)
Foreign currency translation differences	(285,524)	(417,817)
Gains or losses on valuation of derivatives	(322)	(352)
Others	(17,945)	(20,464)
	<u>₩ (1,240,554)</u>	<u>(1,404,368)</u>

POSCO and Subsidiaries

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25. Treasury Shares

As of March 31, 2019, the Company holds 7,071,194 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

26. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month periods ended March 31, 2019 and 2018 were as follows:

1) March 31, 2019

(in millions of Won)

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

2) March 31, 2018

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 7,881,987	5,433,110	-	140,517	13,455,614
Revenue from services	144,955	87,748	25,819	568,360	826,882
Revenue from construction contract	-	-	1,451,148	15,927	1,467,075
Others	3,581	39,260	5,763	64,109	112,713
	<u>₩ 8,030,523</u>	<u>5,560,118</u>	<u>1,482,730</u>	<u>788,913</u>	<u>15,862,284</u>
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 7,885,568	5,472,370	8,288	207,004	13,573,230
Revenue recognized over time	144,955	87,748	1,474,442	581,909	2,289,054
	<u>₩ 8,030,523</u>	<u>5,560,118</u>	<u>1,482,730</u>	<u>788,913</u>	<u>15,862,284</u>

(c) Details of contract assets and liabilities from contracts with customers as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Receivables		
Account receivables	₩ 9,716,547	8,819,617
Contract assets		
Due from customers for contact work	970,875	890,117
Contract liabilities		
Advance received	743,793	592,125
Due to customers for contact work	733,787	709,180
Unearned revenue	136,613	91,872

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27. Revenue – Contract Balances

(a) Details of in-progress construction contracts as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	March 31, 2019		December 31, 2018	
	Construction segment	Others	Construction segment	Others
Accumulated cost	₩ 26,359,551	299,125	27,860,778	234,092
Accumulated contract profit	2,517,937	46,980	2,266,897	34,815
Accumulated contract loss	(930,187)	(17,757)	(792,496)	(12,042)
Accumulated contract revenue	27,947,301	328,348	29,335,179	256,865

(b) Details of due from customers for contract work and due to customers for contract work as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	March 31, 2019		December 31, 2018	
	Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩ 992,623	54,048	914,489	48,571
Due to customers for contract work	(713,748)	(20,039)	(676,990)	(32,190)
	₩ <u>278,875</u>	<u>34,009</u>	<u>237,499</u>	<u>16,381</u>

(c) Details of the provisions of construction loss as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	March 31, 2019	December 31, 2018
Construction segment	₩ 29,291	31,067
Others	797	1,203
	₩ <u>30,088</u>	<u>32,270</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

(d) Due to the factors causing the variation of costs for the three-month period ended March 31, 2019, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profits or loss for the three-month period ended March 31, 2019 and future periods are as follows:

		Changes in estimated total contract costs	Changes in profit (loss) of construction contract		
			Net income (loss)	Future income (loss)	Total
(in millions of Won)					
Construction segment	₩	172,516	(30,349)	(12,784)	(43,133)
Others		(3,164)	(10,446)	12,535	2,089
	₩	169,352	(40,795)	(249)	(41,044)

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contracts as of March 31, 2019. The estimation is evaluated for the total contract cost and expected total contract revenue as of the end of the period. Also, it may change during future periods.

(e) Uncertainty of estimates

1) Total contract revenues

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

2) Total contract costs

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

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

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

POSCO and Subsidiaries
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28. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>	March 31, 2019	March 31, 2018
Wages and salaries	₩ 208,622	216,938
Expenses related to post-employment benefits	21,868	20,802
Other employee benefits	45,777	47,811
Travel	9,667	9,267
Depreciation	34,326	24,180
Amortization	28,360	27,650
Communication	2,473	2,625
Electricity expenses	2,030	2,241
Taxes and public dues	12,885	15,064
Rental	11,458	18,445
Repairs	2,517	4,123
Entertainment	3,032	2,948
Advertising	17,906	30,361
Research & development	30,383	24,477
Service fees	51,522	39,212
Vehicles maintenance	2,328	1,943
Industry association fee	3,437	3,404
Conference	3,853	3,548
Increase in provisions	1,398	12,663
Others	12,241	10,389
	₩ <u>506,083</u>	<u>518,091</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

(b) Selling expenses

Selling expenses for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>	March 31, 2019	March 31, 2018
Freight and custody expenses(*1)	₩ 47,361	333,254
Operating expenses for distribution center	2,594	2,544
Sales commissions	16,036	12,873
Sale advertising	234	561
Sales promotion	2,537	3,137
Samples	511	630
Sales insurance premium	8,009	10,002
Contract cost	8,640	76
Others	5,338	3,731
	<u>₩ 91,260</u>	<u>366,808</u>

(*1) The Company identified the transportation services included in the contract with customers as a separate performance obligations, and as of December 31, 2018, expenses incurred for the delivery of transportation services had been reclassified from selling and administrative expenses to cost of sales. In addition, during the three-month period ended March 31, 2018, the selling and administrative expenses included ~~₩~~291,410 million of expenses incurred for the delivery of transportation services.

POSCO and Subsidiaries
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29. Finance Income and Costs

Details of finance income and costs for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Finance income		
Interest income(*1)	₩ 75,527	71,849
Dividend income	31,508	32,498
Gain on foreign currency transactions	117,933	170,326
Gain on foreign currency translations	145,167	84,896
Gain on derivatives transactions	33,400	28,450
Gain on valuations of derivatives	87,074	59,425
Others	3,405	9,044
	<u>₩ 494,014</u>	<u>456,488</u>
Finance costs		
Interest expenses	₩ 200,478	161,860
Loss on foreign currency transactions	105,289	126,020
Loss on foreign currency translations	139,459	117,839
Loss on derivatives transactions	41,150	47,726
Loss on valuation of derivatives	43,291	48,960
Loss on disposal of trade accounts and notes receivables	9,408	10,855
Others	11,518	6,030
	<u>₩ 550,593</u>	<u>519,290</u>

(*1) Interest income calculated using the effective interest method for the three-month periods ended March 31, 2019 and 2018 were ₩40,454 million and ₩37,744 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

30. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Other non-operating income		
Gain on disposals of investment		
in subsidiaries, associates and joint ventures	₩ 14,436	-
Gain on disposals of property, plant and equipment	12,282	3,805
Gain on disposals of intangible assets	-	30,572
Gain on valuation of firm commitment	19,709	4,194
Gain on insurance proceeds	420	185
Others	27,497	22,200
	₩ <u>74,344</u>	<u>60,956</u>
Other non-operating expenses		
Impairment loss on assets held for sale	₩ 4,195	-
Loss on disposals of investment		
in subsidiaries, associates and joint ventures	1,871	435
Loss on disposals of property, plant and equipment	12,297	12,210
Impairment loss on property, plant and equipment	68,345	18,222
Impairment loss on intangible assets	1,004	1,726
Loss on valuation of firm commitment	3,809	15,425
Idle tangible asset expenses	7,619	2,212
Increase to provisions	5,273	283
Donations	9,405	16,834
Others	23,371	27,540
	₩ <u>137,189</u>	<u>94,887</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

31. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other non-operating expenses in the statements of comprehensive income for the three-month periods ended March 31, 2019 and 2018 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>		March 31, 2019	March 31, 2018
Raw material used, changes in inventories and others	₩	9,679,323	9,260,784
Employee benefits expenses		875,668	934,964
Outsourced processing cost		1,770,630	1,627,629
Electricity expenses		219,802	231,129
Depreciation(*1)		764,760	713,382
Amortization		99,262	108,855
Freight and custody expenses		369,234	333,254
Sales commissions		16,036	12,873
Loss on disposal of property, plant and equipment		12,297	12,210
Impairment loss on property, plant and equipment		68,345	18,222
Impairment loss on other intangible assets		1,004	1,726
Donations		9,405	16,834
Others		1,067,713	1,200,261
	₩	<u>14,953,479</u>	<u>14,472,123</u>

(*1) Includes depreciation expense of investment property.

32. Income Taxes

The effective tax rates of the Company for the three-month periods ended March 31, 2019 and 2018 were 32.1% and 26.9%, respectively.

POSCO and Subsidiaries
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33. Earnings per Share

Basic and diluted earnings per share for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in Won, except per share information)</i>	March 31, 2019	March 31, 2018
Profit attribute to controlling interest	₩ 741,253,192,407	993,516,014,970
Interests of hybrid bonds	<u>(1,644,657,534)</u>	<u>(7,707,643,835)</u>
Weighted-average number of common shares outstanding(*1)	<u>80,108,007</u>	<u>79,999,659</u>
Basic and diluted earnings per share	<u>₩ 9,233</u>	<u>12,323</u>

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

<i>(Shares)</i>	March 31, 2019	March 31, 2018
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	<u>(7,078,828)</u>	<u>(7,187,176)</u>
Weighted-average number of common shares outstanding	<u>80,108,007</u>	<u>79,999,659</u>

Since there were no potential shares of common stock which had dilutive effects as of March 31, 2019 and 2018, diluted earnings per share is equal to basic earnings per share.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(Unaudited)

34. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the three-month periods ended March 31, 2019 and 2018 were as follows:

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

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries(*3)						
POSCO ENGINEERING & CONSTRUCTION CO.,LTD. ₩	1,410	11,073	-	66,497	21	2,714
POSCO COATED & COLOR STEEL Co., Ltd.	117,197	1,706	-	-	2,369	372
POSCO ICT(*4)	780	4,989	-	60,828	8,557	46,161
eNtoB Corporation	4	60	78,496	5,984	26	5,524
POSCO CHEMCAL CO., LTD (Formerly, POSCO CHEMTECH)	103,924	19,330	130,996	2,065	78,130	129
POSCO ENERGY CO., LTD.	56,888	314	-	-	-	20
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	1,417,608	46,571	175,163	-	12,656	940
POSCO Thainox Public Company Limited	65,104	59	1,670	-	-	3
POSCO America Corporation	95,001	-	-	-	-	18
POSCO Canada Ltd.	-	75	76,613	-	-	-
POSCO Asia Co., Ltd.	416,638	87	148,034	-	558	561
Qingdao Pohang Stainless Steel Co., Ltd.	54,047	-	-	-	-	-
POSCO JAPAN Co., Ltd.	405,675	-	9,520	2,314	-	634
POSCO-VIETNAMCo., Ltd.	74,540	85	-	-	-	37
POSCO MEXICO S.A. DE C.V.	78,213	14	-	-	-	5
POSCO Maharashtra Steel Private Limited	190,663	95	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	18,004	-	524	-	-	-
Others	299,408	11,260	179,780	5,782	67,158	26,480
	<u>3,395,104</u>	<u>95,718</u>	<u>800,796</u>	<u>143,470</u>	<u>169,475</u>	<u>83,598</u>
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.	116	60	751	50,746	4,915	2,711
SNNC	1,348	2,280	115,648	-	-	10
POSCO-SAMSUNG-Slovakia Processing Center	23,863	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	202,028	-	-	-
Others	3,992	11,253	13,165	-	-	-
	<u>29,319</u>	<u>13,593</u>	<u>331,592</u>	<u>50,746</u>	<u>4,915</u>	<u>2,721</u>
₩	<u>3,424,423</u>	<u>109,311</u>	<u>1,132,388</u>	<u>194,216</u>	<u>174,390</u>	<u>86,319</u>

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

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

(*3) As of March 31, 2019, the Company provided guarantees to related parties (Note 35).

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

POSCO and Subsidiaries
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2) For the three-month period ended March 31, 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. ₩	762	53	-	58,706	9	9,288
POSCO COATED & COLOR STEEL Co., Ltd.	110,752	2,560	-	-	1,592	189
POSCO ICT	648	7,474	-	70,821	8,087	48,847
eNtoB Corporation	1	60	85,857	3,346	45	5,813
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	98,233	17,675	132,591	5,687	77,282	148
POSCO ENERGY CO., LTD.	52,095	369	-	-	-	-
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	1,462,604	38,852	188,278	-	13,895	322
POSCO Thainox Public Company Limited	65,975	-	3,197	-	-	-
POSCO America Corporation	63,366	-	-	-	-	886
POSCO Canada Ltd.	-	318	70,006	-	-	-
POSCO Asia Co., Ltd.	495,863	141	88,001	303	902	872
Qingdao Pohang Stainless Steel Co., Ltd.	44,031	7	-	-	-	5
POSCO JAPAN Co., Ltd.	349,756	-	5,974	725	-	994
POSCO-VIETNAM Co., Ltd.	88,286	13	-	-	-	8
POSCO MEXICO S.A. DE C.V.	65,090	17	-	-	-	-
POSCO Maharashtra Steel Private Limited	134,773	209	-	-	-	30
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	67,154	-	-	-	-	5
Others	299,845	7,928	59,368	5,171	65,268	27,671
	<u>3,399,234</u>	<u>75,676</u>	<u>633,272</u>	<u>144,759</u>	<u>167,080</u>	<u>95,078</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	336	80	914	28,043	5,758	2,148
SNNC	1,208	422	133,613	-	-	5
POSCO-SAMSUNG-Slovakia Processing Center	18,238	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	191,457	-	-	-
Others	2,719	9,731	16,978	-	-	5
	<u>22,501</u>	<u>10,233</u>	<u>342,962</u>	<u>28,043</u>	<u>5,758</u>	<u>2,158</u>
₩	<u>3,421,735</u>	<u>85,909</u>	<u>976,234</u>	<u>172,802</u>	<u>172,838</u>	<u>97,236</u>

(b) The related account balances of significant transactions between the controlling company and related companies as of March 31, 2019 and December 31, 2018 are as follows:

1) March 31, 2019

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	1	17,508	17,509	-	20,318	447	20,765
POSCO COATED & COLOR STEEL Co., Ltd.	64,700	398	65,098	-	94	1,352	1,446
POSCO ICT	-	10,216	10,216	1,227	50,294	44,606	96,127
eNtoB Corporation	-	120	120	6,109	36,875	-	42,984
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	65,624	17,982	83,606	20,503	54,460	18,202	93,165
POSCO ENERGY CO., LTD.	41,831	2,046	43,877	-	-	1,425	1,425
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	525,186	47,889	573,075	1,395	1,875	5,263	8,533
POSCO Thainox Public Company Limited	66,849	-	66,849	-	-	-	-
POSCO America Corporation	16,896	-	16,896	-	-	-	-
POSCO Asia Co., Ltd.	454,413	1,068	455,481	6,553	-	-	6,553
Qingdao Pohang Stainless Steel Co., Ltd.	52,346	-	52,346	-	-	-	-
POSCO MEXICO S.A. DE C.V.	95,731	223	95,954	-	-	-	-
POSCO Maharashtra Steel Private Limited	402,611	1,458	404,069	-	-	-	-
Others(*1)	433,529	58,806	492,335	58,712	24,677	90,454	173,843
	<u>2,219,717</u>	<u>157,714</u>	<u>2,377,431</u>	<u>94,499</u>	<u>188,593</u>	<u>161,749</u>	<u>444,841</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	-	4	4	1,608	16,390	-	17,998
SNNC	295	1,834	2,129	19,856	-	-	19,856
Roy Hill Holdings Pty Ltd	-	-	-	-	9,370	-	9,370
Others	896	912	1,808	333	76	-	409
	<u>1,191</u>	<u>2,750</u>	<u>3,941</u>	<u>21,797</u>	<u>25,836</u>	<u>-</u>	<u>47,633</u>
₩	<u>2,220,908</u>	<u>160,464</u>	<u>2,381,372</u>	<u>116,296</u>	<u>214,429</u>	<u>161,749</u>	<u>492,474</u>

(*1) During the year ended December 31, 2018, the Company made loans of ₩2,950 million to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company. As of March 31, 2019, corresponding amounts of those loans were recorded as allowance for doubtful accounts.

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2) December 31, 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. ₩	57	5,181	5,238	-	52,775	438	53,213
POSCO COATED & COLOR STEEL Co., Ltd.	55,598	317	55,915	-	25	1,194	1,219
POSCO ICT	-	229	229	1,572	112,960	8,717	123,249
eNtoB Corporation	-	-	-	10,860	22,072	11	32,943
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	40,258	3,883	44,141	19,911	58,725	19,012	97,648
POSCO ENERGY CO., LTD	22,163	1,700	23,863	-	-	1,425	1,425
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	437,554	1,056	438,610	161	1,881	5,304	7,346
POSCO Thainox Public Company Limited	71,189	-	71,189	467	71	-	538
POSCO America Corporation	14,338	-	14,338	-	221	-	221
POSCO Asia Co., Ltd.	480,205	1,047	481,252	7,839	-	-	7,839
Qingdao Pohang Stainless Steel Co., Ltd.	52,037	-	52,037	-	-	-	-
POSCO MEXICO S.A. DE C.V.	101,179	218	101,397	-	-	-	-
POSCO Maharashtra Steel Private Limited	390,413	1,428	391,841	-	-	-	-
Others	379,950	54,407	434,357	33,183	36,591	85,745	155,519
	<u>2,044,941</u>	<u>69,466</u>	<u>2,114,407</u>	<u>73,993</u>	<u>285,321</u>	<u>121,846</u>	<u>481,160</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	249	10	259	3,275	34,803	-	38,078
SNNC	541	61	602	22,188	-	-	22,188
Roy Hill Holdings Pty Ltd	-	-	-	22,997	-	-	22,997
Others	918	910	1,828	217	76	-	293
	<u>1,708</u>	<u>981</u>	<u>2,689</u>	<u>48,677</u>	<u>34,879</u>	<u>-</u>	<u>83,556</u>
₩	<u>2,046,649</u>	<u>70,447</u>	<u>2,117,096</u>	<u>122,670</u>	<u>320,200</u>	<u>121,846</u>	<u>564,716</u>

(c) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended March 31, 2019 and 2018 were as follows:

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd. ₩	3,396	-	7	3,371
NewSongdo International City Development, LLC	361	4,471	-	3
SNNC	18,012	-	5,043	20,624
Chun-cheon Energy Co., Ltd	1,010	-	-	-
Noeul Green Energy	1,662	-	-	587
USS-POSCO Industries	-	-	604	-
CSP - Companhia Siderurgica do Pecem	22,270	2,067	120,388	385
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	8,745	-	10,794	-
LLP POSUK Titanium	-	-	272	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	852	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	3,877	-	-	-
PT. Batutua Tembaga Raya	-	365	10,597	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,093	-	80	-
Sebang Steel	-	-	703	-
DMSA/AMSA	-	-	16,755	-
South-East Asia Gas Pipeline Company Ltd.	5	4,805	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	24,615	16,369	1,340	713
POSPower Co.,Ltd	37,409	-	-	-
TK CHEMICAL CORPORATION	43,375	-	21,929	-
Others	47,939	14,667	5,563	6,839
₩	<u>220,769</u>	<u>42,744</u>	<u>194,927</u>	<u>32,522</u>

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2) For the three-month period ended March 31, 2018

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,087	-	32	1,230
New Songdo International City Development, LLC	23,431	9,594	-	5
SNNC	23,090	-	4,502	4,869
Chun-cheon Energy Co., Ltd	20,275	-	-	-
Noeul Green Energy	1,499	-	-	-
VSC POSCO Steel Corporation	6,667	-	1,179	-
USS-POSCO Industries	-	-	516	-
CSP - Companhia Siderurgica do Pecem	42,832	-	24,009	15,473
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	12,844	-	14,629	-
LLP POSUK Titanium	-	-	418	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	2,690	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	3,174	-	-	-
PT. Batutua Tembaga Raya	-	-	2,191	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	10,333	-	58	-
Sebang Steel	-	-	6,273	-
DMSA/AMSA	-	-	9,422	-
South-East Asia Gas Pipeline Company Ltd.	-	23,108	-	-
Others	61,736	7,652	3,232	1,733
	₩ 209,968	40,354	69,151	23,310

(d) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of March 31, 2019 and December 31, 2018 are as follows:

1) March 31, 2019

(in millions of Won)

	Receivables				Payables		
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	₩ 2,839	-	146	2,985	3,851	8	3,859
New Songdo International City Development, LLC	65,235	-	5,725	70,960	-	2	2
Chun-cheon Energy Co., Ltd	55	1,941	-	1,996	803	-	803
POSPOWER Co., Ltd.	33,370	-	-	33,370	-	66,836	66,836
Nickel Mining Company SAS	-	59,585	116	59,701	-	-	-
CSP - Companhia Siderurgica do Pecem	349,968	-	15,940	365,908	54,051	-	54,051
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	8,849	-	-	8,849	1,737	-	1,737
PT. Batutua Tembaga Raya	-	35,964	16,327	52,291	584	-	584
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,303	3,413	29	10,745	80	-	80
DMSA/AMSA	-	57,973	-	57,973	2,528	-	2,528
South-East Asia Gas Pipeline Company Ltd.	5	182,061	-	182,066	-	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	9,153	-	-	9,153	1,788	-	1,788
TK CHEMICAL CORPORATION	34,423	-	-	34,423	3,330	-	3,330
Others	78,878	146,150	15,226	240,254	6,385	4,952	11,337
	₩ 590,078	487,087	53,509	1,130,674	75,137	71,798	146,935

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of March 31, 2019
(Unaudited)

2) December 31, 2018

(in millions of Won)

	Receivables				Payables		
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	₩ 3,593	-	6	3,599	6,160	217	6,377
New Songdo International City Development, LLC	233,157	-	-	233,157	-	-	-
Chun-cheon Energy Co., Ltd	-	-	-	-	-	1,758	1,758
POSPower Co., Ltd.	13,703	-	-	13,703	-	66,856	66,856
Nickel Mining Company SAS	-	59,664	118	59,782	-	-	-
CSP - Companhia Siderurgica do Pecem	364,190	-	9,669	373,859	62,578	-	62,578
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,836	-	-	10,836	2,101	-	2,101
PT. Batutua Tembaga Raya	-	35,100	171	35,271	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,274	3,354	27	9,655	66	-	66
DMSA/AMSA	-	64,297	-	64,297	-	-	-
South-East Asia Gas Pipeline Company Ltd.	-	191,107	-	191,107	-	-	-
Others	75,382	136,117	13,071	224,570	7,768	5,363	13,131
	₩ 707,135	489,639	23,062	1,219,836	78,673	74,194	152,867

(e) Significant financial transactions between the Company, excluding the controlling company, and related companies for the three-month period ended March 31, 2019 and the year ended December 31, 2018 were as follows:

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

(in millions of Won)

	Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures					
UITrans LRT Co., Ltd.	₩ 5,695	1,065	-	-	6,760
DMSA/AMSA(*1)	64,297	2,955	-	(9,279)	57,973
South-East Asia Gas Pipeline Company Ltd.	191,107	-	(11,737)	2,691	182,061
PT. Batutua Tembaga Raya	35,100	-	-	864	35,964
PT. Tanggamus Electric Power	4,423	-	-	78	4,501
PT. Wampu Electric Power	5,330	-	-	94	5,424
PT. POSMI Steel Indonesia	2,236	-	-	40	2,276
Nickel Mining Company SAS	59,664	-	-	(79)	59,585
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	6,709	-	-	118	6,827
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	3,354	-	-	59	3,413
POS-SeaAH Steel Wire (Thailand) Co., Ltd.	6,709	-	-	118	6,827
AMCI (WA) PTY LTD	90,480	581	-	1,994	93,055
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD	5,590	-	-	99	5,689
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD	8,945	-	-	157	9,102
Chun-cheon Energy Co., Ltd	-	1,941	-	-	1,941
Pos-Austem Suzhou Automobile Co., Ltd	-	5,622	-	67	5,689
	₩ 489,639	12,164	(11,737)	(2,979)	487,087

(*1) During the three-month period ended March 31, 2019, loans amounting to ₩10,284 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of March 31, 2019
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2) For the year ended December 31, 2018

<i>(in millions of Won)</i>		Beginning	Lend	Collect	Others(*2)	Ending
Associates and jointventures						
New Songdo International City Development, LLC	₩	282,775	150	(252,759)	(30,166)	-
Gail International Korea, LLC		2,000	8,500	(10,500)	-	-
UITrans LRT Co., Ltd.		-	5,695	-	-	5,695
DMSA/AMSA(*1)		69,713	9,965	(342)	(15,039)	64,297
South-East Asia Gas Pipeline Company Ltd.		229,880	-	(47,569)	8,796	191,107
PT. Batutua Tembaga Raya		29,048	4,678	-	1,374	35,100
PT. Tanggamus Electric Power		3,197	-	-	1,226	4,423
PT. Wampu Electric Power		5,107	-	-	223	5,330
PT. POSMI Steel Indonesia		4,286	-	(2,200)	150	2,236
Nickel Mining Company SAS		59,668	-	-	(4)	59,664
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		5,357	-	(5,357)	-	-
KRAKATAU POS-CHEM DONG-SUH CHEMICAL		6,428	-	-	281	6,709
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		5,357	4,451	(6,454)	-	3,354
POS-SeAH Steel Wire (Thailand) Co., Ltd.		6,428	-	-	281	6,709
AMCI (WA) PTY LTD		92,061	3,795	-	(5,376)	90,480
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD		5,357	5,564	(5,357)	26	5,590
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD		8,571	8,902	(8,571)	43	8,945
SAMHWAN VINA CO., LTD		1,071	-	(1,071)	-	-
	₩	<u>816,304</u>	<u>51,700</u>	<u>(340,180)</u>	<u>(38,185)</u>	<u>489,639</u>

(*1) During the year ended December 31, 2018, loans amounting to ₩17,559 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

(f) For the three-month periods ended March 31, 2019 and 2018, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>		March 31, 2019	March 31, 2018
Short-term benefits	₩	29,697	31,707
Long-term benefits		4,576	2,586
Retirement benefits		6,518	8,401
	₩	<u>40,791</u>	<u>42,694</u>

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2019

(Unaudited)

35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of March 31, 2019 are as follows:

(in millions of Won)		Guarantor	Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount		
					Foreign currency	Won equivalent	Foreign currency	Won equivalent	
[The Company]									
POSCO									
		POSCO Asia Co., Ltd.	BOC	USD	100,000,000	113,780	100,000,000	113,780	
		POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	166,719	131,874,750	150,045	
		POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co., Ltd.(SPC)	THB	5,501,000,000	196,551	5,501,000,000	196,551	
		POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	506,853,000	576,697	168,397,800	191,604	
		POSCO MEXICO S.A. DE C.V.	BOA and others	USD	160,000,000	182,048	160,000,000	182,048	
		POSCO SS VINA CO., LTD.	Export-Import Bank of Korea and others	USD	299,941,250	341,273	299,663,928	340,957	
		POSCO-VIETNAM Co., Ltd.	MUFG and others	USD	156,000,000	177,497	156,000,000	177,497	
		PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,536,372	1,097,236,405	1,248,437	
		POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea	USD	196,017,000	223,028	196,017,000	223,028
			POSCO INTERNATIONAL POWER(PNGLAE), Ltd	Export-Import Bank of Korea	USD	47,600,000	54,159	47,600,000	54,159
			GOLDEN LACE POSCO INTERNATIONAL CO.,LTD	Shinhan Bank	USD	9,000,000	10,240	9,000,000	10,240
			POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	14,652,750	16,672	14,652,750	16,672
			PT. Bio Inti Agrindo	KEB Bank	IDR	150,000,000,000	11,985	150,000,000,000	11,985
			POSCO DAEWOO INDIA PVT., LTD.	Export-Import Bank of Korea	USD	135,000,000	153,603	134,025,281	152,494
			Songdo Posco family Housing	Shinhan Bank	USD	149,400,000	169,987	84,053,212	95,635
				SHINYOUNG SECURITIES CO LTD	KRW	10,000	10,000	-	-
		POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea and others	USD	47,000,000	53,477	47,000,000	53,477
			POSCO Engineering and Construction India Private Limited	KEB Bank	INR	104,000,000	1,710	56,500,000	929
			PT.POSCO E&C INDONESIA	POSCO Asia Co., Ltd.	USD	10,900,000	12,402	10,900,000	12,402
			Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	163,633,000	186,182	163,633,000	186,182
			HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori bank and others	USD	148,000,000	168,394	145,000,000	164,981
			Songdo Posco family Housing	SHINYOUNG SECURITIES CO LTD	KRW	10,000	10,000	-	-
		POSCO ICT	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	1,500,000	1,707	1,500,000	1,707
		POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	PT.Krakatau Posco Chemtech Calcination	POSCO Asia Co., Ltd.	USD	15,200,000	17,295	15,200,000	17,295
		POSCO COATED & COLOR STEEL Co., Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd.	USD	13,986,947	15,914	13,986,947	15,914
		POSCO ENERGY CO., LTD	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	220,619	121,231,918	137,938
		POSCO Asia Co., Ltd.	POSCO SINGAPORE LNG TRADING PTE.LTD.	SMBC	USD	40,000,000	45,512	40,000,000	45,512
[Associates and joint ventures]									
POSCO									
		CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	392,956,955	447,105	392,956,955	447,105	
		LLP POSUK Titanium	BNDES	BRL	464,060,000	135,343	462,554,370	134,904	
		Nickel Mining Company SAS	SMBC	USD	15,000,000	17,067	15,000,000	17,067	
				EUR	46,000,000	58,763	46,000,000	58,763	
		POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	GLOBAL KOMSCO Daewoo LLC	ICBC	USD	8,225,000	9,358	8,225,000	9,358
		POSCO ENGINEERING & CONSTRUCTION CO., LTD.	UITrans LRT Co., Ltd.	Kookmin Bank and others	KRW	20,740	20,740	4,830	4,830
			New Songdo International City Development, LLC	Other	KRW	440,000	440,000	434,000	434,000
			Chun-cheon Energy Co., Ltd	Kookmin Bank and others	KRW	12,430	12,430	1,941	1,941
			Pohang E&E Co., Ltd.	Heungkuk Life Insurance	KRW	6,500	6,500	-	-
			Incheon-Gimpo Expressway Co., Ltd.	Kookmin Bank and others	KRW	28,940	28,940	-	-
			JB CLARK HILLS	Korea Investment&Securities	KRW	40,000	40,000	30,000	30,000
		POSCO ICT	Incheon-Gimpo Expressway Co., Ltd.	KDB Bank	KRW	100,000	100,000	100,000	100,000
			UITrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000	76,000
		POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	KRAKATAU POS-CHEM	KEB Bank	USD	1,140,000	1,297	696,667	793
		POSCO(Suzhou) Automotive Processing Center Co.,Ltd.	DONG-SUH CHEMICAL POS-InfraAuto (Suzhou) Co., Ltd	Export-Import Bank of Korea and others	USD	780,000	887	780,000	887
[Others]									
		POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea and others	USD	87,272,727	99,299	11,598,699	13,197
		POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Ecocity CO.,LTD and others	Kookmin Bank and others	KRW	1,771,134	1,771,134	692,876	692,876
		POSCO ICT	BLT Enterprise and others	KEB Bank and others	KRW	1,283,718	1,283,718	1,264,042	1,264,042
		POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank and others	AUD	24,808,159	19,975	24,808,159	19,975
				USD	4,410,786,129	5,018,590	3,586,230,312	4,080,411	
				KRW	3,799,462	3,799,462	2,603,689	2,603,689	
				IDR	150,000,000,000	11,985	150,000,000,000	11,985	
				INR	104,000,000	1,710	56,500,000	929	
				THB	5,501,000,000	196,551	5,501,000,000	196,551	
				EUR	46,000,000	58,763	46,000,000	58,763	
				AUD	24,808,159	19,975	24,808,159	19,975	
				BRL	464,060,000	135,343	462,554,370	134,904	

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

(b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩215,145 million as of March 31, 2019.

(c) Other commitments

Company	Description
POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of March 31, 2019, 86 million tons of iron ore and 14 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>The Company has a long-term service contract for the transportation of raw materials. As of March 31, 2019, there are 38 vessels under contract, and the average remaining contract period is about 10 years.</p> <p>As of March 31, 2019, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chenavard. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of March 31, 2019, the ending balance of the borrowing amounts to USD 1.02 million.</p> <p>POSCO has provided a supplemental funding agreement to POSCO Energy Co., Ltd., as the largest shareholder, at the request of the creditors including Norddeutsche Landesbank, to guarantee successful funding for construction of new power plant.</p> <p>POSCO has provided a supplemental funding agreement of up to 9.8 billion to Busan E&E Co., Ltd., subsidiary of the Company, as requested from the creditors including Korea Development Bank.</p> <p>POSCO has provided a supplemental funding agreement, as requested from the creditors, to push forward Suncheon Bay PRT Business of Suncheon Eco Trans Co., Ltd., subsidiary of the Company. On November 2018, creditors sued the company for subrogation based on a supplemental funding agreement. POSCO recognized the provision based on the estimate of the amount and the possibility of any outflows of resources due to the litigation.</p>
POSCO ENGINEERINGS & CONSTRUCTION CO., LTD.	<p>As of March 31, 2019, POSCO has been provided with external foreign currency guarantee of USD 718 million among the total limit of USD 2,507 million via Woori bank and others.</p> <p>The Company is responsible for 3 projects, including the development of ParkOne in Yeouido-dong. As of March 31, 2019, the outstanding amount of loans related to the responsible payment arrangement is ₩2,167.6 billion. If the responsibility is not fulfilled, there are duties such as debt acquisition and liability leases.</p>
POSCO ICT	<p>As of March 31, 2019, in relation to contract enforcement, POSCO ICT Co., Ltd. was provided with ₩139,608 million, ₩23,580 million and ₩608 million guaranties from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively.</p> <p>The Company is responsible for 21 projects, including the construction of Bundang Center. As of March 31, 2019, the outstanding amount of loans related to the responsible payment arrangement is ₩1,008 billion. If the responsibility is not fulfilled, there are duties such as compensation for principal and interest.</p>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

(d) Litigation in progress

In March 2019, regarding the Songdo International City Development Project in Incheon, NSC Investment and TGC (the "applicant") of POSCO ENGINEERING & CONSTRUCTION CO., LTD. (the "applicant" or "POSCO E&C") have applied to the International Chamber of Commerce of Singapore, and to the "ICC" for the fact that POSCO E&C's joint contract violation (approximately USD 2 billion) has applied for mediated. In addition, the applicant filed a confirmation suit with the New York Southern District Court in March 2019 against the fact that all claims listed in the above arbitration application must be settled by ICC arbitration. The claimants are seeking damages allegedly resulting from POSCO E&C's purported wrongful seizure. As of March 31, 2019, the Company believes that the applicant's claims are not legally valid and that the present obligation for the above arbitration event does not exist and therefore did not recognize a provision.

The Company is involved in 363 lawsuits and claims for alleged damages aggregating to ~~₩~~883.2 billion as defendant as of March 31, 2019, which arise from ordinary course of business. The Company has recognized provisions amounting to ~~₩~~48.7 billion for 110 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for other lawsuits and claims since the Company believes that it does not have a present obligation as of March 31, 2019.

(e) Other contingencies

Company	Description
POSCO	POSCO has provided three blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings.
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	As of March 31, 2019, POSCO INTERNATIONAL Corporation(Formerly, POSCO DAEWOO Corporation) has provided thirty-three blank promissory notes and twenty-four blank checks to Korea Energy Agency and others as collateral for the guarantee on performance for contracts and others.
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	As of March 31, 2019, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided twenty-three blank checks and four blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩9,388,847 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
POSCO ICT	As of March 31, 2019, POSCO ICT has provided two blank promissory notes and four blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2019 (Unaudited)

36. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		<u>March 31, 2019</u>	<u>March 31, 2018</u>
Trade accounts and notes receivable	₩	(593,651)	(507,799)
Other receivables		89,387	(121,176)
Inventories		338,259	(319,516)
Other current assets		(180,573)	27,776
Other non-current assets		(37,240)	(71,544)
Trade accounts and notes payable		(437,067)	52,463
Other payables		(62,899)	11,397
Other current liabilities		252,888	96,274
Provisions		(41,381)	(53,768)
Payments of severance benefits		(68,754)	(84,076)
Plan assets		45,631	64,225
Other non-current liabilities		(19,218)	25,611
	₩	<u>(714,618)</u>	<u>(880,133)</u>

37. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2018.

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(a) Information about reportable segments for the three-month periods ended March 31, 2019 and 2018 was as follows:

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

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

2) For the three-month period ended March 31, 2018

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	8,030,523	5,560,118	1,482,730	788,913	15,862,284
Internal revenues		4,477,553	3,762,180	109,059	640,289	8,989,081
Inter segment revenue		3,114,893	2,100,395	97,911	614,493	5,927,692
Total revenues		12,508,076	9,322,298	1,591,789	1,429,202	24,851,365
Segment profits		833,348	102,371	63,975	89,686	1,089,380

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the three-month periods ended March 31, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		March 31, 2019	March 31, 2018
Total profit for reportable segments	₩	835,917	1,089,380
Corporate fair value adjustments		(20,875)	(21,158)
Elimination of inter-segment profits		(36,597)	15,320
Income tax expense		368,496	399,471
Profit before income tax expense	₩	<u>1,146,941</u>	<u>1,483,013</u>

38. Events after the reporting period

Pursuant to the resolution of the Board of Directors on May 10, 2019, the Company decided to pay cash dividends of ₩2,000 per common share (total dividend: ₩160.2 billion).