

POSCO

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

(With Independent Auditors' Review Report Thereon)

Table of Contents

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

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO (the "Company"), which comprise the condensed separate interim statement of financial position as of March 31, 2019, the condensed separate 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 separate interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 1034 "Interim Financial Reporting". The Company's management is also responsible for the internal controls determined necessary to prepare condensed separate interim financial statements free of material misstatements due to error or fraud.

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
May 15, 2019

<p>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 separate interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>

POSCO

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

(in millions of Won)

	Notes	March 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	20	₩ 419,648	259,219
Trade accounts and notes receivable, net	4,14,20,25,32	4,449,073	3,968,372
Other receivables, net	5,20,32	319,343	206,432
Other short-term financial assets	6,20	7,314,439	7,025,143
Inventories	7,29	4,997,913	5,288,009
Assets held for sale	8	48,744	25,683
Other current assets	13	54,295	23,542
Total current assets		17,603,455	16,796,400
Long-term trade accounts and notes receivable, net	4,20	7,439	7,673
Other receivables, net	5,20	58,393	57,767
Other long-term financial assets	6,20	1,200,335	1,176,757
Investments in subsidiaries, associates and joint ventures	9	15,507,841	15,121,339
Investment property, net	10	162,750	108,215
Property, plant and equipment, net	11	19,952,653	20,154,334
Intangible assets, net	12	660,560	645,222
Other non-current assets	13	58,390	58,273
Total non-current assets		37,608,361	37,329,580
Total assets		₩ 55,211,816	54,125,980

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Financial Position, Continued As of March 31, 2019 and December 31, 2018 (Unaudited)

(in millions of Won)

	Notes	March 31, 2019	December 31, 2018
Liabilities			
Trade accounts and notes payable	20,32	₩ 957,202	1,106,226
Short-term borrowings			
and current installments of long-term borrowings	4,14,20	797,254	826,862
Other payables	15,20,32	1,285,307	1,072,733
Other short-term financial liabilities	16,20	12,696	12,638
Current income tax liabilities		1,037,552	803,543
Provisions	17	14,388	19,165
Other current liabilities	19,25	59,908	54,806
Total current liabilities		4,164,307	3,895,973
Long-term borrowings,			
excluding current installments	14,20	3,484,634	3,444,108
Other payables	15,20	225,639	144,343
Other long-term financial liabilities	16,20	49,403	79,936
Defined benefit liabilities, net	18	14,315	863
Deferred tax liabilities		1,163,837	1,179,672
Long-term provisions	17,33	94,326	93,719
Other non-current liabilities	19,25	14,854	15,264
Total non-current liabilities		5,047,008	4,957,905
Total liabilities		9,211,315	8,853,878
Equity			
Share capital	21	482,403	482,403
Capital surplus	21,35	1,602,845	1,154,775
Hybrid bonds	22	199,384	199,384
Reserves	23	(206,340)	(207,191)
Treasury shares	24	(1,508,303)	(1,532,728)
Retained earnings		45,430,512	45,175,459
Total equity		46,000,501	45,272,102
Total liabilities and equity		₩ 55,211,816	54,125,980

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate 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)

	Notes	March 31, 2019	March 31, 2018
Revenue	25,32	₩ 7,816,471	7,760,890
Cost of sales	7,29,32	(6,727,507)	(6,290,058)
Gross profit		1,088,964	1,470,832
Selling and administrative expenses	29,32		
Reversal of (impairment loss) on trade accounts and note receivables		4,611	(1,824)
Other administrative expenses	26	(206,820)	(220,284)
Selling expenses	26	(54,288)	(232,809)
Operating profit		832,467	1,015,915
Finance income and costs	20,27		
Finance income		293,709	223,665
Finance costs		(112,263)	(133,457)
Other non-operating income and expenses	32		
Reversal of (impairment loss) on other receivables		(132)	3,346
Other non-operating income	28	20,925	44,363
Other non-operating expenses	28,29	(112,647)	(100,684)
Profit before income tax		922,059	1,053,148
Income tax expense	30	(250,886)	(284,411)
Profit		671,173	768,737
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	18	(871)	(1,212)
Net changes in fair value of equity investments at fair value through other comprehensive income	6,20,23	(12,124)	(40,152)
Total comprehensive income		₩ 658,178	727,373
Basic and diluted earnings per share (in Won)	31	8,358	9,513

See accompanying notes to the condensed separate interim financial statements.

POSCO

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

(in millions of Won)

	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2018	₩ 482,403	1,156,429	996,919	233,390	(1,533,054)	44,605,368	45,941,455
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(883)	(883)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(321,654)	-	321,602	(52)
Adjusted balance as of January 1, 2018	482,403	1,156,429	996,919	(88,264)	(1,533,054)	44,926,087	45,940,520
Comprehensive income:							
Profit	-	-	-	-	-	768,737	768,737
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(1,212)	(1,212)
Net changes in fair value of equity investments							
at fair value through other comprehensive income, net of tax	-	-	-	(41,786)	-	1,634	(40,152)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)
Interest of hybrid bonds	-	-	-	-	-	(10,631)	(10,631)
Disposal of treasury shares	-	9	-	-	15	-	24
Balance as of March 31, 2018	₩ 482,403	1,156,438	996,919	(130,050)	(1,533,039)	45,404,616	46,377,287
Balance as of January 1, 2019	₩ 482,403	1,154,775	199,384	(207,191)	(1,532,728)	45,175,459	45,272,102
Comprehensive income:							
Profit	-	-	-	-	-	671,173	671,173
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(871)	(871)
Net changes in fair value of equity investments							
at fair value through other comprehensive income, net of tax	-	-	-	851	-	(12,975)	(12,124)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(400,006)	(400,006)
Interest of hybrid bonds	-	-	-	-	-	(2,268)	(2,268)
Disposal of treasury shares	-	12,576	-	-	24,425	-	37,001
Business combination	-	435,494	-	-	-	-	435,494
Balance as of March 31, 2019	₩ 482,403	1,602,845	199,384	(206,340)	(1,508,303)	45,430,512	46,000,501

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Cash Flows

For the three-month periods ended March 31, 2019 and 2018

(Unaudited)

(in millions of Won)

	Notes	March 31, 2019	March 31, 2018
Cash flows from operating activities			
Profit		₩ 671,173	768,737
Adjustments for :			
Expenses related to post-employment benefit		31,169	28,948
Depreciation		538,615	523,686
Amortization		19,090	16,219
Bad debt expenses		(4,479)	(1,522)
Finance income		(258,771)	(173,559)
Finance costs		81,888	102,849
Loss on valuation of inventories		1,616	1,410
Gain on disposal of property, plant and equipment		(11,489)	(3,578)
Loss on disposal of property, plant and equipment		13,115	13,543
Impairment losses on property, plant and equipment		72,814	16,264
Gain on disposal of intangible assets		-	(28,600)
Impairment losses on investments in subsidiaries, associates and joint ventures		6,435	34,207
Impairment loss on assets held for sale		2,507	3,034
Increase to Provisions		795	42,028
Income tax expense		250,886	284,411
Others		(2,344)	123
Changes in operating assets and liabilities	34	(527,474)	(341,734)
Interest received		33,004	29,977
Interest paid		(26,082)	(13,918)
Dividends received		23,907	27,549
Income taxes paid		(19,160)	(4,967)
Net cash provided by operating activities		₩ 897,215	1,325,107

See accompanying notes to the condensed separate interim financial statements.

POSCO

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

(in millions of Won)

	Notes	March 31, 2019	March 31, 2018
Cash flows from investing activities			
Decrease in deposits	₩	714,200	434,811
Proceeds from disposal of short-term financial instruments		6,187,492	5,811,196
Proceeds from disposal of equity securities		1,285	1,902
Proceeds from disposal of other securities		-	1,379
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		4,055	-
Proceeds from disposal of property, plant and equipment		4,436	-
Proceeds from business combination		2,171	-
Increase in deposits		(932,882)	(782,614)
Acquisition of short-term financial investments		(6,046,068)	(6,395,350)
Payment of short-term borrowings		-	(2,950)
Acquisition of debt securities		(190,000)	(186)
Acquisition of other securities		(110)	-
Acquisition of investment in subsidiaries, associates and joint ventures		(40,469)	(3,975)
Acquisition of property, plant and equipment		(342,131)	(372,762)
Proceeds from disposal of property, plant and equipment		-	(1,876)
Acquisition of intangible assets		(63,552)	(11,425)
Net cash used in investing activities	₩	(701,573)	(1,321,850)
Cash flows from financing activities			
Proceeds from borrowings		-	91,426
Increase in long-term financial liabilities		2,116	78
Proceeds from disposals of derivatives		4,515	-
Repayment of borrowings		(29,923)	(1,590)
Decrease in long-term financial liabilities		(10,021)	(2,537)
Payment of cash dividends		(15)	(9)
Payment of interest of hybrid bonds		(2,268)	(10,751)
Net cash provided by (used in) financing activities	₩	(35,596)	76,617
Effect of exchange rate fluctuation on cash held		383	-
Net increase in cash and cash equivalents		160,429	79,874
Cash and cash equivalents at beginning of the period		259,219	332,405
Cash and cash equivalents at end of the period	₩	419,648	412,279

See accompanying notes to the condensed separate interim financial statements.

POSCO

Notes to the Condensed Separate Interim Financial Statements

As of March 31, 2019

(Unaudited)

1. Reporting Entity

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

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

As of March 31, 2019, the shares of the Company are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

2. Statement of Compliance

Statement of compliance

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

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

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

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 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.

POSCO

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

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.

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 20.

POSCO

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

3. Summary of Significant Accounting Policies

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

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.

POSCO

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

(b) As a lessee

The Company leases many assets, including 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.

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 separate 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)	Buildings	Structure	Machinery and equipment	Vehicles	Furniture, fixtures and others	Total
The date of initial application (January 1, 2019)	₩ 78,384	53,761	65,698	7,256	66,312	271,411
March 31, 2019	76,768	53,761	64,323	7,131	61,045	262,321

(*1) Leases classified as a finance lease under with K-IFRS No. 1017 "Leases" at the end of the 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.

POSCO

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

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.

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.

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".

Accordingly, the Company did not make any adjustments to leases for which the Company is a lessor as of January 1, 2019, the date of initial application.

POSCO

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

(d) Impact on financial statements

The Company recognized additional right-of-use assets 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:

		The date of initial application (January 1, 2019)
<i>(in millions of Won)</i>		
Separate statements of financial position		
Right-of-use assets presented as property, plant and equipment	₩	128,610
Lease liabilities		128,610

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 2.1 ~ 2.6%. The carrying amount of lease liabilities as of January 1, 2019, the date of initial application, is as follow:

		The date of initial application (January 1, 2019)
<i>(in millions of Won)</i>		
Operating lease commitments as of December 31, 2018	₩	153,666
Operating lease commitments not recognized as lease liabilities		(17,003)
- Leases of low-value assets		(16,028)
- Leases with less than 12 months of lease term at transition		(975)
Operating lease commitments recognized as lease liabilities		136,663
Amount discounted using the incremental borrowing rate as of January 1, 2019, the date of initial application		128,610
Finance lease liabilities recognized as of December 31, 2018		141,762
Lease liabilities as of January 1, 2019, the date of initial application		270,372

As of March 31, 2019, the Company recognized ₩122,108 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 ₩6,266 million and interest expenses amounted to ₩777 million during the three-month period ended March 31, 2019.

POSCO

Notes to the Condensed Separate 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>		March 31, 2019	December 31, 2018
Current			
Trade accounts and notes receivable	₩	4,461,891	3,989,699
Less: Allowance for doubtful accounts		(12,818)	(21,327)
	₩	<u>4,449,073</u>	<u>3,968,372</u>
Non-current			
Trade accounts and notes receivable	₩	11,619	11,904
Less: Present value discount		(2,983)	(2,983)
Less: Allowance for doubtful accounts		(1,197)	(1,248)
	₩	<u>7,439</u>	<u>7,673</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩147,288 million and ₩176,612 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(Note 14).

5. Other Receivables

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

<i>(in millions of Won)</i>		March 31, 2019	December 31,
Current			
Loans	₩	2,950	2,950
Other accounts receivable		291,824	186,951
Others		32,511	25,065
Less: Allowance for doubtful accounts		(7,942)	(8,534)
	₩	<u>319,343</u>	<u>206,432</u>
Non-current			
Loans	₩	27,326	26,335
Long-term other accounts receivable		36,499	36,832
Others		3,300	2,915
Less: Allowance for doubtful accounts		(8,732)	(8,315)
	₩	<u>58,393</u>	<u>57,767</u>

POSCO

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

6. Other Financial Assets

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

(in millions of Won)

		March 31, 2019	December 31, 2018
Current			
Debt securities	₩	190,059	21
Deposit instrument(*1)		1,467,398	1,248,715
Short-term financial instruments		5,656,982	5,776,407
	₩	<u>7,314,439</u>	<u>7,025,143</u>
Non-current			
Long-term derivative assets	₩	24,592	1,265
Equity securities		1,103,752	1,104,092
Debt securities		9,629	9,667
Other securities		62,328	61,701
Deposit instrument(*2)		34	32
	₩	<u>1,200,335</u>	<u>1,176,757</u>

(*1) As of March 31, 2019 and December 31, 2018, ₩4,398 million and ₩5,715 million, respectively, are restricted in relation to government assigned project.

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

(b) Equity securities as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

				March 31, 2019		December 31, 2018	
	Number of shares	Ownership (%)		Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value
Marketable equity securities							
Nippon Steel & Sumitomo Metal Corporation	15,698,500	1.65	₩	473,962	315,411	(158,551)	315,411
KB Financial group Inc.	3,863,520	0.92		178,839	161,688	(17,151)	161,688
Woori Bank	20,280,000	3.00		244,447	278,850	34,403	278,850
DONGKUK STEEL MLL CO., LTD	1,786,827	1.87		10,471	13,169	2,698	13,169
SAMWONSTEEL Co., Ltd.	5,700,000	14.25		8,930	17,186	8,256	17,186
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82		11,911	7,052	(4,859)	7,052
Others (7 companies)				58,917	42,614	(16,303)	42,614
				<u>987,477</u>	<u>835,970</u>	<u>(151,507)</u>	<u>835,970</u>
Non-marketable equity securities							
Congonhas Mnerios S.A.(*1)	3,658,394	2.02		221,535	203,787	(17,748)	203,787
Korea Nickel CO.LTD	75,600	14.00		10,194	10,194	-	10,194
Poongsan Special Metal Corp.	315,790	5.00		7,657	7,657	-	7,657
HANKUMCO.LTD	21,000	4.99		4,599	4,599	-	4,599
Core-Industry Co., Ltd.	490,000	19.84		4,214	4,214	-	4,214
AJSTEEL CO.,LTD	17,000	4.36		4,165	4,165	-	4,165
Others (37 companies)				148,518	33,166	(115,352)	33,166
				<u>400,882</u>	<u>267,782</u>	<u>(133,100)</u>	<u>267,782</u>
			₩	<u>1,388,359</u>	<u>1,103,752</u>	<u>(284,607)</u>	<u>1,103,752</u>
							<u>1,104,092</u>

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

POSCO

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

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	₩	920,541	1,146,961
Semi-finished goods		1,341,482	1,343,877
By-products		5,722	6,166
Raw materials		1,208,945	1,130,000
Fuel and materials		584,218	552,270
Materials-in-transit		938,097	1,120,349
Others		524	555
		4,999,529	5,300,178
Less: Allowance for inventories valuation		(1,616)	(12,169)
	₩	<u>4,997,913</u>	<u>5,288,009</u>

The amounts of loss valuation on inventories recognized within cost of sales during the three-month period ended March 31, 2019 and the year ended December 31, 2018 were ₩1,616 million and ₩12,169 million, respectively.

8. Assets Held for Sale

Assets held for sale as of March 31, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>		March 31, 2019	December 31, 2018
Investments in subsidiaries(*1,2)	₩	48,744	25,683

(*1) During the year ended December 31, 2017, the Company determined to dispose part of the interest of POSCO Thainox Public Company Limited, subsidiary of the Company, and classified investments in subsidiaries as assets held for sale. The Company recognized ₩1,613 million of impairment loss from the difference between book value and net fair value of the interest, and finished disposal for part of it.

(*2) During the three-month period ended March 31, 2019, the Company determined to dispose 87.04% of the interest in POSCO(Guangdong) Coated Steel Co., Ltd., subsidiary of the Company to Jiangsu Wcan Technology Co., Ltd. and classified investments in subsidiaries as assets held for sale.

POSCO

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

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying values as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

(in millions of Won)					December 31,	
	Country	Principal operations	March 31, 2019		2018	
			Ownership (%)	Book value	Book value	
[Domestic]						
POSCO INTERNATIONAL (Formerly, POSCO DAEWOO Corporation)(*1)	Korea	Trading	62.90	₩ 3,407,448	3,407,110	
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	Korea	Engineering and construction	52.80	1,014,314	1,014,314	
POSCO ENERGY CO., LTD.	Korea	Power generation	89.02	658,176	658,176	
POSCO Processing&Service(*2)	Korea	Steel sales and trading	-	-	385,995	
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	56.87	108,421	108,421	
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780	
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)(*3)	Korea	Refractory manufacturing and sales	60.00	100,535	100,535	
POSCO ES MATERIALS CO., LTD.	Korea	Secondary battery active material manufacturing and sales	90.00	107,096	107,096	
POSCO O&MCo., Ltd(Formerly, POSMATE)(*4,5)	Korea	Business facility maintenance	47.17	73,374	73,374	
POSCO ICT	Korea	Computer hardware and software distribution	65.38	70,990	70,990	
POSCO MTECH(*5)	Korea	Packing materials manufacturing and sales	48.85	107,278	107,278	
POSCO Family Strategy Fund	Korea	Investment in venture companies	69.91	29,596	32,457	
Busan E&E Co., Ltd.(*6)	Korea	Municipal solid waste fuel and power generation	70.00	30,148	30,148	
Others (9 companies)				102,274	101,774	
				5,913,430	6,301,448	
[Foreign]						
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	813,431	813,431	
POSCO WAPTY LTD	Australia	Iron ore sales and mine development	100.00	636,384	635,736	
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	722,569	722,569	
POSCO Canada Ltd.(*2)	Canada	Coal mine development	100.00	587,883	-	
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	100.00	330,623	330,623	
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	58.60	283,845	283,845	
POSCO Thainox Public Company Limited	Thailand	Stainless steel manufacturing and sales	84.44	416,612	416,612	
POSCO-China Holding Corp.	China	Investment management	100.00	593,841	593,841	
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99	75,567	75,567	
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	83.28	180,072	180,072	
POSCO America Corporation	USA	Steel trading	99.45	192,156	192,156	
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	160,572	160,572	
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65	144,573	144,573	
POSCO(Guangdong) Automotive Steel Co., Ltd.	China	Plate steel manufacturing and sales	83.64	130,751	130,751	
POSCO COATED STEEL (THAILAND) CO., LTD.	Thailand	Plate steel manufacturing and sales	100.00	121,592	121,592	
POSCO Asia Co., Ltd.	Hong Kong	Steel and raw material trading	100.00	117,710	117,710	
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00	92,800	92,800	
POSCO JAPAN Co., Ltd.	Japan	Steel trading	100.00	68,436	68,436	
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing	70.00	65,982	65,982	
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	90.00	62,494	62,494	
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mne development	100.00	50,297	50,297	
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79	45,479	45,479	
POSCO(Guangdong) Coated Steel Co., Ltd.(*7)	China	Plate steel sheet manufacturing and sales	87.04	-	31,299	
POSCO Argentina S.A.U.	Argentina	Mnral exploration, manufacturing and sale	100.00	365,995	349,097	
Others (33 companies)(*2)				492,006	406,124	
				6,751,670	6,091,658	
			₩	12,665,100	12,393,106	

(*1) During the three-month period ended March 31, 2019, POSCO DAEWOO Corporation changed its name to POSCO INTERNATIONAL.

(*2) During the three-month period ended March 31, 2019, the Company merged with POSCO Processing&Service, and Subsidiaries owned by POSCO Processing&Service such as POSCO Canada Ltd., were newly added.

(*3) During the three-month period ended March 31, 2019, POSCO CHEMTECH changed its name to POSCO CHEMICAL Co., Ltd.

POSCO

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

- (*4) During the three-month period ended March 31, 2019, POSMATE changed its name to POSCO O&M Co., Ltd.
- (*5) The Company classified POSCO M-TECH and POSCO O&M Co., Ltd. as a subsidiary investment in consideration of additional facts and circumstances, such as the relative size of the voting rights held by the Company and the degree of diversification of other voting rights holders, although the Company holds less than half of the voting rights of POSCO M-TECH and POSCO O&M Co., Ltd.
- (*6) As of March 31, 2019 and December 31, 2018 the investments in a subsidiary amounting to ₩30,148 million were provided as collateral in relation to the loan agreements of Busan E&E Co., Ltd.
- (*7) POSCO (Guangdong) Coated Steel Co., Ltd., which is under circumstance of disposal during three-month period ended March 31, 2019, was reclassified as assets held for sale, and impairment losses recorded by the difference between the value of held for sale and the book value, amounting to ₩6,435 million.

- (b) Details of associates and carrying values as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

(in millions of Won)

			March 31, 2019		December 31, 2018
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF	Korea	Mine investment	29.63	₩ 169,316	169,316
SNNC	Korea	STS material manufacturing and sales	49.00	100,655	100,655
QSONE Co.,Ltd.(*1)	Korea	Real estate rental business	50.00	85,550	-
Others (7 companies)(*1)				22,468	19,052
				377,989	289,023
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
7623704 Canada Inc.(*2)	Canada	Mine investment	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (6 companies)(*1)				43,108	20,530
				367,649	345,071
				₩ 745,638	634,094

- (*1) During the three-month period ended March 31, 2019, the Company merged with POSCO Processing&Service and affiliated companies were newly added, such as QSONE Co., Ltd., owned by POSCO Processing&Service.
- (*2) As of March 31, 2019, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

POSCO

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

(c) Details of joint ventures and carrying amounts as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	Country	Principal operations	March 31, 2019		December 31, 2018
			Ownership (%)	Book value	Book value
Roy Hill Holdings Pty Ltd(*1)	Australia	Mine development	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem	Brazil	Steel manufacturing and sales	20.00	335,585	336,600
POSCO-NPS Niobium LLC	USA	Mine development	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
Others (3 companies)				72,483	68,504
				₩ 2,097,103	2,094,139

(*1) As of March 31, 2019 and December 31, 2018, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to loans from project financing of Roy Hill Holdings Pty Ltd.

10. Investment Property, Net

Changes in the carrying amount of investment property for the 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

		Business				Ending
		Beginning	Combination(*1)	Depreciation(*2)	Transfer(*3)	
Land	₩	44,637	41,195	-	6,794	92,626
Buildings		54,277	25	(1,033)	7,153	60,422
Structures		9,301	-	(157)	558	9,702
	₩	108,215	41,220	(1,190)	14,505	162,750

(*1) This increases was due to business combination with POSCO Processing&Service.

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

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

(b) For the year ended December 31, 2018

		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	38,035	-	6,602	44,637
Buildings		49,793	(3,715)	8,199	54,277
Structures		9,479	(596)	418	9,301
	₩	97,307	(4,311)	15,219	108,215

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

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

POSCO

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

11. 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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*3)	Ending
Land	₩	1,458,632	-	(1,033)	-	-	(6,251)	1,451,348
Buildings		2,199,429	866	(1,456)	(50,556)	(2,113)	12,230	2,158,400
Structures		2,244,099	1,500	(556)	(46,032)	(4,722)	14,155	2,208,444
Machinery and equipment		12,911,467	7,195	(3,225)	(425,462)	(65,842)	203,702	12,627,835
Vehicles		7,340	117	-	(1,364)	-	1,586	7,679
Tools		23,864	339	(1)	(2,812)	-	522	21,912
Furniture and fixtures		36,287	276	(5)	(2,345)	(137)	1,380	35,456
Lease assets(*2)		142,801	-	-	(8,854)	-	128,374	262,321
Construction-in-progress		1,130,415	293,665	-	-	-	(244,822)	1,179,258
	₩	<u>20,154,334</u>	<u>303,958</u>	<u>(6,276)</u>	<u>(537,425)</u>	<u>(72,814)</u>	<u>110,876</u>	<u>19,952,653</u>

(*1) The Company has recognized an impairment loss since recoverable amount on CEM factory is less than its carrying amount for the three-month period ended March 31, 2019.

(*2) On the date of initial application of K-IFRS No.1116 (January 1, 2019), recognition of ₩128,610 million of right-of-use assets is presented in others.

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

(b) For the year ended December 31, 2018

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1,2)	Others(*3)	Ending
Land	₩	1,474,993	-	(9,763)	-	-	(6,598)	1,458,632
Buildings		2,334,399	11,743	(10,586)	(207,946)	(633)	72,452	2,199,429
Structures		2,352,008	9,837	(1,469)	(187,572)	(3,868)	75,163	2,244,099
Machinery and equipment		13,437,338	64,645	(47,128)	(1,677,476)	(88,642)	1,222,730	12,911,467
Vehicles		7,047	412	-	(5,197)	-	5,078	7,340
Tools		21,115	6,076	(3)	(10,785)	-	7,461	23,864
Furniture and fixtures		31,050	1,708	(39)	(8,231)	(7)	11,806	36,287
Lease assets		72,105	81,048	-	(10,352)	-	-	142,801
Construction-in-progress		1,831,215	1,608,023	-	-	(846,401)	(1,462,422)	1,130,415
	₩	<u>21,561,270</u>	<u>1,783,492</u>	<u>(68,988)</u>	<u>(2,107,559)</u>	<u>(939,551)</u>	<u>(74,330)</u>	<u>20,154,334</u>

(*1) During 2018, the 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 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 ₩180,238 million are expected to be re-used in other facilities of the 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

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

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 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 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 ₩877,764 million in connection with the property, plant and equipment in the SNG facility.

- (*2) The Company has recognized ₩61,787 million of impairment losses since recoverable amount on Strip Casting facilities was less than their carrying amount for the year ended December 31, 2018.
- (*3) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, assets transferred to investment property, assets transferred from assets held-for-sale, and others.

12. Intangible Assets, Net

Changes in the carrying amount of 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	Reversal of impairment	Transfer(*2)	Ending
Intellectual property rights	₩ 24,377	-	(54)	(1,344)	-	1,246	24,225
Membership(*1)	73,183	9,204	-	-	276	-	82,663
Development expense	91,758	749	-	(10,187)	-	3,068	85,388
Port facilities usage rights	305,710	-	-	(5,784)	-	-	299,926
Construction-in-progress	58,561	23,860	-	-	-	(3,921)	78,500
Other intangible assets	91,633	-	-	(1,775)	-	-	89,858
	₩ 645,222	33,813	(54)	(19,090)	276	393	660,560

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

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

POSCO

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

(b) For the year ended December 31, 2018

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩	24,177	-	(401)	(5,041)	-	5,642	24,377
Membership(*1)		48,277	26,869	(573)	-	(1,007)	(383)	73,183
Development expense		74,805	1,901	-	(33,997)	-	49,049	91,758
Port facilities usage rights		310,039	-	-	(23,001)	-	18,672	305,710
Construction-in-progress		55,292	59,257	-	-	-	(55,988)	58,561
Other intangible assets		15,484	75,676	-	(7,062)	(10)	7,545	91,633
	₩	<u>528,074</u>	<u>163,703</u>	<u>(974)</u>	<u>(69,101)</u>	<u>(1,017)</u>	<u>24,537</u>	<u>645,222</u>

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

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

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

13. Other Assets

Other 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			
Advance payments	₩	4,142	4,157
Prepaid expenses		<u>50,154</u>	<u>19,385</u>
	₩	<u>54,296</u>	<u>23,542</u>
Non-current			
Long-term prepaid expenses	₩	5,213	5,089
Others(*1)		<u>53,177</u>	<u>53,185</u>
	₩	<u>58,390</u>	<u>58,274</u>

(*1) As of March 31, 2019 and December 31, 2018, the Company recognized tax assets amounting to ₩50,112 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 and claim for rectification are finalized.

POSCO

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

14. Borrowings

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

(in millions of Won)

		March 31, 2019	December 31, 2018
Short-term borrowings			
Short-term borrowings	₩	447,288	476,612
Current portion of long-term borrowings		-	375
Current portion of debentures		350,000	350,000
Less: Current portion of discount on debentures issued		(34)	(125)
	₩	<u>797,254</u>	<u>826,862</u>
Long-term borrowings			
Long-term borrowings	₩	1,161	1,141
Debentures		3,496,056	3,456,367
Less: Discount on debentures issued		(12,583)	(13,400)
	₩	<u>3,484,634</u>	<u>3,444,108</u>

(b) Short-term borrowings as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	March 31, 2019	December 31, 2018
Short-term borrowings	Korea Development Bank	2018.12.11	2019.05.11	2.26	₩ 300,000	300,000
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	147,288	176,612
					<u>₩ 447,288</u>	<u>476,612</u>

(c) Current portion of long-term borrowings as of March 31, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	March 31, 2019	December 31, 2018
Borrowings	Woori Bank	-	-	-	₩ -	375
Debentures	Domestic debentures 307-1 and other	2016.05.03	2019.05.03	1.76	349,966	349,875
					<u>₩ 349,966</u>	<u>350,250</u>

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

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	March 31, 2019	December 31, 2018
Foreign borrowings	KOREA ENERGY AGENCY	2007.12.27~ 2008.12.29	2022.12.29	3 year Government bond	₩ 1,161	1,141
Debentures	Domestic debentures 304-2 and others	2011.11.28~ 2018.07.05	2020.10.04~ 2023.10.04	1.88~4.12	1,177,872	1,177,704
Foreign debentures	Japan Yen private bond and others	2010.10.28~ 2018.08.01	2020.10.28~ 2023.08.01	2.70~5.25	2,305,601	2,265,263
					<u>₩ 3,484,634</u>	<u>3,444,108</u>

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

15. Other Payables

Other payables 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			
Accounts payable	₩	366,632	590,424
Accrued expenses		441,826	434,379
Dividend payable		402,757	2,764
Lease liabilities (*1)		38,316	10,116
Withholdings		35,776	35,050
	₩	<u>1,285,307</u>	<u>1,072,733</u>
Non-current			
Long-term accrued expenses	₩	613	10,964
Lease liabilities (*1)		221,995	131,646
Long-term withholdings		3,031	1,733
	₩	<u>225,639</u>	<u>144,343</u>

(*1) As of March 31, 2019, the Company recognized lease liabilities of ₩120,933 million on the initial application of K-IFRS No. 1116 "Leases".

16. Other Financial Liabilities

Other financial liabilities 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			
Financial guarantee liabilities	₩	12,696	12,638
Non-current			
Derivative liabilities	₩	8,094	34,743
Financial guarantee liabilities		41,309	45,193
	₩	<u>49,403</u>	<u>79,936</u>

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

17. 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(*1,2) ₩	5,205	34,565	9,786	26,963
Provision for restoration(*3)	8,930	18,971	9,379	20,324
Provision for legal contingencies and claims(*4)	253	40,790	-	46,432
₩	14,388	94,326	19,165	93,719

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

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

(*3) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery as provisions for restoration as of 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 discount rates of 1.99~2.11% to assess present value of these costs.

(*4) The Company has recognized provisions for certain litigations and other contingencies for the year ended March 31, 2019.

(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	Reversal	Utilization	Transfer	Ending
Provision for bonus payments ₩	36,749	3,686	-	(8,267)	7,602	39,770
Provision for restoration	29,703	534	(277)	(2,059)	-	27,901
Provision for legal contingencies and claims	46,432	537	-	(5,926)	-	41,043
₩	112,884	4,757	(277)	(16,252)	7,602	108,714

2) For the year ended December 31, 2018

(in millions of Won)

	Beginning	Increase	Utilization	Ending
Provision for bonus payments ₩	5,893	45,827	(14,971)	36,749
Provision for restoration	29,471	9,097	(8,865)	29,703
Provision for legal contingencies and claims	2,052	44,380	-	46,432
₩	37,416	99,304	(23,836)	112,884

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

18. Employee Benefits

(a) Defined contribution plans

The expense 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>		March 31, 2019	March 31, 2018
Expense related to post-employment benefit plans under defined contribution plans	₩	9,106	7,285

(b) Defined benefit plans

- 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>		March 31, 2019	December 31, 2018
Present value of funded obligations	₩	1,267,586	1,265,675
Fair value of plan assets		(1,253,271)	(1,264,812)
Net defined benefit liabilities	₩	14,315	863

- 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	₩	1,265,675	1,108,876
Current service costs		31,364	111,033
Interest costs		7,892	33,757
Remeasurement(*1)		-	132,868
Amount Transferred From Associate		-	241
Benefits paid		(37,345)	(121,100)
Defined benefit obligation at the end of period	₩	1,267,586	1,265,675

(*1) The Company do not remeasure the defined benefit plans for the purpose of interim reporting, and there are no remeasurements of the defined benefit plans.

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

3) Changes in the 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	₩	1,264,812	1,108,833
Interest on plan assets		8,087	33,756
Remeasurement of plan assets		(1,201)	(13,416)
Contributions to plan assets		-	240,440
Business combination		353	-
Benefits paid		(18,780)	(104,801)
Fair value of plan assets at the end of period	₩	<u>1,253,271</u>	<u>1,264,812</u>

4) The amounts recognized in the 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	₩	31,364	29,411
Net interest costs		(195)	(463)
	₩	<u>31,169</u>	<u>28,948</u>

19. Other Liabilities

Other liabilities 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			
Advances received	₩	7,420	9,902
Withholdings		25,448	25,034
Unearned revenue		27,041	19,870
	₩	<u>59,909</u>	<u>54,806</u>
Non-current			
Unearned revenue	₩	14,855	15,264

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

20. Financial Instruments

(a) Classification and fair value of financial instruments

- 1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of March 31, 2019 and December 31, 2018 are as follows

① March 31, 2019

(in millions of Won)		Fair value				
		Book value	Level 1	Level 2	Level 3	Total
Financial assets						
Fair value through profit or loss						
Derivative assets held for trading	₩	24,592	-	24,592	-	24,592
Short-term financial instruments		5,656,982	-	5,656,982	-	5,656,982
Debt securities		8,050	-	-	8,050	8,050
Other marketable securities		62,328	-	-	62,328	62,328
Other receivables		2,000	-	-	2,000	2,000
Fair value through other comprehensive income						
Equity securities		1,103,752	835,970	-	267,782	1,103,752
Debt securities		141,638	-	-	141,638	141,638
Financial assets measured at amortized cost(*1)						
Cash and cash equivalents		419,648	-	-	-	-
Trade accounts and notes receivable		4,445,319	-	-	-	-
Other receivables		238,374	-	-	-	-
Debt securities		50,000	-	-	-	-
Cash deposits		1,467,431	-	-	-	-
	₩	13,620,114	835,970	5,681,574	481,798	6,999,342
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities	₩	8,094	-	8,094	-	8,094
Financial liabilities measured at amortized cost(*1)						
Trade accounts and notes payable		957,202	-	-	-	-
Borrowings		4,281,888	-	4,464,919	-	4,464,919
Financial guarantee liabilities		54,005	-	-	-	-
Others		1,128,418	-	-	-	-
	₩	6,429,607	-	4,473,013	-	4,473,013

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

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

② December 31, 2018

(in millions of Won)		Fair value				
		Book value	Level 1	Level 2	Level 3	Total
Financial assets						
Fair value through profit or loss						
Derivative assets held for trading	₩	1,265	-	1,265	-	1,265
Short-term financial instruments		5,776,407	-	5,776,407	-	5,776,407
Debt securities		8,050	-	-	8,050	8,050
Other marketable securities		61,701	-	-	61,701	61,701
Other receivables		2,000	-	-	2,000	2,000
Fair value through other comprehensive income						
Equity securities		1,104,092	874,772	-	229,320	1,104,092
Debt securities		1,638	-	-	1,638	1,638
Financial assets measured at amortized cost(*1)						
Cash and cash equivalents		259,219	-	-	-	-
Trade accounts and notes receivable		3,967,091	-	-	-	-
Other receivables		158,256	-	-	-	-
Cash deposits		1,248,747	-	-	-	-
	₩	12,588,466	874,772	5,777,672	302,709	6,955,153
Financial liabilities						
Fair value through profit or loss						
Derivative liabilities	₩	34,743	-	34,743	-	34,743
Financial liabilities measured at amortized cost(*1)						
Trade accounts and notes payable		1,106,226	-	-	-	-
Borrowings		4,270,970	-	4,398,178	-	4,398,178
Financial guarantee liabilities		57,831	-	-	-	-
Others		1,206,529	-	-	-	-
	₩	6,676,299	-	4,432,921	-	4,432,921

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

POSCO

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

- 2) Financial liabilities were recognized in connection with financial guarantee contracts as of March 31, 2019. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount	
		Foreign currency	Won equivalent	Foreign currency	Won equivalent
POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea	USD	180,000,000		204,804
	HSBC	USD	80,000,000		91,024
	DBS	USD	100,000,000		113,780
	SCB	USD	66,853,000		76,065
	ING	USD	50,000,000		56,890
	Citi	USD	30,000,000		34,134
POSCO ASSAN TST STEEL INDUSTRY	SMBC	USD	62,527,500		71,144
	ING	USD	60,000,000		68,268
	BNP	USD	24,000,000		27,307
POSCO Asia Co., Ltd.	BOC	USD	50,000,000		56,890
	Credit Agricole	USD	50,000,000		56,890
POSCO MEXICO S.A. DE C.V	SMBC	USD	40,000,000		45,512
	CITI BANAMEX	USD	40,000,000		45,512
	BOA	USD	30,000,000		34,134
	BTMU	USD	30,000,000		34,134
POSCO SS VINA Co., Ltd.	ING	USD	20,000,000		22,756
	HSBC	USD	100,000,000		113,780
	ANZ	USD	100,000,000		113,780
	Credit Agricole	USD	50,000,000		56,890
	SMBC	USD	48,000,000		54,614
POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	1,941,250		2,209
	SMBC	USD	50,000,000		56,890
	Credit Agricole	USD	40,000,000		45,512
	BTMU	USD	26,000,000		29,583
	Citi	USD	20,000,000		22,756
PT. KRAKATAU POSCO	MIZUHO	USD	20,000,000		22,756
	Export-Import Bank of Korea	USD	567,000,000		645,133
	SMBC	USD	140,000,000		159,292
	BTMU	USD	119,000,000		135,398
	SCB	USD	107,800,000		122,655
	MIZUHO	USD	105,000,000		119,469
	Credit Suisse AG	USD	91,000,000		103,540
	HSBC	USD	91,000,000		103,540
	ANZ	USD	73,500,000		83,628
	BOA	USD	35,000,000		39,823
POSCO COATED STEEL (THAILAND) CO., LTD. LLP POSUK Titanium CSP - Companhia Siderurgica do Pecem	The Tokyo Star Bank, Ltd	USD	21,000,000		23,894
	The Great & Co.	THB	5,501,000,000		196,551
	SMBC	USD	15,000,000		17,067
	Export-Import Bank of Korea	USD	171,344,336		194,956
	Santander	USD	44,322,524		50,430
	BNP	USD	44,322,524		50,430
	MIZUHO	USD	44,322,524		50,430
	Credit Agricole	USD	18,622,913		21,189
	SOCIETE GENERALE	USD	18,622,913		21,189
	K&W	USD	18,622,913		21,189
	BBVA Seoul	USD	16,388,154		18,646
	ING	USD	16,388,154		18,646
	BNDES	BRL	464,060,000		135,343
	SMBC	EUR	46,000,000		58,763
Nickel Mining Company SAS		USD	3,127,578,705		3,558,558
		EUR	46,000,000		58,763
		THB	5,501,000,000		196,551
		BRL	464,060,000		135,343

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

3) 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)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Gain and loss on valuation	Others	
Financial assets at fair value through profit or loss	₩	33,453	-	-	-	19,362	-	52,815
Financial assets at fair value through other comprehensive income		-	27,787	-	-	-	-	27,787
Financial assets measured at amortized cost		7,533	-	50,800	-	-	-	58,333
Financial liabilities at fair value through profit or loss		-	-	-	19	35,628	-	35,647
Financial liabilities measured at amortized cost		(36,912)	-	(57,968)	-	-	2,310	(92,570)
	₩	4,074	27,787	(7,168)	19	54,990	2,310	82,012
								(12,124)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩99,435 million for the three-month period ended March 31, 2019.

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

(in millions of Won)

		Finance income and costs						Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩	32,040	-	-	18,454	-	50,494	-
Financial assets at fair value through other comprehensive income		-	25,763	-	-	-	25,763	(40,152)
Financial assets measured at amortized cost		3,630	-	2,018	-	-	5,648	-
Financial liabilities at fair value through profit or loss		-	-	-	(23,560)	-	(23,560)	-
Financial liabilities measured at amortized cost		(30,361)	-	(16,032)	-	2,710	(43,683)	-
	₩	5,309	25,763	(14,014)	(5,106)	2,710	14,662	(40,152)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩75,546 million for the three-month period ended March 31, 2018.

(b) Financial risk management

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

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

21. Share Capital and Capital Surplus

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

<i>(in Won, except per share information)</i>	March 31, 2019	December 31, 2018
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 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>	March 31, 2019	December 31, 2018
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	796,623	784,047
Loss from merger	344,184	(91,310)
Loss on disposals of Hybrid bonds	(1,787)	(1,787)
	<u>₩ 1,602,845</u>	<u>1,154,775</u>

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

22. Hybrid Bonds

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

(in millions of Won)

	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Rate of Interest (%)</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 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 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 ₩ 479 million.

23. Reserves

Reserves 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>
Changes in fair value of equity investments			
at fair value through other comprehensive income	₩	(206,340)	(207,191)

24. 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.

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

25. Revenue

(a) Details of revenue

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:

<i>(in millions of Won)</i>		March 31, 2019	March 31, 2018
Types of revenue			
Sales of steel product	₩	7,549,968	7,532,616
Transportation services		196,671	172,655
Others		69,832	55,619
	₩	<u>7,816,471</u>	<u>7,760,890</u>
Timing of revenue recognition			
Revenue recognized at a point in time	₩	7,602,424	7,575,043
Revenue recognized over time		214,047	185,847
	₩	<u>7,816,471</u>	<u>7,760,890</u>

(b) Contract assets and liabilities

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

<i>(in millions of Won)</i>		March 31, 2019	December 31, 2018
Receivables			
Account receivables	₩	4,445,319	3,967,091
Contract assets			
Account receivables		11,191	8,954
Contract liabilities			
Advance received		7,420	9,902
Unearned income		41,896	34,480

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

26. 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	₩ 57,234	67,935
Expenses related to post-employment benefits	9,287	9,577
Other employee benefits	13,326	15,320
Travel	3,035	2,628
Depreciation	6,476	3,835
Amortization	9,143	6,998
Rental	8,943	13,221
Repairs	2,472	3,058
Advertising	13,639	25,950
Research & development	23,009	16,427
Service fees	41,580	40,181
Supplies expense	2,506	911
Vehicles maintenance	1,302	25
Industry association fee	1,723	1,774
Training	5,535	4,067
Conference	1,495	1,324
Others	6,115	7,053
	<u>₩ 206,820</u>	<u>220,284</u>

(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)	₩ 33,708	211,839
Operating expenses for distribution center	2,356	2,400
Sales commissions	15,566	15,588
Sales advertising	133	455
Sales promotion	1,003	1,050
Sample	214	403
Sales insurance premium	1,308	1,074
	<u>₩ 54,288</u>	<u>232,809</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 expenses to cost of sales. In addition, during the three-month period ended March 31, 2018, the selling expenses included ₩179,445 million of expenses incurred for the delivery of transportation services.

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

27. Finance Income and Costs

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

(in millions of Won)

		March 31, 2019	March 31, 2018
Finance income			
Interest income(*1)	₩	40,986	35,670
Dividend income		127,222	101,309
Gain on foreign currency transactions		34,939	50,106
Gain on foreign currency translations		32,663	15,041
Gain on valuation of derivatives		54,472	18,454
Others		3,427	3,085
	₩	<u>293,709</u>	<u>223,665</u>
Finance costs			
Interest expenses	₩	36,912	30,361
Loss on foreign currency transactions		29,794	30,233
Loss on foreign currency translations		44,976	48,928
Loss on valuation of derivatives		-	23,560
Others		581	375
	₩	<u>112,263</u>	<u>133,457</u>

(*1) Interest income calculated using the effective interest method for the three-month periods ended March 31, 2019 and 2018 were ₩7,533 million and ₩3,706 million, respectively.

POSCO

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

28. 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:

(in millions of Won)

		March 31, 2019	March 31, 2018
Other non-operating income			
Gain on disposals of property, plant and equipment	₩	11,489	3,578
Gain on disposals of intangible assets		-	28,600
Gain on reversal of impairment loss on investment in subsidiaries, associates and joint ventures		1,194	-
Others		8,242	12,185
	₩	<u>20,925</u>	<u>44,363</u>
Other non-operating expenses			
Loss on disposals of property, plant and equipment	₩	13,115	13,543
Impairment loss on property, plant and equipment		72,814	16,264
Impairment loss on investment in subsidiaries, associates and joint ventures		6,435	34,207
Impairment loss in assets held for sale		2,507	3,034
Donations		7,400	14,321
Others		10,376	19,316
	₩	<u>112,647</u>	<u>100,685</u>

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

29. Expenses by Nature

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

<i>(in millions of Won)</i>	March 31, 2019	March 31, 2018
Changes in inventories(*1)	₩ 218,708	180,514
Raw materials and consumables used	4,411,723	4,117,265
Employee benefits expenses	431,702	489,440
Outsourced processing cost	598,414	586,348
Depreciation(*2)	538,615	523,686
Amortization	19,090	16,219
Electricity and water expenses	153,020	168,321
Service fees	61,241	58,109
Rental	13,087	20,252
Advertising	13,639	25,950
Freight and custody expenses	227,860	211,839
Sales commissions	15,566	15,588
Loss on disposals of property, plant and equipment	13,115	13,543
Impairment loss on property, plant and equipment	72,814	16,264
Impairment loss on investments in subsidiaries, associates and joint ventures	6,435	34,207
Other expenses	301,754	371,018
	<u>₩ 7,096,783</u>	<u>6,848,563</u>

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

(*2) Includes depreciation of investment property.

30. Income Taxes

The effective tax rates of the Company for the three-month periods ended March 31, 2019 and 2018 were 27.21 % and 27.01 %, respectively.

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

31. 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 share information)</i>		March 31, 2019	March 31, 2018
Profit for the period	₩	671,172,964,429	768,736,732,509
Interests of hybrid bonds, net of tax		(1,644,657,534)	(7,707,643,835)
Weighted-average number of common shares outstanding(*1)		80,108,007	79,999,659
Basic and diluted earnings per share	₩	8,358	9,513

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

<i>(in share)</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.

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

32. Related Party Transactions

(a) Significant transactions with 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	8,657	46,161
eNtoB Corporation	4	60	78,496	5,984	26	5,524
POSCO CHEMICAL 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-VIETNAM Co., Ltd.	74,540	85	-	-	-	37
POSCO MEXICO S.A. DE C.V.	78,213	14	-	-	-	5
POSCO Maharashtra Steel Private Limited	190,663	95	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	18,004	-	524	-	-	-
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
SNINC	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 are mainly consist of sales of steel products to subsidiaries, associates and joint ventures.

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

(*3) As of March 31, 2019, the Company provided guarantees to related companies (Note 20).

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

POSCO

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

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-VIETNAMCO, 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 with 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
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1	17,508	17,509	-	20,318	447
POSCO COATED & COLOR STEEL Co., Ltd.	64,700	398	65,098	-	94	1,352
POSCO ICT	-	10,216	10,216	1,227	50,294	44,606
eNtoB Corporation	-	120	120	6,109	36,875	-
POSCO CHEMICAL CO., LTD (Formerly, POSCO CHEMTECH)	65,624	17,982	83,606	20,503	54,460	18,202
POSCO ENERGY CO., LTD.	41,831	2,046	43,877	-	-	1,425
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	525,186	47,889	573,075	1,395	1,875	5,263
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	-	-
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
	<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>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	-	4	4	1,608	16,390	-
SNNC	295	1,834	2,129	19,856	-	-
Roy Hill Holdings Pty Ltd	-	-	-	-	9,370	-
Others	896	912	1,808	333	76	-
	<u>1,191</u>	<u>2,750</u>	<u>3,941</u>	<u>21,797</u>	<u>25,836</u>	<u>-</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>

(*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

POSCO

Notes to the Condensed Separate 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	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
SNINC	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) For the years ended December 31, 2018 and 2017, details of compensation to key management officers were as follows:

(in millions of Won)

	March 31, 2019	March 31, 2018
Short-term benefits	₩ 12,114	13,059
Long-term benefits	1,709	903
Retirement benefits	4,381	5,901
₩	<u>18,204</u>	<u>19,863</u>

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

33. Commitments and Contingencies

(a) Commitments

- 1) The Company entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of March 31, 2019, 86 million tons of iron ore and 14 million tons of coal remained to be purchased under such long-term contracts.
- 2) The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

POSCO

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

- 3) The Company entered into consecutive voyage charter (CVC) contract for the transportation of raw materials. As of March 31, 2018, there are 38 vessels under contract and the average remaining contract period is about 10 years.
 - 4) As of March 31, 2019, the Company entered into commitments with KOREA ENERGY AGENCY for long-term foreign currency borrowing, which is limited up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowing depends on the success of the project. The Company is not liable for the repayment of full or part of the money borrowed if the respective project fail. The Company 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.
 - 5) The Company has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to the construction of new power plant by POSCO ENERGY CO., LTD.
 - 6) The Company provides a supplementary fund of up to ~~₩~~9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., at the request of creditors such as the Korea Development Bank.
 - 7) The company provides a supplementary funding for the purpose of promoting the Suncheon Bay PRT business of Suncheon Eco Trans Co., Ltd., a subsidiary of the Company, at the request of creditors. On November 2018, creditors sued the company for subrogation based on a supplemental funding agreement.
- (b) As of March 31, 2019, the Company has provided three blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings.
- (c) Litigation in progress

The Company is involved in 28 lawsuits, including claim for employee right aggregating to ~~₩~~75.5 billion as defendant as of March 31, 2019, which arise from the ordinary course of business. The Company has recognized provisions amounting to ~~₩~~2.1 billion for one of 28 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company does not believe it has a present obligation as of March 31, 2019.

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

34. 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>	March 31, 2019	March 31, 2018
Trade accounts and notes receivable, net	₩ (447,094)	(380,465)
Other accounts receivable	1	26,805
Inventories	289,788	12,921
Prepaid expenses	(30,897)	(22,239)
Other current assets	42	119
Long-term guarantee deposits	(342)	200
Other non-current assets	5	(67)
Trade accounts and notes payable	(151,765)	95,775
Other accounts payable	(152,979)	(49,831)
Accrued expenses	(9,722)	(34,838)
Advances received	(434)	3,467
Withholdings	292	6,721
Unearned revenue	6,762	5,742
Other current liabilities	(6,640)	7,081
Payments of severance benefits	(37,345)	(52,587)
Plan assets	18,780	39,464
Other non-current liabilities	(5,926)	(2)
	<u>₩ (527,474)</u>	<u>(341,734)</u>

35. Business combination

(a) Overview of the business combination

The Company merged with POSCO Processing&Service for the three-month period ended March 31, 2019. The purpose of the business combination is to promote management rationalization by streamlining fund management, streamlining operations of POSCO Processing&Service and subsidiaries, and enhancing shareholder value based on merger synergies.

	Date
Decision date of Board of Directors	2018.11.03
Acquisition date	2019.01.01

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

(b) Accounting policies for business combinations

Since the merger between the controlling company and its subsidiaries, the assets acquired and liabilities assumed through the merger are measured at book value in the consolidated financial statements of the Company. The difference between considerations transferred and the book value of net assets recognized is reflected in capital surplus.

(in millions of Won)

Transfer price

	Amount
Book value of existing ownership interest	₩ 385,995
Treasury stock	37,001
Cash	36
	<u>423,032</u>

Identifiable assets, acquired liabilities

Cash and cash equivalents	2,207
Other financial assets	39,670
Investment properties	41,220
Investments in subsidiaries, associates and joint ventures	767,215
Other assets	9,962
Other liabilities	(1,748)
Identifiable net assets	<u>858,526</u>

Capital surplus arising from business combination

Increase in capital surplus	₩ <u>435,494</u>
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36. Events after the reporting period

- (a) The Board of Director of the Company resolution to spilt-off and merge with the business sector, epigenetic development, one of sectors of the company's subsidiary POSCO Energy Co., Ltd. on April 12, 2019. The purpose of the business combination is to promote management rationalization and enhancing shareholder value based on merger synergies.
- (b) The Board of Director of the Company resolution to transfer all LNG terminals and goodwill to POSCO Energy Co., Ltd. a subsidiary company on September 1, 2019. The purpose of the business transfer is to enhance synergy with the power generation business and enhance expertise with energy business reorganization to expand the gas business.
- (c) 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 billion).