

# **POSCO DAEWOO Corporation**

Separate financial statements  
for the years ended December 31, 2018 and 2017  
with the independent auditor's report

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## Independent auditor's report

### The Shareholders and Board of Directors POSCO DAEWOO Corporation

#### Opinion

We have audited the separate financial statements of POSCO DAEWOO Corporation (the "Company"), which comprise the separate statements of financial position as of December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

#### Basis for opinion

We conducted our audits in accordance with Korean Auditing Standards (KGAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Occurrence of overseas sales*

Sales on the separate financial statements are one of the key indicators of the Company's core financial performance. As a general trading company, the Company mainly engages in trading, and accordingly, its overseas sales account for a significant portion of total sales. We have identified the occurrence of overseas sales as a significant risk as we believe that the risk of misstatement of the separate financial statements is high due to transportation risk and credit risk of overseas sales that are higher than that of the domestic sales and trading environment which is different from that of the domestic.

The major audit procedures we have conducted in this regard are as follows:

- Reviewing the key documents (shipping documents, etc.) generated for overseas sales.
- Confirming actual shipment by inspecting export declaration documents.
- Reviewing the appropriateness of sales cut-off.

***Impairment test on subsidiary investments: Myanmar Amara Hotel Project***

Daewoo Global Development Pte. Ltd., the Company's subsidiary, has opened Lotte Hotel Yangon in Yangon, Myanmar in September 2017 through Daewoo Amara Co., Ltd., its subsidiary. However, as the hotel continued to record operating losses and stagnant financial performance after the opening, the Company concluded that there were signs of impairment on the investments in subsidiaries. We identified the impairment test as a significant risk, taking into account that the amount of the investment is significant and the value-in-use estimates are complex and it potentially involves subjective judgments.

The major audit procedures we have conducted in this regard are as follows:

- Evaluating the competency and objectivity by observing the work experience and qualifications of external experts hired by the Company.
- Reviewing the rationality of the assumptions applied to the impairment test by communicating with personnel in charge and external experts.
- Utilizing the internal experts of the audit team to examine the variables applied to the valuation model and methodology used to measure recoverable amounts in the external evaluation report.
- Visiting local corporation in Myanmar and conduct observations and inquiries with management on market and business status, future business plans, etc.

***Impairment test on investments in associates: Ambatovy Nickel Project***

The Company decided to participate in the Ambatovy Nickel Project in 2006 and invested in the shares of Madagascar's local special purpose corporation through the Korea Ambatovy Consortium. The Ambatovy mine began commercial production in 2012, but a large operating loss was recorded as the nickel market price decreased due to oversupply. As a result, the Company conducted impairment test by external evaluation company as of December 31, 2018. We identified the impairment test as a significant risk, taking into account that the amount of the investment is significant and the value-in-use estimates are complex and it potentially involves subjective judgments.

The major audit procedures we have conducted in this regard are as follows:

- Evaluating the competency and objectivity by observing the work experience and qualifications of external experts hired by the Company.
- Reviewing the rationality of the assumptions applied to the impairment test by communicating with personnel in charge and external experts.
- Utilizing the internal experts of the audit team to examine the business plans, variables applied to the valuation model and methodology used to measure recoverable amounts in the external evaluation report.
- Reviewing the investment contracts and the appropriateness of accounting for impairment.

## **Responsibilities of management and those charged with governance for the separate financial statements**

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibilities for the audit of the separate financial statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statement.

As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Kwang Yeol Lee.

*Ernst & Young Han Young*

March 11, 2019

This audit report is effective as of March 11, 2019 the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

# **POSCO DAEWOO Corporation**

Separate financial statements  
for the years ended December 31, 2018 and 2017

“The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by,  
and are the responsibility of, the Company.”

Kim, Young-Sang  
Chief Executive Officer  
POSCO DAEWOO Corporation







































































































































### 29.3.1.1 Foreign currency risk

The Company is exposed to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of December 31, 2018 and 2017, significant monetary assets and liabilities denominated in major foreign currencies, other than functional currencies are as follows:

	Korean won in millions				U. S. dollar in thousands (Note 2)	
	2018		2017		2018	
	Asset	Liability	Asset	Liability	Asset	Liability
USD	₩ 3,182,272	₩ 3,191,366	₩ 2,838,922	₩ 3,085,954	\$ 2,846,143	\$ 2,854,276
JPY	72,812	74,366	38,013	25,419	65,121	66,511
EUR	626,379	326,354	522,010	229,215	560,217	291,883

Effects of fluctuation in foreign exchange rates on the Company's functional currency by 10% on profit for the year ended December 31, 2018 are as follows (Korean won in millions):

	Increase by 10%		Decrease by 10%	
USD	₩	(909)	₩	909
JPY		(155)		155
EUR		30,003		(30,003)

### 29.3.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings and bonds with floating interest rates.

As of December 31, 2018, with all other variables remaining constant, a change of 1% in the floating interest rate on borrowings will have an effect of ₩6,354 million (\$5,683 thousand) on the Company's profit for the year.

### 29.3.2 Credit risk

Credit risk is the risk that counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to the credit risk relates to operating and financial activities.

#### 29.3.2.1 Trade and other receivables

It is the principle for the Company to conduct transactions only with those with sound financial status by performing credit verification procedures for all counterparties that desire credit transactions with the Company. In addition, the Company manages the balance of accounts receivable by continuously reevaluating credit ratings so that the level of the Company's exposure to the credit risk is maintained at an insignificant level.

#### 29.3.2.2 Other assets

Credit risks associated with the Company's other assets which consist of cash, short-term deposits and short-term and long-term loans arise from the default by the counterparties. Maximum exposure to credit risks will be the book value of the other assets. The Company deposits its surplus funds in Woori Bank and other financial institutions whose credit ratings are high, therefore, credit risk related to financial institutions is considered low.

### 29.3.2.3 Maximum exposure to credit risk

The book value of a financial asset represents the maximum exposure to a credit risk. If a financial guarantee is provided, the maximum exposure to credit risk is the maximum amount due on the claims of the assured. For borrowing arrangements, the maximum exposure to credit risk is the total commitment amount.

As of December 31, 2018 and 2017, the maximum exposure to credit risk of the Company are as follows:

	Korean won in millions		U. S. dollar in thousands (Note 2)
	2018	2017	2018
Cash and cash equivalents	₩ 53,760	₩ 44,350	\$ 48,082
Trade and other receivables	4,258,659	3,518,262	3,808,836
Other current financial assets	66	84	59
Derivative financial assets	53,261	51,066	47,635
Non-current trade and other receivables	413,765	412,817	370,060
Other non-current financial assets	29,944	89,595	26,781
Financial guarantee contract	584,903	650,912	523,122
	<u>₩ 5,394,358</u>	<u>₩ 4,767,086</u>	<u>\$ 4,824,575</u>

### 29.3.2.4 Aging analysis of financial instruments

Aging analysis of non-derivative financial instruments as of December 31, 2018 is as follows (Korean won in millions):

	Total	Not past due	Past due but not impaired				
			Within 30 days	30 days to 60 days	60 days to 90 days	90 days to 120 days	Over 120 days
Cash and cash equivalents	₩ 53,760	₩ 53,760	₩ -	₩ -	₩ -	₩ -	₩ -
Trade and other receivables	4,258,659	3,743,754	376,375	74,091	19,802	2,141	42,496
Other current financial assets	66	66	-	-	-	-	-
Non-current trade and other receivables	413,765	413,765	-	-	-	-	-
Other non-current financial assets	29,944	29,944	-	-	-	-	-
	<u>₩ 4,756,194</u>	<u>₩ 4,241,289</u>	<u>₩ 376,375</u>	<u>₩ 74,091</u>	<u>₩ 19,802</u>	<u>₩ 2,141</u>	<u>₩ 42,496</u>
U. S. dollar in thousands (Note 2)	<u>\$ 4,253,817</u>	<u>\$ 3,793,300</u>	<u>\$ 336,620</u>	<u>\$ 66,265</u>	<u>\$ 17,710</u>	<u>\$ 1,915</u>	<u>\$ 38,007</u>

### 29.3.3 Liquidity risk

The Company establishes short and long-term capital management plans and analyzes and reviews cash flow budgets against actual cash outflow in order to match the maturity of financial liabilities and financial assets. The Company believes that it has sufficient cash inflows from operating activities and financial assets to redeem financial liabilities that become due.

### 29.3.3 Liquidity risk (cont'd)

The aggregated maturities of financial liabilities outstanding as of December 31, 2018, excluding present value discount, are as follows (Korean won in millions):

	Within 1 year	1 year to 5 years	Over 5 years	Total
Trade and other payables	₩ 1,940,101	₩ 2,790	₩ 1,077	₩ 1,943,968
Derivative financial liabilities	44,240	-	-	44,240
Borrowings	2,004,467	253,218	106,247	2,363,932
Bonds	560,993	805,440	-	1,366,433
Financial guarantee liabilities	265,018	266,663	53,222	584,903
	₩ 4,814,819	₩ 1,328,111	₩ 160,546	₩ 6,303,476
U. S. dollar in thousands (Note 2)	\$ 4,306,251	\$ 1,187,828	\$ 143,588	\$ 5,637,667

(\*1) The maximum amount of guarantees that can be borne by the Company as a result of the financial guarantee contracts at the end of the reporting period is as follows in Note 18.

### 29.3.4 Changes in liabilities from financial activities

Changes in liabilities from financial activities as of December 31, 2018 and 2017 are as follows (Korean won in millions):

	2018						
	Beginning balance	Business combination	Cash flows from financial activities	Exchange rate changes	Reclassification	Others	Ending balance
Short-term borrowings	₩ 1,520,180	₩ -	₩ 384,753	₩ (8,118)	₩ -	₩ -	₩ 1,896,815
Current portion of long-term borrowings	225,798	-	(224,550)	(3,814)	42,581	(40)	39,975
Current portion of bond	463,736	-	(464,280)	(866)	539,204	715	538,509
Bond	734,200	-	573,623	809	(539,204)	1,087	770,515
Long-term borrowings	372,553	-	(1,057)	6,157	(42,581)	1,238	336,310
	₩ 3,316,467	₩ -	₩ 268,489	₩ (5,832)	₩ -	₩ 3,000	₩ 3,582,124
U. S. dollar in thousands (Note 2)	\$ 2,966,163	\$ -	\$ 240,130	\$ (5,216)	\$ -	\$ 2,683	\$ 3,203,760

	2017						
	Beginning balance	Business combination	Cash flows from financial activities	Exchange rate changes	Reclassification	Others	Ending balance
Short-term borrowings	₩ 1,401,759	₩ 390,753	₩ (220,704)	₩ (51,628)	₩ -	₩ -	₩ 1,520,180
Current portion of long-term borrowings	69,033	8,200	(73,417)	(9,869)	231,709	142	225,798
Current portion of bond	294,733	-	(284,044)	(12,443)	474,210	(8,720)	463,736
Bond	759,477	129,856	338,150	(20,237)	(474,210)	1,164	734,200
Long-term borrowings	456,809	8,250	184,718	(13,155)	(231,709)	(32,360)	372,553
	₩ 2,981,811	₩ 537,059	₩ (55,297)	₩ (107,332)	₩ -	₩ (39,774)	₩ 3,316,467

**POSCO DAEWOO Corporation**  
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**December 31, 2018 and 2017**

**29.4 Fair value of financial instruments**

Book value and fair value of financial instruments as of December 31, 2018 and 2017 are as follows:

	Korean won in millions				U. S. dollar in thousands (Note 2)	
	2018		2017		2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>&lt;Financial assets&gt;</b>						
Financial assets at amortized cost:						
Cash and cash equivalents	₩ 53,760	₩ 53,760	₩ 44,350	₩ 44,350	\$ 48,082	\$ 48,082
Trade and other receivables	4,240,508	4,240,508	3,518,262	3,518,262	3,792,602	3,792,602
Other current financial assets	66	66	84	84	59	59
Non-current trade and other receivables	413,765	413,765	412,817	412,817	370,060	370,060
Other non-current financial assets	790	790	707	707	707	707
	<u>4,708,889</u>	<u>4,708,889</u>	<u>3,976,220</u>	<u>3,976,220</u>	<u>4,211,510</u>	<u>4,211,510</u>
Financial assets at fair value:						
Trade and other receivables	18,151	18,151	-	-	16,234	16,234
Derivative financial assets	53,261	53,261	51,066	51,066	47,635	47,635
Available-for-sale financial assets(*1)	-	-	47,385	47,385	-	-
Financial asset at fair value through OCI	27,947	27,947	-	-	24,995	24,995
Financial asset at fair value through profit or loss(long-term equity investment)	1,102	1,102	-	-	985	985
Financial asset at fair value through profit or loss(other securities)	105	105	-	-	94	94
	<u>100,566</u>	<u>100,566</u>	<u>98,451</u>	<u>98,451</u>	<u>89,943</u>	<u>89,943</u>
	<u>₩ 4,809,455</u>	<u>₩ 4,809,455</u>	<u>₩ 4,074,671</u>	<u>₩ 4,074,671</u>	<u>\$ 4,301,453</u>	<u>\$ 4,301,453</u>
<b>&lt;Financial liabilities&gt;</b>						
Financial liability at amortized cost:						
Trade and other payables	₩ 1,940,101	₩ 1,940,101	₩ 1,753,404	₩ 1,753,404	\$ 1,735,177	\$ 1,735,177
Current portion of borrowings	1,936,790	1,936,790	1,745,978	1,745,978	1,732,215	1,732,215
Current portion of bonds	538,509	542,936	463,736	465,138	481,629	485,588
Non-current trade and other payables	15,803	15,803	23,862	23,862	14,134	14,134
Borrowings	336,310	336,310	372,553	372,553	300,787	300,787
Bonds	770,515	779,146	734,200	739,607	689,129	696,848
	<u>5,538,029</u>	<u>5,551,086</u>	<u>5,093,733</u>	<u>5,100,542</u>	<u>4,953,071</u>	<u>4,964,749</u>
Financial liability at fair value:						
Derivative financial liabilities	44,240	44,240	43,454	43,454	39,567	39,567
	<u>44,240</u>	<u>44,240</u>	<u>43,454</u>	<u>43,454</u>	<u>39,567</u>	<u>39,567</u>
	<u>₩ 5,582,269</u>	<u>₩ 5,595,326</u>	<u>₩ 5,137,187</u>	<u>₩ 5,143,996</u>	<u>\$ 4,992,638</u>	<u>\$ 5,004,316</u>

(\*1) Excludes equity securities carried at cost as the fair value of those securities could not be measured reliably.

### 30. Fair value measurement

#### 30.1 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of financial instruments by fair value hierarchy as of December 31, 2018 are as follows:

	Korean won in millions				U. S. dollar in
	Level 1	Level 2	Level 3	Total	thousands (Note 2)
Assets measured at fair value:					
Financial assets at fair value through OCI	₩ 4,593	₩ -	₩ 18,102	₩ 22,695	\$ 20,298
Financial assets at fair value through profit or loss	-	105	-	105	94
Derivative financial assets	-	53,261	-	53,261	47,635
Assets for which fair values are disclosed:					
Cash and cash equivalents	-	53,760	-	53,760	48,082
Trade and other receivables	-	-	4,258,659	4,258,659	3,830,386
Other current financial assets	-	66	-	66	59
Non-current trade and other receivables	-	-	413,765	413,765	370,060
Other non-current financial assets	-	790	-	790	707
Investment properties	-	-	174,576	174,576	156,136
Liabilities measured at fair value:					
Derivative financial liabilities	-	44,240	-	44,240	39,567
Liabilities for which fair values are disclosed:					
Trade and other payables	-	-	1,940,101	1,940,101	1,735,177
Short-term borrowings	-	1,936,790	-	1,936,790	1,732,215
Current-portion of bonds	-	542,936	-	542,936	485,588
Non-current trade and other payables	-	-	15,803	15,803	14,134
Long-term borrowings	-	336,310	-	336,310	300,787
Bonds	-	779,146	-	779,146	696,848

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. These instruments are included in Level 1, mostly are classified into fair value measurement financial assets which are listed stocks.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. This valuation technique fully makes use of observable market information as possible and internal information at minimum. When every significant variable required for measuring fair value of the instrument is observable, the instrument is classified into Level 2.

When one or more significant variable is not based on observable market information, the instrument is classified into Level 3.

Valuation techniques used to measure fair values of instruments are:

- Quoted prices or dealer price of similar instrument
- Present value discounted by forward exchange rate as of year-end is used for fair value of derivative instrument
- Discounted cash flow and other techniques are used for other instruments

A reasonable approximate value of fair value is used as book values of instruments which are classified into same category with trade and other receivables.

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**30.1 Fair value hierarchy (cont'd)**

The Company used the interest rate for U.S. government treasury bills in determining the fair value of the derivative financial assets and liabilities valued at Level 2 hierarchy. Also, the Company used the risk-free interest rate of 2.54% and market risk premium of 10.21% in determining the fair value measurement financial assets valued at Level 3 hierarchy.

**31. Related party transactions**

Details of related parties as of December 31, 2018 and 2017 are as follows:

	2018	2017
Parent	POSCO Co., Ltd.	POSCO Co., Ltd.
Subsidiaries	POSCO DAEWOO America Corp. POSCO DAEWOO Deutschland GmbH POSCO DAEWOO Japan Corp. POSCO DAEWOO Singapore Pte Ltd. POSCO DAEWOO Italia S.R.L. POSCO DAEWOO China Co., Ltd. DAEWOO Int'l Guangzhou Corp. POSCO DAEWOO Myanmar Corp. Ltd. POSCO DAEWOO Mexico S.A. de C.V. POSCO DAEWOO Malaysia Sdn. Bhd. POSCO DAEWOO Shanghai Co., Ltd. POSCO DAEWOO Waigaiqiao Shanghai Co., Ltd. POSCO DAEWOO India Pvt., Ltd. POSCO DAEWOO Vietnam Co., Ltd. DAEWOO Textile LLC. POSCO DAEWOO Australia Holdings Pty. Ltd. PT. Bio Inti Agrindo DAEWOO AAPC Corp. Brasil Sao Paulo Steel Processing Center POSCO DAEWOO E&P Canada Corp. POSCO DAEWOO Power (PNGPOM) Ltd. DAEWOO Power And Infra (Pty) LTD. DAEWOO Power Png Ltd. DAEWOO Precious Resources Co., Ltd. Golden Lace Daewoo Co., Ltd. POSCO DAEWOO Ukraine, LLC. POSCO South East Asia Pte. Ltd. POSCO-GULF SFC L.L.C. DAEWOO Global Development Pte. Ltd. DAEWOO Amara Co., Ltd. KIS Devonian Canada Corp. LA SRDC Pohang Scrap Recycling Distribution Center Co., Ltd. POSCO TMC India Pvt., Ltd.	POSCO DAEWOO America Corp. POSCO DAEWOO Deutschland GmbH POSCO DAEWOO Japan Corp. POSCO DAEWOO Singapore Pte Ltd. POSCO DAEWOO Italia S.R.L. POSCO DAEWOO China Co., Ltd. DAEWOO Int'l Guangzhou Corp. POSCO DAEWOO Myanmar Corp. Ltd. POSCO DAEWOO Mexico S.A. de C.V. POSCO DAEWOO Malaysia Sdn. Bhd. POSCO DAEWOO Shanghai Co., Ltd. POSCO DAEWOO Waigaiqiao Shanghai Co., Ltd. POSCO DAEWOO India Pvt., Ltd. POSCO DAEWOO Vietnam Co., Ltd. DAEWOO Textile LLC. POSCO DAEWOO Australia Holdings Pty. Ltd. PT. Bio Inti Agrindo DAEWOO AAPC Corp. Brasil Sao Paulo Steel Processing Center POSCO DAEWOO E&P Canada Corp. POSCO DAEWOO Power (PNGPOM) Ltd. DAEWOO Power And Infra (Pty) LTD. DAEWOO Power Png Ltd. DAEWOO Precious Resources Co., Ltd. Golden Lace Daewoo Co., Ltd. POSCO DAEWOO Ukraine, LLC. POSCO South East Asia Pte. Ltd. POSCO-GULF SFC L.L.C. DAEWOO Global Development Pte. Ltd. DAEWOO Amara Co., Ltd. KIS Devonian Canada Corp. LA SRDC Pohang Scrap Recycling Distribution Center Co., Ltd. -
Associates	Blue Ocean Recovery PEF No. 1 POSCO Mexico Processing Center Holding, LLC. POSCO-ESDC Ltd. POSCO IJPC Shanghai Lansheng Daewoo Corp. Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd. General Medicines Co., Ltd. Korea Lng Ltd. KG Power(M) SDN. BHD. Sebang Steel	Blue Ocean Recovery PEF No. 1 POSCO Mexico Processing Center Holding, LLC. POSCO-ESDC Ltd. POSCO IJPC Shanghai Lansheng Daewoo Corp. Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd. General Medicines Co., Ltd. Korea Lng Ltd. KG Power(M) SDN. BHD. Sebang Steel



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**31. Related party transactions (cont'd)**

Significant transactions with related parties for the years ended December 31, 2018 and 2017 are as follows (Korean won in millions):

	2018					
	Sales and others			Purchase and others		
	Sales	Others	Total	Purchase	Others	Total
Parent company:						
POSCO(*1)	₩ 754,877	₩ 747	₩ 755,624	₩ 5,766,687	₩ 128,242	₩ 5,894,929
Subsidiaries:						
POSCO DAEWOO Waigaoqiao Shanghai Co., Ltd.	10,191	-	10,191	1,937	-	1,937
PT. Bio Inti Agrindo	-	1,172	1,172	1,861	-	1,861
POSCO DAEWOO Vietnam Co., Ltd.	27,411	-	27,411	-	2,393	2,393
POSCO DAEWOO Myanmar Corp.	3	-	3	-	642	642
Daewoo Power PNG Ltd.	834	1,374	2,208	-	-	-
POSCO DAEWOO Power (PNGPOM) Ltd.	423	2,897	3,320	-	-	-
POSCO DAEWOO America Corp	1,229,085	-	1,229,085	193,084	2,764	195,848
POSCO DAEWOO Deutschland GmbH	569,924	-	569,924	-	644	644
POSCO DAEWOO Japan Corp.	515,683	-	515,683	120,688	711	121,399
POSCO DAEWOO Singapore Pte. Ltd.	1,649,439	-	1,649,439	64,796	719	65,515
POSCO DAEWOO Italia S.R.L.	673,872	-	673,872	201	2,979	3,180
POSCO DAEWOO China Co., Ltd.	194,093	-	194,093	245	4,457	4,702
Daewoo Textile LLC	10,061	-	10,061	77,653	380	78,033
POSCO DAEWOO Australia Holdings Pty. Ltd.	164	-	164	-	-	-
POSCO DAEWOO E&P Canada Corp.	-	1,822	1,822	-	-	-
POSCO DAEWOO Mexico S.A. de C.V.	127,899	-	127,899	-	4,423	4,423
POSCO DAEWOO Malaysia Sdn. Bhd.	365,895	-	365,895	90,981	1,874	92,855
POSCO DAEWOO Shanghai Co., Ltd.	219,923	-	219,923	3,614	3,583	7,197
POSCO DAEWOO India Private Ltd.	32,373	-	32,373	-	3,058	3,058
POSCO South East Asia Pte. Ltd.	52	-	52	-	-	-
Pohang Scrap Recycling Distribution Center Co., Ltd.	-	1,308	1,308	378	5,615	5,993
Golden Lace DAEWOO Co., Ltd.	-	-	-	11,085	-	11,085
LA SRDC	-	-	-	30,213	-	30,213
DAEWOO Global Development Pte. Ltd.	2,201	-	2,201	-	-	-
POSCO DAEWOO Ukraine, LLC.	-	-	-	-	114	114
POSCO TMC India Pte. Ltd.	162	-	162	-	-	-
Associates:						
POSCO Mexico Processing Center Holding LLC	274,542	-	274,542	256	-	256
SPH Co., Ltd.	50	-	50	-	-	-
PT. Batutua Tembaga Raya	-	172	172	15,663	-	15,663
POSCO-ESDC Ltd.	-	59	59	-	3,439	3,439
POSCO IJPC	70,170	-	70,170	15	-	15
General Medicines Co., Ltd.	4,604	353	4,957	-	-	-
Korea LNG Ltd.	-	7,634	7,634	-	-	-
DMSA/AMSA	-	-	-	50,996	-	50,996
South-East Asia Gas Pipeline Co., Ltd.	-	39,141	39,141	-	-	-
Global Komsco Daewoo LLC	-	-	-	14,770	19	14,789
Yulchon Mexico SA. DE C.V.	2,109	-	2,109	-	-	-
Sebang Steel	-	-	-	13,585	-	13,585
POSCO Singapore LNG Trading Pte. Ltd.	79,664	-	79,664	-	-	-
POSCO-Malaysia SDN. BHD.	101,090	-	101,090	15,166	-	15,166
POSCO-ITPC	100,686	-	100,686	-	-	-
Hunchun Posco Hyundai International Logistics Complex Development Co., Ltd	2,022	-	2,022	-	-	-
TK Chemical Corp.	185,115	-	185,115	80,927	-	80,927

**POSCO DAEWOO Corporation**  
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**31. Related party transactions (cont'd)**

	2018					
	Sales and others			Purchase and others		
	Sales	Others	Total	Purchase	Others	Total
Others:						
POSCO Asia Co., Ltd.	₩ 73,267	₩ -	₩ 73,267	₩ 610,008	₩ 149	₩ 610,157
POSCO-Vietnam	117,595	-	117,595	68,291	-	68,291
POSCO-Thainox	127,816	-	127,816	87,981	77	88,058
POSCO Assan TST Steel Industry A.S.	344,859	-	344,859	93,443	11	93,454
POSCO-AAPC	12,579	-	12,579	-	-	-
POSCO C&C Co., Ltd.	76,683	-	76,683	261,726	249	261,975
POSCO America Corp.	82,262	-	82,262	-	-	-
Zhangjiagang Pohang Stainless Steel Co., Ltd.	80,917	-	80,917	504	-	504
POSCO-Foshan Steel Processing Center Co., Ltd.	41,323	-	41,323	150	-	150
COMPANHIA SIDERURGICA DO PECEM	221,493	-	221,493	282,818	1,515	284,333
POSCO ENERGY Co., Ltd.	4,391	-	4,391	93	-	93
POSCO VST Co., Ltd.	152,285	-	152,285	55,064	44	55,108
POSCO SS-VINA	289,034	-	289,034	1,810	-	1,810
PT. KRAKATAU POSCO	54,593	-	54,593	146,564	6	146,570
POSCO Maharashtra Steel PVT. LTD.	4,248	-	4,248	121,144	-	121,144
Others	806,852	598	807,450	42,353	69,484	111,837
	₩ 9,694,814	₩ 57,277	₩ 9,752,091	₩ 8,326,750	₩ 237,591	₩ 8,564,341
U. S. dollar in thousands (Note 2)	\$ 8,670,793	\$ 51,227	\$ 8,722,020	\$ 7,447,232	\$ 212,495	\$ 7,659,727

	2017					
	Sales and others			Purchase and others		
	Sales	Others	Total	Purchase	Others	Total
Parent company:						
POSCO(*1)	₩ 594,230	₩ -	₩ 594,230	₩ 5,096,615	₩ 119,899	₩ 5,216,514
Subsidiaries:						
POSCO DAEWOO Waigaoqiao Shanghai Co., Ltd.	9,558	-	9,558	5,807	-	5,807
PT. Bio Inti Agrindo	-	815	815	-	-	-
POSCO DAEWOO Vietnam Co., Ltd.	25,620	-	25,620	-	2,727	2,727
POSCO DAEWOO Myanmar Corp.	3	-	3	-	550	550
Daewoo Power PNG Ltd.	1,612	-	1,612	-	-	-
POSCO DAEWOO Power (PNGPOM) Ltd.	431	5,737	6,168	-	-	-
POSCO DAEWOO America Corp	1,019,890	-	1,019,890	86,227	3,955	90,182
POSCO DAEWOO Deutschland GmbH	497,653	-	497,653	1,653	537	2,190
POSCO DAEWOO Japan Corp.	591,070	-	591,070	77,089	561	77,650
POSCO DAEWOO Singapore Pte. Ltd.	1,401,587	-	1,401,587	26,694	623	27,317
POSCO DAEWOO Italia S.R.L.	462,805	-	462,805	-	2,967	2,967
POSCO DAEWOO China Co., Ltd.	192,773	-	192,773	465	5,461	5,926
Daewoo Textile LLC	8,174	-	8,174	77,509	-	77,509
POSCO DAEWOO Australia Holdings Pty. Ltd.	174	3,274	3,448	-	-	-
POSCO DAEWOO E&P Canada Corp.	-	279	279	-	-	-
POSCO DAEWOO Mexico S.A. de C.V.	125,039	-	125,039	-	3,825	3,825
POSCO DAEWOO Malaysia Sdn. Bhd.	260,501	-	260,501	23,469	1,602	25,071
POSCO DAEWOO Shanghai Co., Ltd.	90,172	-	90,172	-	2,638	2,638
POSCO DAEWOO India Private Ltd.	31,871	-	31,871	-	3,555	3,555
POSCO South East Asia Pte. Ltd.	14,122	65	14,187	2,798	-	2,798
DAEWOO Power and Infra(PTY) LTD	526	-	526	-	-	-
Pohang Scrap Recycling Distribution Center Co., Ltd.	-	222	222	92	3,603	3,695
Golden Lace DAEWOO Co., Ltd	-	-	-	469	-	469
LA SRDC	-	-	-	8,768	-	8,768
DAEWOO Global Deveopment Pte. Ltd.	2,244	-	2,244	-	-	-
DAEWOO Amara Co., Ltd.	378	-	378	-	-	-

**POSCO DAEWOO Corporation**  
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**31. Related party transactions (cont'd)**

	2017					
	Sales and others			Purchase and others		
	Sales	Others	Total	Purchase	Others	Total
Associates:						
POSCO Mexico Processing Center Holding LLC	₩ 267,740	₩ -	₩ 267,740	₩ 326	₩ -	₩ 326
SPH Co., Ltd.	50	-	50	-	-	-
PT. Batutua Tembaga Raya	-	-	-	21,024	-	21,024
POSCO-ESDC Ltd.	-	-	-	-	2,732	2,732
POSCO IJPC	53,756	-	53,756	29	-	29
Shanghai Lansheng Daewoo Corp.	245	-	245	-	257	257
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	43,764	-	43,764	-	-	-
General Medicines Co., Ltd.	6,889	441	7,330	-	-	-
Korea LNG Ltd.	-	6,439	6,439	-	-	-
DMSA/AMSA	-	95	95	47,092	-	47,092
South-East Asia Gas Pipeline Co., Ltd.	-	61,989	61,989	-	-	-
Global Komsco DAEWOO L.L.C.	-	-	-	14,754	-	14,754
Yulchon Mexico S.A. DE C.V.	893	-	893	-	-	-
Sebang Steel	473	-	473	19,362	-	19,362
Others:						
POSCO Asia Co., Ltd.	52,172	-	52,172	657,683	12	657,695
POSCO-Vietnam	91,930	-	91,930	75,075	-	75,075
POSCO-Thainox	100,583	-	100,583	75,693	-	75,693
POSCO Assan TST Steel Industry A.S.	354,424	-	354,424	55,754	-	55,754
POSCO-AAPC	30,818	-	30,818	-	-	-
POSCO C&C Co., Ltd.	117,428	-	117,428	228,575	14	228,589
POSCO America Corp.	112,105	-	112,105	134	-	134
Zhangjiagang Pohang Stainless Steel Co., Ltd.	101,633	-	101,633	426	-	426
POSCO-Foshan Steel Processing Center Co., Ltd.	55,628	-	55,628	-	-	-
COMPANHIA SIDERURGICA DO PECEM	67,261	-	67,261	115,397	209	115,606
POSCO-Malaysia SDN. BHD.	60,046	-	60,046	10,075	-	10,075
POSCO-ITPC	80,283	-	80,283	-	-	-
POSCO Energy Co., Ltd	24,638	-	24,638	-	-	-
POSCO VST Co., Ltd.	133,695	-	133,695	38,320	-	38,320
POSCO SS-VINA	198,690	-	198,690	9,082	-	9,082
PT. Krakatau POSCO	-	-	-	243,175	-	243,175
POSCO Maharashtra Steel PVT. LTD.	42,717	-	42,717	174,206	-	174,206
Others	684,779	22	684,801	63,640	30,574	94,214
	<u>₩ 8,013,073</u>	<u>₩ 79,378</u>	<u>₩ 8,092,451</u>	<u>₩ 7,257,477</u>	<u>₩ 186,301</u>	<u>₩ 7,443,778</u>

(\*1) In addition to the above transactions, dividends paid to POSCO for the years ended December 31, 2018 and 2017 amounted to ₩38,801 million (\$34,703 thousand) and ₩34,341 million (\$30,714 thousand), respectively.

**POSCO DAEWOO Corporation**  
**Notes to the separate financial statements**  
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**31. Related party transactions (cont'd)**

Significant outstanding balances of receivables and payables with related parties as of December 31, 2018 and 2017 are summarized as follows (Korean won in millions):

	2018					
	Receivables(*2)			Payables		
	Trade receivables	Others	Total	Trade payables	Others	Total
Parent company:						
POSCO	₩ 7,094	₩ 1,532	₩ 8,626	₩ 429,502	₩ 9,031	₩ 438,533
Subsidiary:						
POSCO DAEWOO Waigaoqiao Shanghai Co., Ltd.	4,487	-	4,487	33	-	33
PT. Bio Inti Agrindo(*1)	-	31,393	31,393	-	622	622
POSCO DAEWOO Vietnam Co., Ltd.	9,137	47	9,184	-	207	207
POSCO DAEWOO E&P Canada Corp.(*1)	-	14,602	14,602	-	-	-
Daewoo Power PNG Ltd.	34	1,668	1,702	-	712	712
POSCO South East Asia Pte. Ltd.(*1).	-	11,181	11,181	-	-	-
POSCO DAEWOO Power (PNGPOM) Ltd.(*1)	-	3,914	3,914	-	71	71
POSCO DAEWOO America Corp	258,102	7,689	265,791	22,883	13,025	35,908
POSCO DAEWOO Deutschland GmbH	253,281	-	253,281	-	134	134
POSCO DAEWOO Japan Corp.	88,263	3,628	91,891	13,505	149	13,654
POSCO DAEWOO Singapore Pte. Ltd.	269,712	-	269,712	-	66	66
POSCO DAEWOO Italia S.R.L.	175,231	-	175,231	112	68	180
POSCO DAEWOO China Co., Ltd.	43,337	337	43,674	-	510	510
Daewoo Textile LLC	5,661	12,785	18,446	-	9	9
POSCO DAEWOO Australia Holdings Pty. Ltd.	44	4,472	4,516	-	-	-
POSCO DAEWOO Mexico S.A. de C.V.	65,149	-	65,149	-	1,230	1,230
POSCO DAEWOO Malaysia Sdn. Bhd.	59,843	-	59,843	310	321	631
POSCO DAEWOO Shanghai Co., Ltd.	57,100	-	57,100	-	427	427
POSCO DAEWOO India Private Ltd.	4,589	523	5,112	-	378	378
Brasil Sao Paulo Steel Processing Center(*1)	539	-	539	-	-	-
POSCO DAEWOO Myanmar Corp.	3	-	3	-	36	36
Pohang Scrap Recycling Distribution Center Co., Ltd.	-	-	-	28	418	446
Golden Lace Daewoo Co., Ltd.	-	2,390	2,390	-	50	50
LA SRDC	-	-	-	1,349	-	1,349
DAEWOO Global Developmnet Pte. Ltd.	1,864	1,946	3,810	-	1,219	1,219
Associate:						
POSCO Mexico Processing Center Holding LLC	106,632	-	106,632	-	-	-
PT Batutua Tembaga Raya(*1)	-	35,271	35,271	-	-	-
Yulchon Mexico S.A. DE C.V.	618	-	618	-	8	8
POSCO IJPC	12,192	-	12,192	-	-	-
Shanghai Lansheng Daewoo Corp.	99	2,605	2,704	-	333	333
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	397	-	397	-	549	549
General Medicines Co., Ltd.	1,949	369	2,318	-	-	-
Korea LNG Ltd	-	1,051	1,051	-	-	-
DMSA/AMSA(*1)	-	65,912	65,912	-	-	-
South-East Asia Gas Pipeline Co., Ltd.(*1)	-	191,107	191,107	-	-	-
Global Komsco Daewoo LLC	-	785	785	-	13	13
POSCO-ESDC Ltd.	-	-	-	-	267	267
Sebang Steel	-	-	-	52	-	52
POSCO-Malaysia SDN. BHD.	18,023	-	18,023	192	-	192
POSCO-ITPC	26,658	-	26,658	-	-	-
Hunchun Posco Hyundai International Logistics Complex Development Co., Ltd	835	-	835	-	-	-
TK Chemical Corp.	40,684	-	40,684	4,949	-	4,949

**POSCO DAEWOO Corporation**  
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**31. Related party transactions (cont'd)**

	2018					
	Receivables			Payables		
	Trade receivables	Others	Total	Trade payables	Others	Total
Others:						
POSCO C&C Co., Ltd.	₩ 6,064	₩ -	₩ 6,064	₩ 19,815	₩ 1	₩ 19,816
POSCO America Corp.	7,319	-	7,319	-	-	-
POSCO Asia Co., Ltd.	9,200	-	9,200	290,206	-	290,206
Zhangjiagang Pohang Stainless Steel Co., Ltd.	21,381	-	21,381	-	-	-
POSCO ENERGY CO., LTD	-	-	-	-	1,949	1,949
POSCO-Foshan Steel Processing Center Co., Ltd.	6,491	-	6,491	-	-	-
POSCO-Vietnam	45,244	-	45,244	2,014	-	2,014
Companhia Siderurgica Do Pecem	62,211	-	62,211	62,596	-	62,596
POSCO-Thainox	19,246	-	19,246	6,500	-	6,500
POSCO VST Co., Ltd.	74,350	-	74,350	4,432	-	4,432
POSCO SS-VINA	184,547	-	184,547	-	-	-
POSCO Assan TST Steel Industry A.S.	318,981	99	319,080	3,414	93	3,507
PT. KRAKATAU POSCO	19,138	-	19,138	1,255	-	1,255
Others	164,605	3,820	168,425	2,508	4,273	6,781
	₩ 2,450,334	₩ 399,126	₩ 2,849,460	₩ 865,655	₩ 36,169	₩ 901,824
U. S. dollar in thousands (Note 2)	\$ 2,191,516	\$ 356,968	\$ 2,548,484	\$ 774,220	\$ 32,349	\$ 806,568

	2017					
	Receivables			Payables		
	Trade receivables	Others	Total	Trade payables	Others	Total
Parent company:						
POSCO	₩ 19,900	₩ 70	₩ 19,970	₩ 475,066	₩ 19,297	₩ 494,363
Subsidiary:						
POSCO DAEWOO Waigaoqiao Shanghai Co., Ltd.	1,022	-	1,022	-	-	-
PT. Bio Inti Agrindo(*1)	-	30,056	30,056	-	792	792
POSCO DAEWOO Vietnam Co., Ltd.	10,668	45	10,713	-	189	189
POSCO DAEWOO E&P Canada Corp.(*1)	-	17,531	17,531	-	-	-
Daewoo Power PNG Ltd.	-	658	658	-	779	779
POSCO South East Asia Pte. Ltd.(*1)	-	8,571	8,571	-	-	-
POSCO DAEWOO Power (PNGPOM) Ltd.(*1)	-	3,546	3,546	-	68	68
POSCO DAEWOO America Corp	259,758	4,751	264,509	13,415	11,889	25,304
POSCO DAEWOO Deutschland GmbH	197,196	-	197,196	192	36	228
POSCO DAEWOO Japan Corp.	60,892	-	60,892	6,901	70	6,971
POSCO DAEWOO Singapore Pte. Ltd.	155,587	-	155,587	3,289	59	3,348
POSCO DAEWOO Italia S.R.L.	152,117	-	152,117	-	224	224
POSCO DAEWOO China Co., Ltd.	10,267	312	10,579	2	541	543
Daewoo Textile LLC	4,454	17,930	22,384	809	34	843
POSCO DAEWOO Australia Holdings Pty. Ltd.	46	-	46	-	-	-
POSCO DAEWOO Mexico S.A. de C.V.	37,668	-	37,668	-	324	324
DAEWOO Int'l Guangzhou Corp.	1,134	-	1,134	-	-	-
POSCO DAEWOO Malaysia Sdn. Bhd.	31,914	1,305	33,219	6,390	1,451	7,841
POSCO DAEWOO Shanghai Co., Ltd.	36,893	-	36,893	-	656	656
POSCO DAEWOO India Private Ltd.	2,667	547	3,214	-	427	427
Brasil Sao Paulo Steel Processing Center(*1)	24,846	32,175	57,021	-	-	-
POSCO DAEWOO Myanmar Corp.	3	-	3	-	24	24
Pohang Scrap Recycling Distribution Center Co., Ltd.	-	-	-	-	449	449
Golden Lace DAEWOO Co., Ltd.	-	813	813	-	-	-
LA SRDC	-	-	-	1,250	-	1,250
DAEWOO Global Development Pte. Ltd	-	2,258	2,258	-	60	60









**32.2 Application of KIFRS 1115 Revenue from contracts with customer (cont'd)**

Details of items on the financial statements that are affected by the application of KIFRS 1115 are as follows (Korean won in millions):

	Korean won in millions		
	Before KIFRS 1115	Adjustment	Reported amount
Assets	₩ 8,736,870	₩ 36,375	₩ 8,773,245
Liabilities	5,937,569	36,529	5,974,098
Equity	2,799,301	(154)	2,799,147
Sales	23,303,238	5,558	23,308,796
Cost of goods sold & selling and administrative expenses	22,918,871	4,640	22,923,511
Operating incomes	384,367	918	385,285

**33. Events after reporting period**

The Company resolved to provide equity investment of \$38,000 thousand and payment guarantee of up to \$27,000 thousand for the grain exporting terminal business in Ukraine at the Board of Directors on February 1, 2019.

The Company issued unsecured public bonds of ₩250,000 million for the financing of operating fund on March 7, 2019.