

POSCO

**Condensed Separate Interim Financial Statements
(Unaudited)
March 31, 2016**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO (the "Company"), which comprise the condensed separate interim statement of financial position as of March 31, 2016, the condensed separate interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2016 and 2015, 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, 2015, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 25, 2016, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2015, 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 13, 2016

<p>This report is effective as of May 13, 2016, 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, 2016 and December 31, 2015 (Unaudited)

(in millions of Won)

	Notes	March 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	20 ₩	1,689,432	1,634,106
Trade accounts and notes receivable, net	4,14,20,31	2,552,383	2,740,104
Other receivables, net	5,20,31	275,171	246,431
Other short-term financial assets	6,20	3,469,048	3,326,012
Inventories	7,28	3,146,408	3,427,011
Assets held for sale	8	25,892	25,892
Other current assets	13	47,704	28,083
Total current assets		11,206,038	11,427,639
Long-term trade accounts and notes receivable, net	4,20	18,194	19,895
Other receivables, net	5,20	94,383	93,757
Other long-term financial assets	6,20	1,796,916	1,804,374
Investments in subsidiaries, associates and joint ventures	9	15,752,656	15,737,287
Investment property, net	10	86,405	86,752
Property, plant and equipment, net	11	21,578,715	21,514,150
Intangible assets, net	12	497,853	490,762
Other long-term assets	13	125,523	134,793
Total non-current assets		39,950,645	39,881,770
Total assets	₩	51,156,683	51,309,409

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Financial Position, Continued As of March 31, 2016 and December 31, 2015 (Unaudited)

(in millions of Won)

	Notes	March 31, 2016	December 31, 2015
Liabilities			
Trade accounts and notes payable	20,31	₩ 592,334	577,856
Short-term borrowings			
and current installments of long-term borrowings	4,14,20	1,541,616	1,985,722
Other payables	15,20,31	1,288,725	946,735
Other financial liabilities	16,20	23,104	25,676
Current income tax liabilities		244,301	227,569
Provisions	17	19,977	22,840
Other current liabilities	19	32,985	31,281
Total current liabilities		3,743,042	3,817,679
Long-term borrowings,			
excluding current installments	14,20	3,247,253	3,303,105
Other payables	15,20	113,978	37,656
Other financial liabilities	16,20	77,899	81,496
Defined benefit liabilities, net	18	26,909	10,472
Deferred tax liabilities		1,009,036	994,867
Provisions	17,32	18,688	21,954
Other non-current liabilities	19	16,387	16,623
Total non-current liabilities		4,510,150	4,466,173
Total liabilities		8,253,192	8,283,852
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,170,090	1,247,581
Hybrid bonds	22	996,919	996,919
Reserves	23	(33,599)	(30,018)
Treasury shares	24	(1,533,875)	(1,533,898)
Retained earnings		41,821,553	41,862,570
Total equity		42,903,491	43,025,557
Total liabilities and equity		₩ 51,156,683	51,309,409

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Comprehensive Income For the three-month periods ended March 31, 2016 and 2015 (Unaudited)

(in millions of Won, except per share information)

	Notes	March 31, 2016	March 31, 2015
Revenue	31	₩ 5,767,132	6,787,607
Cost of sales	7,28,31	(4,765,402)	(5,712,062)
Gross profit		1,001,730	1,075,545
Selling and administrative expenses	25,28,31		
Administrative expenses		(195,850)	(213,239)
Selling expenses		(223,766)	(240,599)
Operating profit		582,114	621,707
Finance income and costs	20,26		
Finance income		282,959	358,842
Finance costs		(242,184)	(143,190)
Other non-operating income and expenses	27,31		
Other non-operating income		18,447	13,629
Other non-operating expenses	28	(80,032)	(118,785)
Profit before income tax		561,304	732,203
Income tax expense	29	(115,393)	(232,443)
Profit		445,911	499,760
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss :			
Remeasurements of defined benefit plans, net of tax	18	4,128	(35,807)
Items that are or may be reclassified subsequently to profit or loss :			
Net changes in unrealized fair value of available-for-sale investments, net of tax	6,20,23	(3,581)	28,112
Total comprehensive income		₩ 446,458	492,065
Basic and diluted earnings per share (in Won)	30	5,469	6,146

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, 2016 and 2015 (Unaudited)

(in millions of Won)

		Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2015	₩	482,403	1,247,616	996,919	94,042	(1,534,457)	41,188,908	42,475,431
Comprehensive income :								
Profit		-	-	-	-	-	499,760	499,760
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(35,807)	(35,807)
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	28,112	-	-	28,112
Transactions with owners of the Company, recognized directly in equity :								
Year-end dividends		-	-	-	-	-	(479,958)	(479,958)
Interest of hybrid bonds		-	-	-	-	-	(10,701)	(10,701)
Disposal of treasury shares		-	2	-	-	8	-	10
Balance as of March 31, 2015	₩	<u>482,403</u>	<u>1,247,618</u>	<u>996,919</u>	<u>122,154</u>	<u>(1,534,449)</u>	<u>41,162,202</u>	<u>42,476,847</u>
Balance as of January 1, 2016	₩	482,403	1,247,581	996,919	(30,018)	(1,533,898)	41,862,570	43,025,557
Comprehensive income :								
Profit		-	-	-	-	-	445,911	445,911
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	4,128	4,128
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	(3,581)	-	-	(3,581)
Transactions with owners of the Company, recognized directly in equity :								
Year-end dividends		-	-	-	-	-	(479,974)	(479,974)
Business combination		-	(77,487)	-	-	-	-	(77,487)
Interest of hybrid bonds		-	-	-	-	-	(11,082)	(11,082)
Disposal of treasury shares		-	(4)	-	-	23	-	19
Balance as of March 31, 2016	₩	<u>482,403</u>	<u>1,170,090</u>	<u>996,919</u>	<u>(33,599)</u>	<u>(1,533,875)</u>	<u>41,821,553</u>	<u>42,903,491</u>

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows

For the three-month periods ended March 31, 2016 and 2015

(Unaudited)

(in millions of Won)

	Notes	March 31, 2016	March 31, 2015
Cash flows from operating activities			
Profit		₩ 445,911	499,760
Adjustments for :			
Costs for defined benefit plans		28,027	32,658
Depreciation		505,996	507,334
Amortization		18,339	17,323
Finance income		(203,309)	(317,678)
Finance costs		183,379	104,228
Loss on valuation of inventories		13,250	14,504
Gain on disposal of property, plant and equipment		(10,593)	(1,679)
Loss on disposal of property, plant and equipment		24,485	19,360
Impairment loss on investments			
in subsidiaries, associates and joint ventures		34,426	20,072
Gain on disposal of assets held for sale		-	(1,683)
Loss on disposal of assets held for sale		-	20,133
Impairment loss on assets held for sale		-	11,996
Income tax expense		115,393	232,443
Others		2,977	5,226
Changes in operating assets and liabilities	33	461,157	431,648
Interest received		26,221	29,246
Interest paid		(38,705)	(57,424)
Dividends received		6,194	413,277
Income taxes paid		(75,458)	(128,818)
Net cash provided by operating activities		₩ 1,537,690	1,851,926

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows, Continued For the three-month periods ended March 31, 2016 and 2015 (Unaudited)

(in millions of Won)

	Notes	March 31, 2016	March 31, 2015
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩	4,647,219	1,196,840
Proceeds from disposal of available-for-sale investments		725	-
Decrease in short-term loans		-	4,234
Decrease in long-term loans		-	270
Proceeds from disposal of intangible assets		1,011	1,203
Proceeds from disposal of assets held for sale		-	355,524
Proceeds from business combination		316	-
Acquisition of short-term financial investments		(4,789,506)	(2,261,681)
Acquisition of available-for-sale investments		(7,513)	(688)
Increase in short-term loans		-	(65,208)
Acquisition of investment in subsidiaries, associates and joint ventures		(49,165)	(349,643)
Acquisition of investment property		-	(146)
Acquisition of property, plant and equipment		(407,904)	(429,430)
Payment for disposal of property, plant and equipment		(3,933)	(12,207)
Acquisition of intangible assets		(1,778)	(9,478)
Net cash used in investing activities	₩	(610,528)	(1,570,410)
Cash flows from financing activities			
Proceeds from borrowings		77,949	1,354
Increase in long-term financial liabilities		1,513	1,537
Repayment of borrowings		(918,124)	(116,705)
Decrease in long-term financial liabilities		(1,473)	(1,074)
Payment of cash dividends		(20)	(20)
Payment of interest of hybrid bonds		(10,870)	(10,751)
Net cash used in financing activities	₩	(851,025)	(125,659)
Changes in cash due to foreign currency translation		(20,811)	-
Net increase in cash and cash equivalents		55,326	155,857
Cash and cash equivalents			
Cash and cash equivalents at beginning of the period		1,634,106	1,742,767
Cash and cash equivalents at end of the period	₩	1,689,432	1,898,624

See accompanying notes to the condensed separate interim financial statements.

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Notes to the Condensed Separate Interim Financial Statements As of March 31, 2016 (Unaudited)

1. Reporting Entity

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

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

As of March 31, 2016, the shares of the Company are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchanges.

2. Statement of Compliance

Statement of compliance

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

These condensed separate interim financial statements have been prepared in accordance with K-IFRS No. 1034 "*Interim Financial Reporting*" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2015. 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 in accordance with K-IFRS No. 1027 "*Separate Financial Statements*" presented by a parent, an investor in a subsidiary, an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

In preparing these condensed separate interim financial statements, 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 that applied to the separate financial statements as of and for the year ended December 31, 2015.

(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.

The Company reports the significant valuation matters to the 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.

Further information about the assumptions made in measuring fair value is included in note 20.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting," 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, 2015.

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Trade accounts and notes receivable	₩	2,563,394	2,749,056
Less: Allowance for doubtful accounts		(11,011)	(8,952)
	₩	<u>2,552,383</u>	<u>2,740,104</u>
Non-current			
Trade accounts and notes receivable	₩	27,976	30,034
Less: Present value discount		(7,495)	(7,852)
Less: Allowance for doubtful accounts		(2,287)	(2,287)
	₩	<u>18,194</u>	<u>19,895</u>

The trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩51,249 million as of March 31, 2016. The fair value of trade accounts and notes receivable approximates the carrying amounts and trade accounts and notes receivable are included in short-term borrowings from financial institutions (Note 14).

5. Other Receivables

Other receivables as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Other accounts receivable	₩	263,810	233,415
Others		11,681	13,341
Less: Allowance for doubtful accounts		(320)	(325)
	₩	<u>275,171</u>	<u>246,431</u>
Non-current			
Long-term loans	₩	24,464	24,293
Long-term other accounts receivable		67,011	66,541
Others		2,908	2,923
	₩	<u>94,383</u>	<u>93,757</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

6. Other Financial Assets

(a) Other financial assets as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Short-term derivative assets	₩	13,341	12,591
Available-for-sale securities (bonds)		15,000	15,000
Short-term financial instruments(*1)		3,433,471	3,291,828
Cash deposits(*2)		7,236	6,593
	₩	<u>3,469,048</u>	<u>3,326,012</u>
Non-current			
Long-term derivative assets	₩	99,508	78,292
Available-for-sale securities (equity instruments)		1,694,408	1,723,082
Available-for-sale securities (others)		2,968	2,967
Cash deposits(*3)		32	33
	₩	<u>1,796,916</u>	<u>1,804,374</u>

(*1) Short-term financial instruments amounting to ₩1,384 million are levied in relation to pending litigations as of March 31, 2016 and December 31, 2015.

(*2) Deposits amounting to ₩7,236 million and ₩6,593 million as of March 31, 2016 and December 31, 2015, respectively, are restricted in relation to government assigned project.

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

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Available-for-sale equity securities as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	Number of shares	Ownership (%)	Acquisition cost	Fair value	March 31, 2016		Accumulated impairment loss	Book value	December 31, 2015
					Net changes in fair value of available-for-sale investments				Book value
Marketable equity securities									
Hana Financial group Inc.	2,430,498	0.82	₩ 15,633	60,276	44,643	-	60,276	57,359	
Nippon Steel & Sumitomo Metal Corporation	23,835,200	2.51	719,622	528,726	(190,896)	-	528,726	559,740	
Hyundai Heavy Industries Co., Ltd.	1,477,000	1.94	343,506	157,301	27,620	(213,825)	157,301	129,681	
Shinhan Financial group Inc.	4,369,881	0.92	228,778	176,980	54,344	(106,142)	176,980	172,829	
KB Financial group Inc. (*1)	11,590,550	3.00	536,516	369,159	-	(167,357)	369,159	384,227	
Seoul Semiconductor Co., Ltd.	591,000	1.01	24,999	8,835	443	(16,607)	8,835	9,279	
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	8,930	21,375	18,848	(6,403)	21,375	20,748	
Others (10 companies) (*1)			92,110	65,772	14,591	(40,929)	65,772	60,617	
			1,970,094	1,388,424	(30,407)	(551,263)	1,388,424	1,394,480	
Non-marketable equity securities									
Congonhas Minerios S.A. (*3)	3,658,394	2.02	221,535	207,367	(14,168)	-	207,367	221,535	
Poongsan Special Metal Corp. (*4)	315,790	5.00	7,657	7,657	-	-	7,657	7,657	
Intellectual Discovery (*2)	1,000,000	8.81	5,000	1,350	-	(3,650)	1,350	5,000	
Others (40 companies) (*2,4)			227,677	89,610	250	(138,317)	89,610	94,410	
			461,869	305,984	(13,918)	(141,967)	305,984	328,602	
			₩ 2,431,963	1,694,408	(44,325)	(693,230)	1,694,408	1,723,082	

(*1) The Company has recognized ₩15,068 million, ₩432 million of impairment loss on securities of KB Financial Group Inc., Steel Flower Co., Ltd., respectively, due to prolonged decline in the fair value of these securities during the period ended March 31, 2016.

(*2) The Company has recognized ₩5,286 million, ₩3,650 million and ₩2,426 million of impairment loss on securities of Troika Foreign Resource Development Fund, Intellectual Discovery and Miju Steel MFG Co., Ltd., respectively, due to significant decline in the fair value of these securities during the period ended March 31, 2016.

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

(*4) Non-marketable equity securities whose fair values cannot be reliably measured are recorded at cost.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

7. Inventories

Inventories as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Finished goods	₩	677,252	717,320
Semi-finished goods		886,035	964,062
By-products		5,366	5,983
Raw materials		598,068	656,117
Fuel and materials		540,225	523,796
Materials-in-transit		452,163	574,409
Others		549	578
		<u>3,159,658</u>	<u>3,442,265</u>
Less: Allowance for inventories valuation		<u>(13,250)</u>	<u>(15,254)</u>
	₩	<u>3,146,408</u>	<u>3,427,011</u>

The amount of loss valuation on inventories recognized within cost of sales during the three-month period ended March 31, 2016 and the year ended December 31, 2015 were ₩13,250 million and ₩15,254 million, respectively.

8. Assets Held for Sale

Assets held for sale as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Property, plant and equipment(*1)	₩	25,892	25,892

(*1) During the period ended December 31, 2015, the Company determined to exchange 1FINEX facilities with the shares of newly established company in India, and has signed in Memorandum of Association (MOA) with Uttam Galva Steels Limited in India. The Company has classified the related facilities of ₩25,892 million as assets held for sale.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying values as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

(in millions of Won)				December 31,		
	Country	Principal operations	March 31, 2016		2015	
			Ownership (%)	Book value	Book value	
[Domestic]						
POSCO DAEWOO CORPORATION						
(formerly, Daewoo International Co., Ltd.)(*1)	Korea	Trading	60.31	₩ 3,371,481	3,371,481	
POSCO ENGINEERING & CONSTRUCTION., LTD.	Korea	Engineering and construction	52.80	1,014,314	1,014,314	
POSCO Green Gas Technology(*2)	Korea	Gas production and sales	100.00	682,600	682,600	
POSCO ENERGY CO., LTD.	Korea	Power generation	89.02	658,176	658,176	
POSCO Processing&Service	Korea	Steel sales and trading	96.01	624,678	624,678	
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	56.87	108,421	108,421	
POSCO Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780	
POSCO CHEMTECH	Korea	Refractory manufacturing and sales	60.00	100,535	100,535	
POSMATE	Korea	Business facility maintenance	57.25	73,374	73,374	
POSCO ICT	Korea	Computer hardware				
		and software distribution	65.38	70,990	70,990	
POSCO M-TECH(*3)	Korea	Packing materials manufacturing				
		and sales	48.85	53,651	53,651	
POSCO Family Strategy Fund	Korea	Investment in venture companies	69.90	45,273	45,273	
Busan E&E Co., Ltd.(*4)	Korea	Refuse derived fuel				
		and power generation	70.00	30,148	30,148	
Others (9 companies)				159,755	162,547	
				7,097,176	7,099,968	
[Foreign]						
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	813,431	813,431	
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	100.00	624,208	623,258	
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	553,524	536,860	
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(*5)	Thailand	Stainless steel manufacturing				
		and sales	84.93	249,340	251,812	
POSCO SS-VINA	Vietnam	Steel manufacturing and sales	100.00	241,426	241,426	
POSCO-China Holding Corp.	China	Investment management	100.00	240,430	240,430	
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99	184,815	184,815	
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	84.84	180,069	180,069	
POSCO America Corporation	USA	Steel trading	99.45	167,285	167,285	
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.(*6)	Hong Kong	Steel and raw material trading	100.00	117,710	32,189	
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Stainless steel manufacturing				
		and sales	60.00	92,800	92,800	
POSCO Investment Co., Ltd.(*6)	Hong Kong	Finance	-	-	85,521	
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 Electrical Steel India Private Limited	India	Electrical steel manufacturing				
		and sales	100.00	57,119	57,119	
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Trading	100.00	50,297	50,297	
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79	45,479	45,479	
POSCO China Dalian Plate	China	Heavy plate processing				
Processing Center Co., Ltd.		and marketing	80.00	32,992	32,992	
POSCO(Guangdong) Steel Co., Ltd.	China	Plate steel sheet manufacturing				
		and sales	87.04	31,299	31,299	
Others (32 companies)				366,124	366,124	
				5,417,216	5,402,074	
			₩	12,514,392	12,502,042	

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

- (*1) Daewoo International Co., Ltd. was renamed POSCO DAEWOO CORPORATION.
- (*2) The Company plan to merge with POSCO Green Gas Technology Co., Ltd. on the acquisition date of May 1, 2016 (Note 35).
- (*3) POSCO M-Tech Co., Ltd. was classified as an investment in a subsidiary as the Company has more than half of the voting rights by virtue of an agreement with Pohang University of Science and Technology, which has 4.72% of ownership in POSCO M-TECH.
- (*4) As of March 31, 2016, and December 31, 2015 the investments in subsidiaries amounting to ₩30,148 million were provided as collateral in relation to the loan agreements of Busan E&E Co., Ltd.
- (*5) As of March 31, 2016, there is an objective evidence of impairment due to the prolonged decline in the fair value of POSCO Thainox Public Company Limited below their costs. Recoverable amount was determined based on fair value less cost to sell, which was calculated by adding 18% of management premium and expected disposal cost on the stock price as of March 31, 2016. As a result, the Company recognized an impairment loss of ₩2,472 million as carrying values were higher than their recoverable amount.
- (*6) During the period ended March 31, 2016, POSCO Asia Co., Ltd. merged with POSCO Investment Co., Ltd.

- (b) Details of associates and carrying values as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

(in millions of Won)

			March 31, 2016		December 31, 2015
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natual Resources PEF	Korea	Mine investment	27.40	₩ 169,316	169,106
SeAH Changwon Intergrated Special Steel(*1)	Korea	Specialty steel manufacturing and sales	19.94	159,978	159,978
POSCO PLANTEC Co., Ltd.(*2)	Korea	Other structural metal product manufacturing	60.84	108,936	140,890
SNNC	Korea	STS material manufacturing and sales	49.00	100,655	100,655
Others (6 companies)				29,247	23,746
				568,132	594,375
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
7623704 Canada Inc.(*1)	Canada	Mine investment	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (5 companies)				29,078	29,090
				353,619	353,631
				₩ 921,751	948,006

- (*1) As of March 31, 2016, 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.
- (*2) As of March 31, 2016, there is objective evidence of impairment due to the prolonged decline at fair value of POSCO PLANTEC Co., Ltd, and, accordingly, the impairment test was performed. Recoverable amount was determined based on value-in-use, which was calculated by applying 7.4% discount rate. As a result, the Company recognized an impairment loss of ₩31,954 million as the carrying value was higher than its recoverable amount as of March 31, 2016.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(c) Details of joint ventures and carrying values as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	Country	Principal operations	March 31, 2016		December 31, 2015
			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	517,474	488,200
POSCO-NPS Niobium LLC	USA	Mine development	50.00	364,609	364,609
KOBRASCO	Brazil	Facilities lease	50.00	98,962	98,962
Others (4 companies)				110,004	110,004
				₩ 2,316,513	2,287,239

(*1) As of March 31, 2016 and December 31, 2015, 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 value of investment property for the period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

(a) For the three-month periods ended March 31, 2016

(in millions of Won)

	Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩ 35,557	-	115	35,672
Buildings	47,399	(594)	159	46,964
Structures	3,796	(39)	12	3,769
	₩ 86,752	(633)	286	86,405

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

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

(b) For the year ended December 31, 2015

(in millions of Won)

	Beginning	Acquisitions	Depreciation(*1)	Transfer(*2)	Ending
Land	₩ 36,020	-	-	(463)	35,557
Buildings	50,112	346	(2,382)	(677)	47,399
Structures	4,005	-	(164)	(45)	3,796
	₩ 90,137	346	(2,546)	(1,185)	86,752

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

(*2) Mainly includes assets transferred to 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, 2016 (Unaudited)

11. Property, Plant and Equipment, Net

Changes in the carrying value of property, plant and equipment for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

(a) For the three-month periods ended March 31, 2016

(in millions of Won)		Beginning	Acquisitions	Business combination	Disposals	Depreciation	Others(*1)	Ending
Land	₩	1,412,715	52	10,129	(72)	-	(295)	1,422,529
Buildings		2,566,168	347	43,551	(1,543)	(58,815)	6,832	2,556,540
Structures		2,519,866	4,842	8,513	(11)	(47,337)	8,601	2,494,474
Machinery and equipment		14,014,079	33,727	146,466	(3,002)	(392,443)	49,032	13,847,859
Vehicles		11,623	75	39	-	(1,263)	15	10,489
Tools		23,720	529	30	-	(2,659)	812	22,432
Furniture and fixtures		31,820	559	63	(19)	(2,686)	209	29,946
Finance lease assets		5,733	76,581	-	-	(160)	-	82,154
Construction-in-progress		928,426	251,482	-	-	-	(67,616)	1,112,292
	₩	21,514,150	368,194	208,791	(4,647)	(505,363)	(2,410)	21,578,715

(*1) Represents assets transferred from construction-in-progress assets to investment properties, intangible assets, inventories and others.

(b) For the year ended December 31, 2015

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,420,994	-	(3,869)	-	-	(4,410)	1,412,715
Buildings		2,760,842	3,350	(4,544)	(243,678)	(7,926)	58,124	2,566,168
Structures		2,612,553	4,339	(2,826)	(192,301)	(473)	98,574	2,519,866
Machinery and equipment		14,503,266	76,768	(45,843)	(1,593,413)	(59,485)	1,132,786	14,014,079
Vehicles		12,953	1,669	-	(6,302)	-	3,303	11,623
Tools		23,324	6,824	(15)	(11,091)	-	4,678	23,720
Furniture and fixtures		37,584	3,934	(23)	(15,553)	(18)	5,896	31,820
Finance lease assets		6,370	-	-	(637)	-	-	5,733
Construction-in-progress		945,329	1,436,840	-	-	(2,772)	(1,450,971)	928,426
	₩	22,323,215	1,533,724	(57,120)	(2,062,975)	(70,674)	(152,020)	21,514,150

(*1) The Company has recognized an impairment loss since recoverable amounts on magnesium smelting plant in Gangneung and facilities which are related to the project for replacement deteriorated hot-rolling mill (1st and 2nd) in Pohang and electric furnace of high mill (1st) in Pohang are less than their carrying values for the year ended December 31, 2015.

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

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

12. Intangible Assets, Net

Changes in the carrying value of intangible assets for the three-month periods ended March 31, 2016 and the year ended December 31, 2015 were as follows:

(a) For the three-month periods ended March 31, 2016

(in millions of Won)

	Beginning	Acquisitions	Business combination	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights ₩	19,997	-	-	-	(781)	-	1,062	20,278
Membership(*1)	52,058	-	-	(1,085)	-	(553)	(50)	50,370
Development expense	98,038	1,559	23,033	-	(12,210)	-	54	110,474
Port facilities usage rights	265,575	-	-	-	(3,829)	-	-	261,746
Construction-in-progress	31,951	3,970	-	-	-	-	(5,615)	30,306
Other intangible assets	23,143	3,031	24	-	(1,519)	-	-	24,679
₩	490,762	8,560	23,057	(1,085)	(18,339)	(553)	(4,549)	497,853

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

(*2) The Company have recognized an impairment loss on some memberships since the recoverable amounts were less than carrying value.

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

(b) For the year ended December 31, 2015

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights ₩	17,594	-	(126)	(2,829)	-	5,358	19,997
Membership(*1)	53,154	2,861	(3,680)	-	(11)	(266)	52,058
Development expense	127,941	1,172	-	(48,154)	-	17,079	98,038
Port facilities usage rights	162,028	-	-	(12,006)	-	115,553	265,575
Construction-in-progress	16,756	36,863	-	-	-	(21,668)	31,951
Other intangible assets	26,434	2,422	-	(7,753)	-	2,040	23,143
₩	403,907	43,318	(3,806)	(70,742)	(11)	118,096	490,762

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

(*2) The Company have recognized an impairment loss on some memberships since the recoverable amounts were less than carrying value.

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

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

13. Other Assets

Other assets as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Advance payments	₩	10,246	7,912
Prepaid expenses		37,007	19,722
Others		451	449
	₩	<u>47,704</u>	<u>28,083</u>
Non-current			
Long-term prepaid expenses	₩	6,093	6,215
Others(*1)		119,430	128,578
	₩	<u>125,523</u>	<u>134,793</u>

(*1) As of March 31, 2016 and December 31, 2015, the Company recognized tax assets amounting to ₩115,578 million and ₩124,787 million, respectively, based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment for prior years as a result of tax audits that were finalized in 2014 and claim for rectification are finalized.

14. Borrowings

(a) Borrowings as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Short-term borrowings			
Short-term borrowings	₩	51,249	-
Current portion of long-term borrowings		124,826	126,579
Current portion of loans from foreign financial institutions		409	401
Current portion of debentures		1,365,618	1,859,610
Less : Current portion of discount on debentures issued		(486)	(868)
	₩	<u>1,541,616</u>	<u>1,985,722</u>
Long-term borrowings			
Long-term borrowings	₩	81,675	141,868
Loans from foreign financial institutions		-	200
Debentures		3,179,211	3,175,406
Less : Discount on debentures issued		(13,633)	(14,369)
	₩	<u>3,247,253</u>	<u>3,303,105</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Short-term borrowings as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

Lenders	March 31, 2016	December 31, 2015
Transfers of account receivables that do not qualify for derecognition	₩ 51,249	-

(c) Current portion of long-term borrowings as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	Lenders	Issuance date	Maturity date	Interest rate (%)	March 31, 2016	December 31, 2015
Borrowings	Woori Bank and others	2006.10.31~ 2011.04.28	2017.03.15~ 2024.06.15	0.75 ~ 1.75	₩ 15,532	15,532
Borrowings	Export-Import Bank of Korea	2010.02.18~ 2010.07.26	2017.02.18~ 2017.07.26	4.09 ~ 4.50	109,294	111,047
Loans from foreign financial institutions(*1)	NATIXIS	1986.03.31	2017.03.31	2.00	409	401
Debentures	Domestic debentures 299 and the other	2011.05.04~ 2011.09.07	2016.05.04~ 2016.09.07	3.78 ~ 4.37	799,776	1,299,507
Debentures	Euro Bond 1 and others	2006.08.10~ 2013.12..11	2016.08.10~ 2016.12.08	0.93 ~ 5.88	565,356	559,235
					₩ 1,490,367	1,985,722

(*1) Korea Development Bank has provided guarantees to the Company for loans from foreign financial institutions.

(d) Long-term borrowings excluding current portion, as of March 31, 2016 and December 31, 2015 are as follows

(in millions of Won)

	Lenders	Issuance date	Maturity date	Interest rate (%)	March 31, 2016	December 31, 2015
Borrowings	Woori Bank and others	2006.10.31~ 2011.04.28	2018.03.15~ 2024.06.15	0.75 ~ 1.75	₩ 32,639	36,522
Borrowings	Korea National Oil Corporation	2007.12.27~ 2012.12.28	2022.06.25~ 2026.12.29	3 year Government bond	14,244	14,472
	Export-Import Bank of Korea	2010.02.18~ 2013.07.03	2017.07.26	4.09 ~ 4.50	34,792	90,874
Loans from foreign financial institutions	-	-	-	-	-	200
Debentures	Domestic debentures 304-1 and others	2011.11.28~ 2013.10.04	2018.10.04~ 2023.10.04	3.35 ~ 4.12	997,871	997,745
Debentures	Samurai Bond 13 and others	2010.10.28~ 2013.12.11	2018.12.10~ 2021.12.22	1.35 ~ 5.25	2,167,707	2,163,292
					₩ 3,247,253	3,303,105

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

15. Other Payables

Other payables as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Accounts payable	₩	428,909	546,884
Accrued expenses		356,505	380,383
Dividend payable		490,048	9,882
Finance lease liabilities		4,430	1,349
Withholdings		8,833	8,237
	₩	<u>1,288,725</u>	<u>946,735</u>
Non-current			
Long-term accounts payable	₩	2,265	-
Long-term accrued expenses		27,417	26,250
Finance lease liabilities		76,003	2,889
Long-term withholdings		8,293	8,517
	₩	<u>113,978</u>	<u>37,656</u>

16. Other Financial Liabilities

Other financial liabilities as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Derivative liabilities	₩	6,248	8,118
Financial guarantee liabilities		16,856	17,558
	₩	<u>23,104</u>	<u>25,676</u>
Non-current			
Financial guarantee liabilities	₩	77,899	81,496

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

17. Provisions

(a) Provisions as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		March 31, 2016		December 31, 2015	
		Current	Non-current	Current	Non-current
Provision for bonus payments(*1)	₩	3,296	-	7,271	-
Provision for restoration(*2)		16,681	18,277	15,569	21,543
Provision for litigation(*3)		-	411	-	411
	₩	<u>19,977</u>	<u>18,688</u>	<u>22,840</u>	<u>21,954</u>

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

(*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province, a provision has been recognized with a present value of estimated costs for recovery. In order to compute the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 2.36% to assess present value of these costs.

(*3) The Company has recognized provisions for certain litigations as of March 31, 2016.

(b) Changes in provisions for the three-month periods ended March 31, 2016 and the year ended December 31, 2015 were as follows:

1) For the three-month periods ended March 31, 2016

(in millions of Won)

		Beginning	Increase	Utilization	Ending
Provision for bonus payments	₩	7,271	2,525	(6,500)	3,296
Provision for restoration		37,112	368	(2,522)	34,958
Provision for litigation		411	-	-	411
	₩	<u>44,794</u>	<u>2,893</u>	<u>(9,022)</u>	<u>38,665</u>

2) For the year ended December 31, 2015

(in millions of Won)

		Beginning	Increase	Utilization	Ending
Provision for bonus payments	₩	8,423	13,233	(14,385)	7,271
Provision for restoration		70,399	2,174	(35,461)	37,112
Provision for litigation		411	-	-	411
	₩	<u>79,233</u>	<u>15,407</u>	<u>(49,846)</u>	<u>44,794</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (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, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	March 31, 2015
Expense related to post-employment benefit plans under defined contribution plans	₩	5,871	5,813

(b) Defined benefit plans

- 1) The amount recognized in relation to net defined benefit liabilities in the statements of financial position as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Present value of funded obligations	₩	1,021,950	1,023,071
Fair value of plan assets		(995,041)	(1,012,599)
Net defined benefit liabilities	₩	26,909	10,472

- 2) Changes in present value of defined benefit obligations for the three-month periods ended March 31, 2016 and the year ended December 31, 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Defined benefit obligation at the beginning of period	₩	1,023,071	1,017,164
Current service costs		28,557	118,770
Interest costs		6,034	29,743
Remeasurement		(5,696)	(58,397)
Transfer-in		-	283
Benefits paid		(30,016)	(84,492)
Defined benefit obligation at the end of period	₩	1,021,950	1,023,071

- 3) Changes in the fair value of plan assets for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Fair value of plan assets at the beginning of period	₩	1,012,599	931,006
Interest on plan assets		6,564	29,330
Remeasurement of plan assets		(250)	(7,064)
Contributions to plan assets		-	128,000
Business combination		245	-
Transfer-in		-	283
Benefits paid		(24,117)	(68,956)
Fair value of plan assets at the end of period	₩	995,041	1,012,599

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

- 4) The amounts recognized in the statements of comprehensive income for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Current service costs	₩ 28,557	32,555
Net interest costs	(530)	103
	<u>₩ 28,027</u>	<u>32,658</u>

19. Other Liabilities

Other liabilities as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Current		
Advances received	₩ 7,221	8,811
Withholdings	22,845	20,847
Unearned revenue	2,919	1,623
	<u>₩ 32,985</u>	<u>31,281</u>
Non-current		
Unearned revenue	₩ 16,387	16,623

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

20. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss		
Derivative assets held for trading	₩ 112,849	90,883
Available-for-sale financial assets	1,712,376	1,741,049
Loans and receivables	8,018,969	7,954,222
	₩ <u>9,844,194</u>	<u>9,786,154</u>

2) Financial liabilities as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Financial liabilities at fair value through profit or loss		
Derivative liabilities held for trading	₩ 6,248	8,118
Financial liabilities measured at amortized cost		
Trade accounts and notes payable	592,334	577,856
Borrowings	4,788,869	5,288,827
Financial guarantee liabilities(*1)	94,755	99,054
Others	1,312,435	978,648
	<u>6,788,393</u>	<u>6,944,385</u>
	₩ <u>6,794,641</u>	<u>6,952,503</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(*1) Financial liabilities were recognized in connection with financial guarantee contracts as of March 31, 2016. 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(Guangdong)	SMBC	USD	35,000,000	USD	40,373
Automotive Steel Co., Ltd.	BOA	USD	30,000,000	USD	34,605
Zhangjiagang Pohang	MIZUHO	USD	50,000,000	USD	57,675
Stainless Steel Co., Ltd.	Credit Agricole	USD	50,000,000	USD	57,675
	BTMU	USD	30,000,000	USD	34,605
POSCO Maharashtra	Export-Import Bank of Korea	USD	193,000,000	USD	168,500,000
Steel Pvt. Ltd.	HSBC	USD	110,000,000	USD	87,000,000
	DBS	USD	100,000,000	USD	90,000,000
	SCB	USD	73,069,000	USD	49,762,100
	Citi	USD	60,000,000	USD	42,000,000
	ING	USD	30,000,000	USD	15,000,000
POSCO ASSAN TST	SMBC	USD	62,527,500	USD	56,274,750
STEEL Industry	ING	USD	60,000,000	USD	54,000,000
	BNP	USD	24,000,000	USD	21,600,000
POSCO Electrical Steel	ING	USD	50,000,000	USD	50,000,000
India Private Limited	SCB	USD	33,784,000	USD	33,784,000
POSCO Asia Co., Ltd.	HSBC	USD	50,000,000	USD	50,000,000
	JP Morgan	USD	50,000,000	USD	50,000,000
	MIZUHO	USD	50,000,000	USD	50,000,000
	NAB	USD	50,000,000	USD	50,000,000
	BOA	USD	45,000,000	USD	29,250,000
	BTMU	USD	30,000,000	USD	14,250,000
	ING	USD	30,000,000	USD	14,250,000
	SMBC	USD	30,000,000	USD	14,250,000
POSCO MEXICO S.A. DE C.V	SMBC	USD	109,725,000	USD	96,265,000
	Korea Development Bank	USD	50,000,000	USD	36,468,000
	MIZUHO	USD	45,000,000	USD	32,819,000
	BOA	USD	40,000,000	USD	29,173,000
	HSBC	USD	40,000,000	USD	40,000,000
POSCO-SS VINA	Export-Import Bank of Korea	USD	249,951,050	USD	249,951,050
	BOA	USD	40,000,000	USD	40,000,000
	BTMU	USD	40,000,000	USD	40,000,000
	DBS	USD	24,400,000	USD	24,400,000
POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	USD	196,000,000
POSCO VST CO., LTD.	ANZ	USD	25,000,000	USD	12,500,000
	HSBC	USD	20,000,000	USD	10,000,000
	MIZUHO	USD	20,000,000	USD	10,000,000
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	567,000,000	USD	520,130,435
	SMBC	USD	140,000,000	USD	128,617,391
	BTMU	USD	119,000,000	USD	107,617,392
	SCB	USD	107,800,000	USD	99,497,391
	MIZUHO	USD	105,000,000	USD	94,956,522
	Credit Suisse AG	USD	91,000,000	USD	82,295,652
	HSBC	USD	91,000,000	USD	82,295,652
	ANZ	USD	73,500,000	USD	68,478,261
	BOA	USD	35,000,000	USD	31,652,174
	The Tokyo Star Bank, Ltd	USD	21,000,000	USD	18,991,305
POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & Co.	THB	5,501,000,000	THB	5,501,000,000
LLP POSUK Titanium	KB Bank	USD	15,000,000	USD	15,000,000
CSP - Companhia	Export-Import Bank of Korea	USD	182,000,000	USD	164,957,902
Siderurgica do Pecem	Santander	USD	47,600,000	USD	43,543,702
	BNP	USD	47,600,000	USD	43,543,702
	MIZUHO	USD	47,600,000	USD	43,543,702
	Credit Agricole	USD	20,000,000	USD	18,295,639
	SOCIETE GENERALE	USD	20,000,000	USD	18,295,639
	KfW	USD	20,000,000	USD	18,295,639
	BBVA Seoul	USD	17,600,000	USD	16,100,244
	ING	USD	17,600,000	USD	16,100,244
	BNDES	BRL	464,060,000	BRL	332,807,261
		USD	4,011,756,550	USD	3,584,705,488
		THB	5,501,000,000	THB	5,501,000,000
		BRL	464,060,000	BRL	332,807,261

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

3) Finance income and costs by category of financial instrument for the three-month periods ended March 31, 2016 and 2015 were as follows:

① For the three-month periods ended March 31, 2016

		Finance income and costs					Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Impairment loss	Others	Total
(in millions of Won)							
Financial assets at fair value through profit or loss	₩	-	-	-	-	21,966	21,966
Available-for-sale financial assets		177	18,787	-	(26,862)	-	(7,898)
Loans and receivables		24,975	-	(28,820)	-	(183)	(4,028)
Financial liabilities at fair value through profit or loss		-	-	-	-	1,869	1,869
Financial liabilities at amortized cost		(44,472)	-	(4,289)	-	2,551	(46,210)
	₩	(19,320)	18,787	(33,109)	(26,862)	26,203	(34,301)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩75,076 million for the three-month period ended March 31, 2016.

② For the three-month periods ended March 31, 2015

		Finance income and costs					Other comprehensive income (loss)
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others
(in millions of Won)							
Financial assets at fair value through profit or loss	₩	-	-	-	(438)	-	157
Available-for-sale financial assets		9	35,515	-	-	(24,337)	-
Loans and receivables		32,645	-	11,053	-	-	(96)
Financial liabilities at amortized cost		(63,284)	-	(13,042)	-	-	(26)
	₩	(30,630)	35,515	(1,989)	(438)	(24,337)	35

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩237,496 million for the three-month period ended March 31, 2015.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	March 31, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 1,598,641	1,598,641	1,622,911	1,622,911
Derivative assets(*2)	112,849	112,849	90,883	90,883
	<u>1,711,490</u>	<u>1,711,490</u>	<u>1,713,794</u>	<u>1,713,794</u>
Assets measured at amortized cost(*3)				
Cash and cash equivalents	1,689,432	1,689,432	1,634,106	1,634,106
Trade accounts and note receivable, net	2,570,577	2,570,577	2,759,999	2,759,999
Loans and other receivables	3,758,960	3,758,960	3,560,117	3,560,117
	<u>8,018,969</u>	<u>8,018,969</u>	<u>7,954,222</u>	<u>7,954,222</u>
Liabilities measured at fair value				
Derivative liabilities(*2)	6,248	6,248	8,118	8,118
Liabilities measured at amortized cost(*3)				
Trade accounts and notes payable	592,334	592,334	577,856	577,856
Borrowings	4,788,869	5,032,461	5,288,827	5,573,931
Financial guarantee liabilities	94,755	94,755	99,054	99,054
Others	1,312,435	1,312,435	978,648	978,648
	<u>₩ 6,788,393</u>	<u>7,031,985</u>	<u>6,944,385</u>	<u>7,229,489</u>

- (*1) The fair value of available-for-sale financial assets publicly traded is measured at the closing bid price quoted at the end of the reporting period. Meanwhile, the fair value of unquoted available-for-sale financial assets is calculated using the valuation results from an external pricing service in which weighted average cost of capital of evaluated companies are used as a discount rates. Available-for-sale financial assets which are not measured at fair value are not included.
- (*2) The fair value of derivatives is measured using valuation models such as Black-Scholes model, binominal lattice model and others in which the market yields on government bonds are used as discount rates.
- (*3) The fair value of financial assets and liabilities measured at amortized cost is determined at the present value of estimated future cash flows discounted at the current market interest rate. The fair value is calculated for the disclosures in the notes. On the other hand, the Company has not performed fair value measurement for the financial assets and liabilities measured at amortized cost except borrowings since their carrying amounts approximate fair value.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

2) The fair value hierarchy

The fair values of financial instruments by fair value hierarchy as of March 31, 2016 and December 31, 2015 are as follows:

① March 31, 2016

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,388,424	-	210,217	1,598,641
Derivative assets		-	13,341	99,508	112,849
	₩	<u>1,388,424</u>	<u>13,341</u>	<u>309,725</u>	<u>1,711,490</u>
Financial liabilities					
Derivative liabilities	₩	-	5,033	1,215	6,248

② December 31, 2015

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,394,480	-	228,431	1,622,911
Derivative assets		-	12,591	78,292	90,883
	₩	<u>1,394,480</u>	<u>12,591</u>	<u>306,723</u>	<u>1,713,794</u>
Financial liabilities					
Derivative liabilities	₩	-	-	8,118	8,118

3) 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, 2015.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

21. Share Capital and Capital Surplus

(a) Share capital as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in Won, except share information)</i>	March 31, 2016	December 31, 2015
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, 2016, total shares of ADRs of 49,982,260, outstanding in overseas stock market, are equivalent to 12,495,565 shares of common stock.

(*2) As of March 31, 2016, 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, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Additional paid-in capital	₩ 463,825	463,825
Gain on disposal of treasury shares	783,752	783,756
Loss from merger	(77,487)	-
	₩ 1,170,090	1,247,581

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

22. Hybrid Bonds

Hybrid bonds classified as equity as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		March 31, 2016	December 31, 2015
Hybrid bond 1-1(*1)	2013-06-13	2043-06-13	4.30	₩	800,000	800,000
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60		200,000	200,000
Issuance cost					(3,081)	(3,081)
				₩	<u>996,919</u>	<u>996,919</u>

(*1) Details of hybrid bonds as of March 31, 2016 are as follows:

<i>(in millions of Won)</i>	Hybrid bond 1-1	Hybrid bond 1-2
Issue price	800,000	200,000
Maturity date	30 years (The Company has a right to extend the maturity date)	30 years (The Company has a right to extend the maturity date)
Interest rate	Issue date ~ 2018-06-12 : 4.30% Reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.30% · After 10 years : additionally + 0.25% according to Step-up clauses · After 25 years : additionally + 0.75%	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)	Quarterly (Optional deferral of interest payment is available to the Company)
Others	The Company can call the hybrid bond at year 5 and interest payment date afterwards	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, 2016 amounts to ₩2,488 million.

23. Reserves

Reserves as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Accumulated changes in unrealized fair value of available-for-sale investments, net of tax	₩	(33,599)	(30,018)

24. Treasury Shares

As of March 31, 2016, the Company holds 7,191,077 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

25. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Wages and salaries	₩ 52,900	55,608
Expenses related to post-employment benefits	8,560	10,202
Other employee benefits	12,953	14,322
Travel	2,672	3,090
Depreciation	4,025	5,098
Amortization	13,209	13,084
Rental	15,894	18,378
Repairs	1,634	1,387
Advertising	14,652	18,049
Research & development	12,697	18,694
Service fees	36,301	41,528
Supplies expense	4,311	1,375
Vehicles maintenance	1,610	1,795
Industry association fee	1,613	1,579
Training	3,361	813
Conference	987	1,424
Bad debt expenses (reversal of bad debt expenses)	1,952	(297)
Others	6,519	7,110
	₩ <u>195,850</u>	<u>213,239</u>

(b) Selling expenses

Selling expenses for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Freight and custody expenses	₩ 202,558	219,005
Operating expenses for distribution center	2,427	2,519
Sales commissions	15,863	15,544
Sales advertising	568	618
Sales promotion	1,259	1,270
Sample	349	364
Sales insurance premium	742	1,279
	₩ <u>223,766</u>	<u>240,599</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

26. Finance Income and Costs

Details of finance income and costs for the three-month periods ended March 31, 2016 and 2015 were as follows:

(in millions of Won)

	March 31, 2016	March 31, 2015
Finance income		
Interest income	₩ 25,152	32,654
Dividend income	93,863	273,011
Gain on foreign currency transactions	79,650	41,097
Gain on foreign currency translations	40,671	11,856
Gain on valuation of derivatives	41,057	157
Gain on derivative transactions	-	67
Financial guarantee income	2,566	-
	<u>₩ 282,959</u>	<u>358,842</u>
Finance costs		
Interest expenses	₩ 44,472	63,284
Loss on foreign currency transactions	58,607	38,335
Loss on foreign currency translations	94,823	16,607
Loss on valuation of derivatives	17,222	-
Loss on derivative transactions	-	505
Impairment loss on available-for-sale investments	26,862	24,337
Others	198	122
	<u>₩ 242,184</u>	<u>143,190</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

27. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month periods ended March 31, 2016 and 2015 were as follows:

(in millions of Won)

	March 31, 2016	March 31, 2015
Other non-operating income		
Gain on disposals of property, plant and equipment ₩	10,593	1,679
Gain on disposals of assets held for sale	-	1,683
Premium income	1,779	4,988
Others	6,075	5,279
₩	<u>18,447</u>	<u>13,629</u>
Other non-operating expenses		
Loss on disposals of property, plant and equipment ₩	24,485	19,360
Donations	13,300	14,304
Idle tangible assets expenses	931	3,453
Impairment loss on investment in subsidiaries, associates and joint ventures	34,426	20,072
Impairment loss on assets held for sale	-	11,996
Loss on disposals of assets held for sale	-	20,133
Others	6,890	29,467
₩	<u>80,032</u>	<u>118,785</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

28. 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, 2016 and 2015 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Changes in inventories(*1)	₩ 116,708	12,787
Raw materials and consumables used	2,932,553	3,848,860
Employee benefits expenses	396,880	377,131
Outsourced processing cost	504,880	543,957
Depreciation(*2)	505,996	507,334
Amortization	18,339	17,323
Electricity and water expenses	202,618	247,394
Service fees	50,730	53,847
Rental	20,612	23,496
Advertising	14,652	18,049
Freight and custody expenses	202,558	219,005
Sales commissions	15,863	15,544
Loss on disposals of property, plant and equipment	24,485	19,360
Impairment loss on investments in subsidiaries, associates and joint ventures	34,426	20,072
Other expenses	223,750	360,526
	₩ 5,265,050	6,284,685

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

(*2) Includes depreciation of investment property.

29. Income Taxes

The effective tax rate of the Company for the three-month periods ended March 31, 2016 and 2015 was 20.6% and 31.8%, respectively. The effective tax rate for the three-month period ended March 31, 2015 was higher than the statutory tax rate of 24.2% for the Company mainly due to increase in deferred tax liability related to the Company's investments in POSCO ENGINEERING & CONSTRUCTION., LTD. as a result of changes in management's expectations on repatriation of the investment.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

30. Earnings per Share

Basic and diluted earnings per share for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in Won, except share information)</i>	March 31, 2016	March 31, 2015
Profit for the period	₩ 445,910,570,550	499,760,388,002
Interests of hybrid bonds, net of tax	(8,400,426,066)	(8,111,100,867)
Weighted-average number of common shares outstanding(*1)	79,995,736	79,993,057
Basic and diluted earnings per share	5,469	6,146

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

<i>(in share)</i>	March 31, 2016	March 31, 2015
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,191,099)	(7,193,778)
Weighted-average number of common shares outstanding	79,995,736	79,993,057

Since there were no potential shares of common stock which had dilutive effects as of March 31, 2016 and 2015, diluted earnings per share is equal to basic earnings per share.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

31. Related Party Transactions

(a) Significant transactions with related companies for the three-month periods ended March 31, 2016 and 2015 were as follows:

1) For the three-month periods ended March 31, 2016

(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., LTD. ₩	1,542	16,603	-	111,588	-	12,362
POSCO Processing&Service	224,059	5,777	98,335	-	-	245
POSCO COATED & COLOR STEEL Co., Ltd.	73,942	2,559	-	-	3,244	32
POSCO ICT(*4)	301	91	-	24,311	6,629	44,307
eNtoB Corporation	-	-	58,783	635	20	3,538
POSCO CHEMTECH	89,070	12,582	128,022	2,236	69,939	1,785
POSCO ENERGY CO., LTD.	45,184	308	-	-	-	-
POSCO TMC Co., Ltd.	69,740	-	1	-	468	311
POSCO AST	75,633	1	-	-	8,503	744
POSCO DAEWOO CORPORATION (formerly, Daewoo International Co., Ltd.)(*5)	794,022	34,341	23,805	-	-	198
POSCO Thainox Public Company Limited	54,966	-	1,957	-	-	-
PT. KRAKATAU POSCO	-	-	3,140	-	-	-
POSCO America Corporation	124,816	-	-	-	-	-
POSCO Canada Ltd.	-	-	24,777	-	-	-
POSCO Asia Co., Ltd.	480,849	-	58,986	-	21	178
Qingdao Pohang Stainless Steel Co., Ltd.	24,538	-	-	-	-	229
POSCO JAPAN Co., Ltd.	272,231	-	5,691	368	28	152
POSCO MEXICO S.A. DE C.V.	78,000	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	101,482	-	-	-	-	-
Others	211,453	8,243	42,561	14,758	50,765	19,184
	<u>2,721,828</u>	<u>80,505</u>	<u>446,058</u>	<u>153,896</u>	<u>139,617</u>	<u>83,265</u>
Associates and joint ventures(*3)						
SeAH Changwon Integrated Special Steel(*6)	5	-	452	-	138	-
POSCO PLANTEC Co., Ltd.(*6)	1,096	20	832	43,309	4,017	2,735
SNNC	1,225	166	107,790	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	7,855	-	-	-	-	-
Others	3,646	3,070	12,815	-	-	-
	<u>13,827</u>	<u>3,256</u>	<u>121,889</u>	<u>43,309</u>	<u>4,155</u>	<u>2,735</u>
₩	<u>2,735,655</u>	<u>83,761</u>	<u>567,947</u>	<u>197,205</u>	<u>143,772</u>	<u>86,000</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, 2016, the Company provided guarantees to related parties (Note 20).

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

(*5) During the period ended March 31, 2016, Daewoo International Co., Ltd. was renamed POSCO DAEWOO CORPORATION.

(*6) During the period ended December 31, 2015, it was reclassified from a subsidiary to an associate.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

2) For the three-month periods ended March 31, 2015

(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., LTD. ₩	925	64	19	157,537	1,286	22,005
POSCO Processing&Service	279,876	-	144,443	-	-	1,307
POSCO COATED & COLOR STEEL Co., Ltd.	101,441	-	-	-	3,267	24
POSCO ICT	294	4	-	35,250	7,435	44,453
eNtoB Corporation	-	-	77,990	527	26	5,550
POSCO CHEMTECH	128,365	11,800	133,444	1,733	74,784	372
POSCO ENERGY CO., LTD.	47,602	302	-	-	-	13
POSCO TMC Co., Ltd.	54,534	-	-	-	259	279
POSCO AST	105,115	3	2,775	-	8,872	35
POS-HIMETAL Co., Ltd.	3,171	34	37,133	-	-	33
POSCO DAEWOO CORPORATION (formerly, Daewoo International Co., Ltd.)	897,936	34,335	11,713	-	-	-
SeAH Changwon Integrated Special Steel	2,811	176,904	8,239	-	515	75
POSCO PLANTEC Co., Ltd.	2,373	18	878	27,827	5,626	5,655
POSCO Thainox Public Company Limited	71,957	10	1,869	-	-	-
PT. KRAKATAU POSCO	-	-	83,636	-	-	-
POSCO America Corporation	175,927	-	-	-	-	36
POSCO Canada Ltd.	-	-	32,997	-	-	-
POSCO Asia Co., Ltd.	465,146	-	50,819	-	-	92
Qingdao Pohang Stainless Steel Co., Ltd.	36,729	-	-	-	-	-
POSCO JAPAN Co., Ltd.	266,240	9,383	5,223	957	-	269
POSCO MEXICO S.A. DE C.V.	77,743	152	-	-	-	-
POSCO Maharashtra Steel Private Limited	102,395	-	-	-	-	-
Others	227,151	5,343	62,371	25,199	53,414	23,781
	<u>3,047,731</u>	<u>238,352</u>	<u>653,549</u>	<u>249,030</u>	<u>155,484</u>	<u>103,979</u>
Associates and joint ventures						
SNNC	638	206	97,176	-	-	-
POSCHROME (PROPRIETARY) LIMITED	-	-	13,933	-	-	-
CSP - Companhia Siderurgica do Pecem	3,358	-	-	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	6,306	-	-	-	-	-
Others	2,123	6,429	380	-	-	-
	<u>12,425</u>	<u>6,635</u>	<u>111,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
₩	<u>3,060,156</u>	<u>244,987</u>	<u>765,038</u>	<u>249,030</u>	<u>155,484</u>	<u>103,979</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) The related account balances of significant transactions with related companies as of March 31, 2016 and December 31, 2015 are as follows:

1) March 31, 2016

(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., LTD. ₩	51	20,348	20,399	-	35,648	497	36,145
POSCO Processing&Service	85,627	5,985	91,612	10,726	531	-	11,257
POSCO COATED & COLOR STEEL Co., Ltd.	38,748	81	38,829	-	5	1,944	1,949
POSCO ICT	-	207	207	845	45,127	5,925	51,897
eNtoB Corporation	-	-	-	10,325	7,093	14	17,432
POSCO CHEMTECH	29,180	11,849	41,029	54,863	11,483	20,206	86,552
POSCO ENERGY CO., LTD.	14,978	3,151	18,129	-	-	1,945	1,945
POSCO TMC Co., Ltd.	72,196	39	72,235	-	47	261	308
POSCO AST	31,933	67	32,000	-	1,368	3,708	5,076
POSCO DAEWOO CORPORATION (formerly, Daewoo International Co., Ltd.)	83,550	34,341	117,891	187	-	48	235
POSCO Thainox Public Company Limited	54,963	-	54,963	-	-	-	-
POSCO America Corporation	33,088	-	33,088	-	-	-	-
POSCO Asia Co., Ltd.	353,336	124	353,460	5,464	-	-	5,464
Qingdao Pohang Stainless Steel Co., Ltd.	17,793	-	17,793	-	229	-	229
POSCO MEXICO S.A. DE C.V.	106,884	-	106,884	-	-	-	-
POSCO Maharashtra Steel Private Limited	168,211	28	168,239	-	-	-	-
Others	133,271	10,292	143,563	8,012	21,275	23,720	53,007
	<u>1,223,809</u>	<u>86,512</u>	<u>1,310,321</u>	<u>90,422</u>	<u>122,806</u>	<u>58,268</u>	<u>271,496</u>
Associates and joint ventures							
SeAH Changwon Integrated Special Steel	-	-	-	99	-	71	170
POSCO PLANTEC Co., Ltd.	141	20	161	2,166	17,482	18	19,666
SNNC	256	29	285	26,625	-	-	26,625
Others	700	12	712	-	-	-	-
	<u>1,097</u>	<u>61</u>	<u>1,158</u>	<u>28,890</u>	<u>17,482</u>	<u>89</u>	<u>46,461</u>
₩	<u>1,224,906</u>	<u>86,573</u>	<u>1,311,479</u>	<u>119,312</u>	<u>140,288</u>	<u>58,357</u>	<u>317,957</u>

2) December 31, 2015

(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., LTD. ₩	508	30,368	30,876	-	42,159	1,002	43,161
POSCO Processing&Service	74,985	175	75,160	10,868	603	-	11,471
POSCO COATED & COLOR STEEL Co., Ltd.	43,669	66	43,735	-	-	1,262	1,262
POSCO ICT	-	6,832	6,832	1,060	94,865	5,880	101,805
eNtoB Corporation	-	-	-	8,683	14,209	12	22,904
POSCO CHEMTECH	32,670	4,500	37,170	54,636	11,398	18,062	84,096
POSCO ENERGY CO., LTD.	18,680	2,585	21,265	-	-	-	-
POSCO TMC Co., Ltd.	63,521	31	63,552	-	180	195	375
POSCO AST	54,844	54	54,898	-	1,915	3,294	5,209
POS-Himetal Co., Ltd.	707	9	716	-	10,148	-	10,148
POSCO DAEWOO CORPORATION (formerly, Daewoo International Co., Ltd.)	144,970	-	144,970	-	-	-	-
POSCO Thainox Public Company Limited	65,152	2	65,154	542	-	-	542
POSCO America Corporation	38,715	-	38,715	-	-	-	-
POSCO Asia Co., Ltd.	299,608	235	299,843	21,198	69	-	21,267
Qingdao Pohang Stainless Steel Co., Ltd.	16,689	-	16,689	-	-	-	-
POSCO MEXICO S.A. DE C.V.	94,588	-	94,588	-	-	-	-
POSCO Maharashtra Steel Private Limited	205,390	20	205,410	-	-	-	-
Others	172,019	5,035	177,054	18,208	45,476	23,985	87,669
	<u>1,326,715</u>	<u>49,912</u>	<u>1,376,627</u>	<u>115,195</u>	<u>221,022</u>	<u>53,692</u>	<u>389,909</u>
Associates and joint ventures							
SeAH Changwon Integrated Special Steel	1,201	-	1,201	161	15	-	176
POSCO PLANTEC Co., Ltd.	123	19	142	1,901	46,159	-	48,060
SNNC	298	20	318	639	2	-	641
Others	740	12,200	12,940	-	145	-	145
	<u>2,362</u>	<u>12,239</u>	<u>14,601</u>	<u>2,701</u>	<u>46,321</u>	<u>-</u>	<u>49,022</u>
₩	<u>1,329,077</u>	<u>62,151</u>	<u>1,391,228</u>	<u>117,896</u>	<u>267,343</u>	<u>53,692</u>	<u>438,931</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(c) For the three-month periods ended March 31, 2016 and 2015 details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Short-term benefits	₩ 8,333	8,502
Long-term benefits	2,768	3,054
Retirement benefits	1,988	5,422
	<u>₩ 13,089</u>	<u>16,978</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.

32. Commitments and Contingencies

(a) Commitments

The Company entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of March 31, 2016, 157 million tons of iron ore and 24 million tons of coal remained to be purchased under such long-term contracts.

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

As of March 31, 2016, the Company entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 24.50 million, USD 8.25 million and USD 6.49 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chenavard, respectively. The repayment of the borrowings depends on the success of the projects. The Company is not liable for the repayment of full or part of the money borrowed if the respective projects fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of March 31, 2016, the balances of the borrowing are USD 12.35 million.

(b) As of March 31, 2016, the Company has provided two blank checks to Korea Resources Corporation as collateral for long-term domestic borrowings, and has provided six blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for long-term foreign currency borrowings.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(c) Litigation in progress

The Company is involved in 37 litigations for alleged damages aggregating to ₩91.8 billion as of March 31, 2016 which arose in the ordinary course of business. The Company has recognized provisions for 1 of 37 litigations amounting to ₩0.4 billion by estimating the outcome of such litigations reasonably. Except 1 litigations, the Company has not recognized any provisions since the Company believes that it does not have a present obligation on other litigations as of March 31, 2016.

- (d) 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.

33. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	March 31, 2015
Trade accounts and notes receivable, net	₩	156,007	393,619
Other accounts receivable		54,659	116,491
Inventories		303,721	65,928
Prepaid expenses		(16,924)	(161)
Other current assets		(478)	366
Long-term guarantee deposits		49	(169)
Other long-term assets		(60)	(31)
Trade accounts and notes payable		18,815	38,988
Other accounts payable		(1,622)	(101,385)
Accrued expenses		(42,002)	(36,515)
Advances received		(1,590)	394
Withholdings		1,993	1,797
Unearned revenue		983	1,156
Other Short-term liabilities		(6,495)	(25,029)
Payment severance benefits		(30,016)	(33,432)
Plan assets		24,117	7,354
Other long-term liabilities		-	2,277
	₩	<u>461,157</u>	<u>431,648</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

34. Business Combination

- (a) The Company's Board of Directors decided to take over POS-HIMETAL Co., Ltd., a subsidiary of the Company on December 11, 2015, and the Company merged with POS-HIMETAL Co., Ltd., on the acquisition date of March 1, 2016. The purpose of the business combination is to enhance shareholder's value by increasing competence of the Company and maximizing efficiency of integrated operations through the synergy gained from the merger.
- (b) 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)

	Amount
Transfer price	
Book value of existing ownership interest	₩ 2,966
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	316
Trade accounts and notes receivable, net	2,583
Inventories	35,113
Property, plant, equipment and intangible assets	231,848
Other assets	2,259
Trade accounts and notes payable	(1,685)
Borrowings	(331,817)
Other liabilities	(13,138)
Total identifiable net assets	(74,521)
Capital surplus arising from business combination	
Decrease in capital surplus	₩ 77,487

- (c) If the Company had merged with POS-HIMETAL Co., Ltd., as of January 1, 2016, the pro-forma revenues and net profits for the three-month period ended March 31, 2016 would have been ₩5,766,367 million and ₩427,494 million, respectively.

35. Subsequent Events

The Company's Board of Directors decided to merge POSCO Green Gas Technology Co., Ltd., a subsidiary of the Company on February 19, 2016, and this merger was completed on May 1, 2016. The purpose of this merger is to enhance shareholder's value by increasing competence of the Company and maximizing efficiency of integrated operations through synergy effect.