

POSCO

**Condensed Separate Interim Financial Statements
(Unaudited)
June 30, 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 June 30, 2016, the condensed separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2016, and 2015, the condensed separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 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 matter

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
August 12, 2016

<p>This report is effective as of August 12, 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>
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POSCO

Condensed Separate Interim Statements of Financial Position

As of June 30, 2016 and December 31, 2015

(Unaudited)

<i>(in millions of Won)</i>	Notes	June 30, 2016	December 31, 2015
Assets			
Cash and cash equivalents	20	₩ 1,218,061	1,634,106
Trade accounts and notes receivable, net	4,14,20,31	2,773,403	2,740,104
Other receivables, net	5,20,31	203,888	246,431
Other short-term financial assets	6,20	4,081,412	3,326,012
Inventories	7,28	3,046,201	3,427,011
Assets held for sale	8	185,869	25,892
Other current assets	13	32,251	28,083
Total current assets		11,541,085	11,427,639
Long-term trade accounts and notes receivable, net	4,20	16,978	19,895
Other receivables, net	5,20	102,230	93,757
Other long-term financial assets	6,20	1,723,450	1,804,374
Investments in subsidiaries, associates and joint ventures	9	14,998,067	15,737,287
Investment property, net	10	105,234	86,752
Property, plant and equipment, net	11	22,482,394	21,514,150
Intangible assets, net	12	491,496	490,762
Other non-current assets	13	125,411	134,793
Total non-current assets		40,045,260	39,881,770
Total assets		₩ 51,586,345	51,309,409

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Financial Position, Continued

As of June 30, 2016 and December 31, 2015

(Unaudited)

<i>(in millions of Won)</i>	Notes	June 30, 2016	December 31, 2015
Liabilities			
Trade accounts and notes payable	20,31	₩ 719,751	577,856
Short-term borrowings			
and current installments of long-term borrowings	4,14,20	1,487,082	1,985,722
Other payables	15,20,31	756,921	946,735
Other short-term financial liabilities	16,20	19,918	25,676
Current income tax liabilities		223,799	227,569
Provisions	17	19,426	22,840
Other current liabilities	19	34,788	31,281
Total current liabilities		3,261,685	3,817,679
Long-term borrowings,			
excluding current installments	14,20	3,808,283	3,303,105
Other payables	15,20	115,649	37,656
Other long-term financial liabilities	16,20	76,205	81,496
Defined benefit liabilities, net	18	28,463	10,472
Deferred tax liabilities		991,338	994,867
Long-term provisions	17,32	18,843	21,954
Other non-current liabilities	19	16,097	16,623
Total non-current liabilities		5,054,878	4,466,173
Total liabilities		8,316,563	8,283,852
Equity			
Share capital	21	482,403	482,403
Capital surplus	21,34	1,156,276	1,247,581
Hybrid bonds	22	996,919	996,919
Reserves	23	99,327	(30,018)
Treasury shares	24	(1,533,782)	(1,533,898)
Retained earnings		42,068,639	41,862,570
Equity		43,269,782	43,025,557
Total liabilities and equity		₩ 51,586,345	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 and six-month periods ended June 30, 2016 and 2015 (Unaudited)

(in millions of Won, except per share information)

	Notes	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2016	2015	2016	2015
Revenue	31	₩ 6,009,608	6,575,519	11,776,740	13,363,126
Cost of sales	7,28,31	(4,851,019)	(5,507,224)	(9,616,421)	(11,219,285)
Gross profit		1,158,589	1,068,295	2,160,319	2,143,841
Selling and administrative expenses	25,28,31				
Administrative expenses		(228,538)	(222,541)	(424,387)	(435,781)
Selling expenses		(217,317)	(238,246)	(441,084)	(478,845)
Operating profit		712,734	607,508	1,294,848	1,229,215
Finance income and costs	20,26				
Finance income		86,289	107,385	369,249	466,228
Finance costs		(390,927)	(170,049)	(633,111)	(313,239)
Other non-operating income and expenses	27,31				
Other non-operating income		26,313	59,509	44,758	73,137
Other non-operating expenses	28	(39,035)	(274,590)	(119,067)	(393,375)
Profit before income tax		395,374	329,763	956,677	1,061,966
Income tax expense	29	(84,864)	(119,313)	(200,257)	(351,756)
Profit		310,510	210,450	756,420	710,210
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans, net of tax	18	(52,771)	15,385	(48,643)	(20,422)
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	132,926	267	129,345	28,379
Total comprehensive income		₩ 390,665	226,102	837,122	718,167
Basic and diluted earnings per share (in Won)	30	₩ 3,781	2,528	9,250	8,674

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Changes in Equity For the six-month periods ended June 30, 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		-	-	-	-	-	710,210	710,210
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(20,422)	(20,422)
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	28,379	-	-	28,379
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(479,958)	(479,958)
Interest of hybrid bonds		-	-	-	-	-	(21,572)	(21,572)
Disposal of treasury shares		-	13	-	-	92	-	105
Balance as of June 30, 2015	₩	482,403	1,247,629	996,919	122,421	(1,534,365)	41,377,166	42,692,173
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		-	-	-	-	-	756,420	756,420
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(48,643)	(48,643)
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	129,345	-	-	129,345
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(479,974)	(479,974)
Business combination		-	(91,310)	-	-	-	-	(91,310)
Interest of hybrid bonds		-	-	-	-	-	(21,734)	(21,734)
Disposal of treasury shares		-	5	-	-	116	-	121
Balance as of June 30, 2016	₩	482,403	1,156,276	996,919	99,327	(1,533,782)	42,068,639	43,269,782

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows For the six-month periods ended June 30, 2016 and 2015 (Unaudited)

(in millions of Won)

	Notes	June 30, 2016	June 30, 2015
Cash flows from operating activities			
Profit	₩	756,420	710,210
Adjustments for:			
Costs for defined benefit plans		55,954	61,879
Depreciation		1,019,089	1,022,390
Amortization		37,111	34,005
Finance income		(247,029)	(385,349)
Finance costs		502,040	235,929
Loss on valuation of inventories		4,013	9,219
Gain on disposal of property, plant and equipment		(16,281)	(6,063)
Loss on disposal of property, plant and equipment		55,646	44,238
Impairment loss on property, plant and equipment		-	46,436
Impairment loss on investments in subsidiaries, associates and joint ventures		35,943	215,676
Gain on disposal of assets held for sale		-	(52,165)
Contribution to provisions		511	2,068
Income tax expense		200,257	351,756
Others		11,079	28,685
Changes in operating assets and liabilities	33	361,710	583,333
Interest received		43,220	35,586
Interest paid		(103,269)	(133,829)
Dividends received		124,795	484,612
Income taxes paid		(213,086)	(311,263)
Net cash provided by operating activities	₩	2,628,123	2,977,353

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows, Continued For the six-month periods ended June 30, 2016 and 2015 (Unaudited)

(in millions of Won)

	Notes	June 30, 2016	June 30, 2015
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩	8,652,172	3,283,306
Decrease in short-term loans		-	4,235
Proceeds from disposal of available-for-sale financial assets		1,232	435
Decrease in long-term loans		-	452
Proceeds from disposal of investment in subsidiaries, associates and joint ventures		1,130	3,613
Proceeds from disposal of intangible assets		2,455	2,685
Proceeds from disposal of assets held for sale		-	411,280
Proceeds from business combination		24,250	-
Acquisition of short-term financial investments		(9,405,956)	(5,010,999)
Increase in short-term loans		-	(65,208)
Acquisition of available-for-sale financial assets		(17,066)	(752)
Increase in long-term loans		-	(75)
Acquisition of investment in subsidiaries, associates and joint ventures		(142,928)	(355,555)
Acquisition of investment property		-	(146)
Acquisition of property, plant and equipment		(1,008,213)	(812,326)
Payment for disposal of property, plant and equipment		(9,528)	(18,886)
Acquisition of intangible assets		(25,599)	(17,037)
Net cash used in investing activities		(1,928,051)	(2,574,978)
Cash flows from financing activities			
Proceeds from borrowings		874,654	1,348
Increase in long-term financial liabilities		2,630	2,560
Repayment of borrowings		(1,503,662)	(120,588)
Decrease in long-term financial liabilities		(3,135)	(2,545)
Payment of cash dividends		(480,012)	(479,999)
Payment of interest of hybrid bonds		(21,860)	(21,740)
Net cash used in financing activities		(1,131,385)	(620,964)
Changes in cash due to foreign currency translation		15,268	-
Net decrease in cash and cash equivalents		(416,045)	(218,589)
Cash and cash equivalents at beginning of the period		1,634,106	1,742,767
Cash and cash equivalents at end of the period	₩	1,218,061	1,524,178

See accompanying notes to the condensed separate interim financial statements.

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Notes to the Condensed Separate Interim Financial Statements

As of June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		June 30, 2016	December 31, 2015
Current			
Trade accounts and notes receivable	₩	2,802,529	2,749,056
Less: Allowance for doubtful accounts		(29,126)	(8,952)
	₩	<u>2,773,403</u>	<u>2,740,104</u>
Non-current			
Trade accounts and notes receivable	₩	26,377	30,034
Less: Present value discount		(7,112)	(7,852)
Less: Allowance for doubtful accounts		(2,287)	(2,287)
	₩	<u>16,978</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 ₩70,355 million as of June 30, 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 June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		June 30, 2016	December 31, 2015
Current			
Other accounts receivable	₩	191,979	233,415
Others		12,535	13,341
Less: Allowance for doubtful accounts		(626)	(325)
	₩	<u>203,888</u>	<u>246,431</u>
Non-current			
Long-term loans	₩	25,403	24,293
Long-term other accounts receivable		73,926	66,541
Others		2,901	2,923
	₩	<u>102,230</u>	<u>93,757</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

6. Other Financial Assets

(a) Other financial assets as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		June 30, 2016	December 31, 2015
Current			
Short term derivatives assets held for trading	₩	14,207	12,591
Available-for-sale securities (bonds)		15,000	15,000
Short-term financial instruments(*1)		4,044,276	3,291,828
Cash deposits(*2)		7,929	6,593
	₩	<u>4,081,412</u>	<u>3,326,012</u>
Non-current			
Long-term derivatives assets held for trading	₩	30,546	78,292
Available-for-sale securities (equity instruments)		1,686,596	1,723,082
Available-for-sale securities (others)		6,276	2,967
Cash deposits(*3)		32	33
	₩	<u>1,723,450</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 June 30, 2016 and December 31, 2015.

(*2) Deposits amounting to ₩7,929 million and ₩6,593 million as of June 30, 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 June 30, 2016 (Unaudited)

(b) Available-for-sale equity securities as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	June 30, 2016							December 31, 2015
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of available-for-sale investments	Accumulated impairment loss	Book value	Book value
Marketable equity securities								
Hana Financial group Inc.	2,430,498	0.82	₩ 15,633	56,509	40,876	-	56,509	57,359
Nippon Steel & Sumitomo Metal Corporation(*1)	23,835,200	2.51	719,622	528,367	-	(191,255)	528,367	559,740
Hyundai Heavy Industries Co., Ltd.	1,477,000	1.94	343,506	155,824	26,143	(213,825)	155,824	129,681
Shinhan Financial group Inc.	4,369,881	0.92	228,778	166,055	43,419	(106,142)	166,055	172,829
KB Financial group Inc.(*1)	11,590,550	3.00	536,517	377,852	8,693	(167,358)	377,852	384,227
Seoul Semiconductor Co., Ltd.	591,000	1.01	24,999	8,776	384	(16,607)	8,776	9,279
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	8,930	19,922	17,395	(6,403)	19,922	20,748
Others (10 companies)(*1)			92,109	75,151	24,691	(41,649)	75,151	60,617
			1,970,094	1,388,456	161,601	(743,239)	1,388,456	1,394,480
Non-marketable equity securities								
Congonhas Minerios S.A.(*3)	3,658,394	2.02	221,535	190,723	(30,812)	-	190,723	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)			236,477	98,410	250	(138,317)	98,410	94,410
			470,669	298,140	(30,562)	(141,967)	298,140	328,602
			₩ 2,440,763	1,686,596	131,039	(885,206)	1,686,596	1,723,082

(*1) The Company has recognized ₩191,255 million, ₩15,068 million, ₩1,152 million of impairment loss on securities of Nippon Steel & Sumitomo Metal Corporation, KB Financial Group Inc. and Steel Flower Co., Ltd., respectively, due to prolonged decline in the fair value of these securities during the period ended June 30, 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 June 30, 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 June 30, 2016 (Unaudited)

7. Inventories

Inventories as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	June 30, 2016	December 31, 2015
Finished goods	₩ 564,744	717,320
Semi-finished goods	789,486	964,062
By-products	4,630	5,983
Raw materials	659,486	656,117
Fuel and materials	547,858	523,796
Materials-in-transit	483,460	574,409
Others	550	578
	<u>3,050,214</u>	<u>3,442,265</u>
Less: Allowance for inventories valuation	(4,013)	(15,254)
	<u>₩ 3,046,201</u>	<u>3,427,011</u>

The amount of loss on valuation of inventories recognized within cost of sales during the six-month period ended June 30, 2016 and the year ended December 31, 2015 were ₩4,013 million and ₩15,254 million, respectively.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

8. Assets Held for Sale

Assets held for sale as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		June 30, 2016	December 31, 2015
Property, plant and equipment(*1)	₩	25,892	25,892
Investments in associates(*2)		159,977	-
	₩	185,869	25,892

(*1) During the year 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 Agreement (MOA) with Uttam Galva Steels Limited in India. The Company has classified the related facilities of ₩25,892 million as assets held for sale.

(*2) As of June 30, 2016, the Company determined the security of SeAH Changwon Integrated Special Steel would be highly probable to be sold. The Company classified the relating investment in associates amounting to ₩159,977 million as assets held for sale.

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying amounts as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>				June 30, 2016	December 31, 2015
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)(*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	-	-	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	Municipal solid waste fuel and power generation	70.00	30,148	30,148
Others (9 companies)				159,755	162,547
				₩ 6,414,576	7,099,968

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(in millions of Won)

(in millions of Won)			June 30, 2016		December 31, 2015
	Country	Principal operations	Ownership (%)	Book value	Book value
[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	624,658	623,258
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	601,800	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.(*6)	Mexico	Plate steel manufacturing and sales	84.84	180,072	180,069
POSCO America Corporation	USA	Steel trading	99.45	167,285	167,285
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing	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.(*7)	Hong Kong	Steel and raw material trading	100.00	117,710	32,189
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00	92,800	92,800
POSCO Investment Co., Ltd.(*7)	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 processing 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 Processing Center Co., Ltd.	China	Heavy plate processing and sales	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 (31 companies)(*6)				366,121	366,124
				5,465,942	5,402,074
			₩	11,880,518	12,502,042

- (*1) Daewoo International Corporation was renamed POSCO DAEWOO Corporation.
- (*2) The Company merged with POSCO Green Gas Technology on the acquisition date of May 1, 2016. (Note 34)
- (*3) POSCO M-TECH 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 June 30, 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 June 30, 2016, there is objective evidence of impairment due to the prolonged decline in the fair value of POSCO Thainox Public Company Limited below its cost. 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 June 30, 2016. As a result, the Company recognized an impairment loss of ₩2,472 million as carrying amount was higher than its recoverable amount.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(*6) During the period ended June 30, 2016, POSCO MEXICO S.A. DE C.V. merged with POSCO MEXICO HUMANTECH S.A de C.V

(*7) During the period ended June 30, 2016, POSCO Asia Co., Ltd. merged with POSCO Investment Co., Ltd.

(b) Details of associates and carrying amounts as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

(in millions of Won)

			June 30, 2016		December 31, 2015
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
EQP POSCO Global NO1					
Natural Resources PEF	Korea	Mine investment	27.40	₩ 169,316	169,106
SeAH Changwon Integrated Special Steel(*1)	Korea	Specialty steel manufacturing and sales	19.94	-	159,978
POSCO PLANTEC Co., Ltd.(*2)	Korea	Other structural metal product manufacturing	60.84	108,936	140,890
SNNC Co., Ltd.	Korea	STS material Manufacturing and sales	49.00	100,655	100,655
Others (6 companies)				27,442	23,746
				406,349	594,375
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
7623704 Canada Inc.(*3)	Canada	Mine investment	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (4 companies)				25,583	29,090
				350,124	353,631
				₩ 756,473	948,006

(*1) As of June 30, 2016, the Company classified the security of SeAH Changwon Integrated Special Steel as assets held for sale. (Note 8)

(*2) During the six-month period ended June 30, 2016, there was 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 amount was higher than its recoverable amount.

(*3) As of June 30, 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.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(c) Details of joint ventures and carrying amounts as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 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	562,037	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
				₩ 2,361,076	2,287,239

(*1) As of June 30, 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 amount of investment property for the six-month period ended June 30, 2016 and the year ended December 31, 2015 were as follows:

(a) For the six-month period ended June 30, 2016

(in millions of Won)		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	35,557	-	5,837	41,394
Buildings		47,399	(1,222)	11,069	57,246
Structures		3,796	(82)	2,880	6,594
	₩	86,752	(1,304)	19,786	105,234

(*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 from property, plant and equipment in relation to change in rental ratio and the purpose of use.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

11. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2016 and the year ended December 31, 2015 were as follows:

(a) For the six-month period ended June 30, 2016

<i>(in millions of Won)</i>		Beginning	Acquisitions	Business combination	Disposals	Depreciation	Others(*1)	Ending
Land	₩	1,412,715	52	10,273	(118)	-	(5,942)	1,416,980
Buildings		2,566,168	1,334	70,641	(1,567)	(116,500)	9,278	2,529,354
Structures		2,519,866	11,659	8,630	(21)	(94,723)	70,356	2,515,767
Machinery and equipment		14,014,079	110,637	146,466	(11,039)	(791,760)	496,717	13,965,100
Vehicles		11,623	568	39	-	(3,170)	5,201	14,261
Tools		23,720	938	289	-	(5,229)	952	20,670
Furniture and fixtures		31,820	4,282	237	(19)	(4,808)	205	31,717
Finance lease assets		5,733	76,581	-	-	(1,595)	-	80,719
Construction-in-progress		928,426	545,991	1,031,906	-	-	(598,497)	1,907,826
	₩	<u>21,514,150</u>	<u>752,042</u>	<u>1,268,481</u>	<u>(12,764)</u>	<u>(1,017,785)</u>	<u>(21,730)</u>	<u>22,482,394</u>

(*1) Includes assets transferred from construction-in-progress, reclassification of investment property, intangible assets, inventories and others.

(b) For the year ended December 31, 2015

<i>(in millions of Won)</i>		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
	₩	<u>22,323,215</u>	<u>1,533,724</u>	<u>(57,120)</u>	<u>(2,062,975)</u>	<u>(70,674)</u>	<u>(152,020)</u>	<u>21,514,150</u>

(*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 amounts for the year ended December 31, 2015.

(*2) Includes assets transferred from construction-in-progress, reclassification of investment property, intangible assets, assets held-for-sale and others.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

12. Intangible Assets, Net

Changes in the carrying amount of intangible assets for the six-month period ended June 30, 2016 and the year ended December 31, 2015 were as follows:

(a) For the six-month period ended June 30, 2016

(in millions of Won)

		Beginning	Acquisitions	Business Combination	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩	19,997	8	-	-	(1,646)	-	2,652	21,011
Membership(*1)		52,058	-	-	(2,008)	-	407	(1,669)	48,788
Development expense		98,038	21,052	23,033	-	(24,797)	-	3,222	120,548
Port facilities usage rights		265,575	-	-	-	(7,521)	-	-	258,054
Construction-in-progress		31,951	11,014	-	-	-	-	(25,581)	17,384
Other intangible assets		23,143	5,787	235	(488)	(3,147)	-	181	25,711
	₩	<u>490,762</u>	<u>37,861</u>	<u>23,268</u>	<u>(2,496)</u>	<u>(37,111)</u>	<u>407</u>	<u>(21,195)</u>	<u>491,496</u>

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

(*2) The Company has recognized an impairment loss on some membership since the recoverable amounts were less than carrying amounts. Also the Company reversed the accumulated impairment loss up to the carrying amount before recognition of any impairment loss since recoverable amounts of some memberships exceeded the carrying amounts.

(*3) Includes assets transferred from construction-in-progress, reclassification of property, plant and equipment, and others.

(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
	₩	<u>403,907</u>	<u>43,318</u>	<u>(3,806)</u>	<u>(70,742)</u>	<u>(11)</u>	<u>118,096</u>	<u>490,762</u>

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

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

(*3) Includes assets transferred from construction-in-progress, reclassification of property, plant and equipment, and others.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

13. Other Assets

Other assets as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		June 30, 2016	December 31, 2015
Current			
Advance payments	₩	12,280	7,912
Prepaid expenses		19,522	19,722
Others		449	449
	₩	<u>32,251</u>	<u>28,083</u>
Non-current			
Long-term prepaid expenses	₩	5,989	6,215
Others(*1)		119,422	128,578
	₩	<u>125,411</u>	<u>134,793</u>

(*1) As of June 30, 2016 and December 31, 2015, the Company recognized tax assets amounting to ₩115,571 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 June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		June 30, 2016	December 31, 2015
Short-term borrowings			
Short-term borrowings	₩	270,355	-
Current portion of long-term borrowings		124,867	126,579
Current portion of loans from foreign financial institutions		405	401
Current portion of debentures		1,091,690	1,859,610
Less: Current portion of discount on debentures issued		(235)	(868)
	₩	<u>1,487,082</u>	<u>1,985,722</u>
Long-term borrowings			
Long-term borrowings	₩	69,690	141,868
Loans from foreign financial institutions		-	200
Debentures		3,753,263	3,175,406
Less: Discount on debentures issued		(14,670)	(14,369)
	₩	<u>3,808,283</u>	<u>3,303,105</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(b) Short-term borrowings as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

Lenders	Lenders	Insurance date	Maturity date	Annual interest rate (%)	June 30, 2016	December 31, 2015
Short-term borrowings	Korea Development Bank	2016.04.08	2017.04.10	2.00	₩ 200,000	-
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	70,355	-
					₩ 270,355	-

(c) Current portion of long-term borrowings as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

(in millions of Won)		Issuance date	Maturity date	Annual interest rate (%)	June 30, 2016	December 31, 2015
	Lenders					
Borrowings	Woori Bank and others	2006.10.31~ 2011.04.28	2017.03.15~ 2024.06.15	0.75 ~ 1.75	₩ 14,511	15,532
Borrowings	Export-Import Bank of Korea	2010.02.18~ 2010.07.26	2017.02.18~ 2017.07.26	4.09 ~ 4.50	110,356	111,047
Loans from foreign financial institutions(*1)	NATIXIS	1986.03.31	2017.03.31	2.00	405	401
Debentures	Domestic debentures	2011.09.07	2016.09.07	3.78	499,915	1,299,507
Debentures	Euro Bond 1st and others	2006.08.10~ 2013.12.11	2016.08.10~ 2016.12.08	0.93 ~ 5.88	591,540	559,235
					₩ 1,216,727	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 June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

(in millions of Won)		Issuance date	Maturity date	Annual interest rate (%)		June 30, 2016	December 31, 2015
	Lenders						
Borrowings	Woori Bank and others	2006.10.31~ 2011.04.28	2018.03.15~ 2024.06.15	0.75 ~ 1.75	₩	29,776	36,522
Borrowings	Korea National Oil Corporation	2007.12.27~ 2009.12.29	2022.06.25~ 2024.12.29	3 year Government bond		4,784	14,472
Borrowings	Export-Import Bank of Korea	2012.03.29~ 2013.07.03	2017.07.26	4.09		35,130	90,874
Loans from foreign financial institutions	-	-	-	-		-	200
Debentures	Domestic debentures 304-1 and others	2011.11.28~ 2016.05.03	2018.10.04~ 2023.10.04	1.76 ~ 4.12		1,496,547	997,745
Debentures	Samurai Bond 13 and others	2010.10.28~ 2013.12.11	2018.12.10~ 2021.12.22	1.35 ~ 5.25		2,242,046	2,163,292
					₩	3,808,283	3,303,105

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

15. Other Payables

Other payables as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		June 30, 2016	December 31, 2015
Current			
Accounts payable	₩	355,775	546,884
Accrued expenses		377,677	380,383
Dividend payable		9,718	9,882
Finance lease liabilities		4,909	1,349
Withholdings		8,842	8,237
	₩	<u>756,921</u>	<u>946,735</u>
Non-current			
Long-term accounts payable	₩	1,887	-
Long-term accrued expenses		30,521	26,250
Finance lease liabilities		74,567	2,889
Long-term withholdings		8,674	8,517
	₩	<u>115,649</u>	<u>37,656</u>

16. Other Financial Liabilities

Other financial liabilities as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		June 30, 2016	December 31, 2015
Current			
Derivative liabilities	₩	3,252	8,118
Financial guarantee liabilities		16,666	17,558
	₩	<u>19,918</u>	<u>25,676</u>
Non-current			
Financial guarantee liabilities	₩	76,205	81,496

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

17. Provisions

(a) Provisions as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		June 30, 2016		December 31, 2015	
		Current	Non-current	Current	Non-current
Provision for bonus payments(*1)	₩	4,573	-	7,271	-
Provision for restoration(*2)		14,853	18,432	15,569	21,543
Provision for litigation(*3)		-	411	-	411
	₩	<u>19,426</u>	<u>18,843</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 2.03% to assess present value of these costs.

(*3) The Company has recognized provisions for certain litigations as of June 30, 2016.

(b) Changes in provisions for the six-month period ended June 30, 2016 and the year ended December 31, 2015 were as follows:

1) For the six-month period ended June 30, 2016

(in millions of Won)

		Beginning	Increase	Utilization	Ending
Provision for bonus payments	₩	7,271	3,950	(6,648)	4,573
Provision for restoration		37,112	511	(4,338)	33,285
Provision for litigation		411	-	-	411
	₩	<u>44,794</u>	<u>4,461</u>	<u>(10,986)</u>	<u>38,269</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 June 30, 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 and six-month periods ended June 30, 2016 and 2015 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2016	2015	2016	2015
Expense related to post-employment benefit plans under defined contribution plans	₩ 5,247	4,705	11,118	10,518

(b) Defined benefit plans

- 1) The amount recognized in relation to net defined benefit liabilities in the statement of financial position as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		June 30, 2016	December 31, 2015
Present value of funded obligations	₩	1,108,423	1,023,071
Fair value of plan assets		(1,079,960)	(1,012,599)
Net defined benefit liabilities	₩	28,463	10,472

- 2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2016 and the year ended December 31, 2015 were as follows:

(in millions of Won)

		June 30, 2016	December 31, 2015
Defined benefit obligation at the beginning of period	₩	1,023,071	1,017,164
Current service costs		57,016	118,770
Interest costs		12,068	29,743
Remeasurement		61,790	(58,397)
Transfer-in		-	283
Business combination		1,133	-
Benefits paid		(46,655)	(84,492)
Defined benefit obligation at the end of period	₩	1,108,423	1,023,071

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

- 3) Changes in the fair value of plan assets for the six-month period ended June 30, 2016 and the year ended December 31, 2015 were as follows:

<i>(in millions of Won)</i>		June 30, 2016	December 31, 2015
Fair value of plan assets at the beginning of period	₩	1,012,599	931,006
Interest on plan assets		13,130	29,330
Remeasurement of plan assets		(2,383)	(7,064)
Contributions to plan assets		95,049	128,000
Transfer-in		-	283
Business combination		244	-
Benefits paid		(38,679)	(68,956)
Fair value of plan assets at the end of period	₩	<u>1,079,960</u>	<u>1,012,599</u>

- 4) The amounts recognized in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2016	2015	2016	2015
Current service costs	₩	28,459	29,118	57,016	61,673
Net interest costs		(532)	103	(1,062)	206
	₩	<u>27,927</u>	<u>29,221</u>	<u>55,954</u>	<u>61,879</u>

19. Other Liabilities

Other liabilities as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		June 30, 2016	December 31, 2015
Current			
Advances received	₩	8,525	8,811
Withholding		24,184	20,847
Unearned revenue		2,079	1,623
	₩	<u>34,788</u>	<u>31,281</u>
Non-current			
Unearned revenue	₩	16,097	16,623

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

20. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	June 30, 2016	December 31, 2015
Financial assets at fair value through profit or loss		
Derivatives assets	₩ 44,753	90,883
Available-for-sale financial assets	1,707,872	1,741,049
Loans and receivables	8,302,866	7,954,222
	₩ 10,055,491	9,786,154

2) Financial liabilities as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	June 30, 2016	December 31, 2015
Financial liabilities at fair value through profit or loss		
Derivatives liabilities	₩ 3,252	8,118
Financial liabilities measured at amortized cost		
Trade accounts and notes payable	719,751	577,856
Borrowings	5,295,365	5,288,827
Financial guarantee liabilities(*1)	92,871	99,054
Others	833,151	978,648
	6,941,138	6,944,385
	₩ 6,944,390	6,952,503

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(*1) Financial liabilities were recognized in connection with financial guarantee contracts as of June 30, 2016. The details of the amount of guarantees provided are as follows:

(in millions of Won)		Guarantee limit		Guarantee amount	
Guarantee beneficiary	Financial institution	Foreign currency	Won equivalent	Foreign currency	Won equivalent
POSCO(Guangdong)	SMBC	USD	35,000,000	USD	35,000,000
Automotive Steel Co., Ltd.	BOA	USD	30,000,000	USD	30,000,000
Zhangjiagang Pohang	Korea Development Bank	CNY	324,455,000	CNY	324,455,000
Stainless Steel Co., Ltd.	Credit Agricole	CNY	305,000,000	CNY	305,000,000
	BTMU	CNY	260,500,000	CNY	260,500,000
	SMBC	CNY	195,000,000	CNY	195,000,000
POSCO Maharashtra	Export-Import Bank of Korea	USD	193,000,000	USD	150,500,000
Steel Private Limited	HSBC	USD	110,000,000	USD	79,000,000
	DBS	USD	100,000,000	USD	80,000,000
	SCB	USD	73,069,000	USD	46,455,200
	Citi	USD	60,000,000	USD	39,000,000
	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
	MIZUHO	USD	50,000,000	USD	50,000,000
	NAB	USD	50,000,000	USD	50,000,000
POSCO MEXICO S.A. DE C.V.	SMBC	USD	109,725,000	USD	80,114,323
	Korea Development Bank	USD	50,000,000	USD	20,226,916
	MIZUHO	USD	45,000,000	USD	18,203,004
	BOA	USD	40,000,000	USD	16,180,757
	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	515,176,565
	SMBC	USD	140,000,000	USD	127,393,609
	BTMU	USD	119,000,000	USD	106,582,609
	SCB	USD	107,800,000	USD	98,553,609
	MIZUHO	USD	105,000,000	USD	94,043,478
	Credit Suisse AG	USD	91,000,000	USD	81,504,348
	HSBC	USD	91,000,000	USD	81,504,348
	ANZ	USD	73,500,000	USD	67,832,738
	BOA	USD	35,000,000	USD	31,347,826
	The Tokyo Star Bank, Ltd	USD	21,000,000	USD	18,808,695
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	175,719,959
Siderurgica do Pecem	Santander	USD	47,600,000	USD	45,939,397
	BNP	USD	47,600,000	USD	45,939,397
	MIZUHO	USD	47,600,000	USD	45,939,397
	Credit Agricole	USD	20,000,000	USD	19,302,250
	SOCIETE GENERALE	USD	20,000,000	USD	19,302,250
	KfW	USD	20,000,000	USD	19,302,250
	BBVA Seoul	USD	17,600,000	USD	16,986,022
	ING	USD	17,600,000	USD	16,986,022
	BNDES	BRL	464,060,000	BRL	348,349,782
		USD	3,696,756,550	USD	3,241,354,769
		CNY	1,084,955,000	CNY	1,084,955,000
		THB	5,501,000,000	THB	5,501,000,000
		BRL	464,060,000	BRL	348,349,782

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

3) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2016 and 2015 were as follows:

① For the six-month period ended June 30, 2016

(in millions of Won)		Finance income and costs						Other comprehensive income
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total
Financial assets at fair value through profit or loss	₩	-	-	-	-	-	(46,130)	(46,130)
Available-for-sale financial assets		213	23,209	-	2,171	(218,837)	-	(193,244)
Loans and receivables		43,453	-	3,339	-	-	(313)	46,479
Financial liabilities at fair value through profit or loss		-	-	-	-	-	4,866	4,866
Financial liabilities at amortized cost		(79,739)	-	(110,519)	-	-	5,097	(185,161)
	₩	(36,073)	23,209	(107,180)	2,171	(218,837)	(36,480)	(373,190)
								129,345

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩109,328 million for the six-month period ended June 30, 2016.

② For the six-month period ended June 30, 2015

(in millions of Won)		Finance income and costs						Other comprehensive income
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total
Financial assets at fair value through profit or loss	₩	-	-	-	(438)	-	4,947	4,509
Available-for-sale financial assets		20	42,784	-	(16)	(51,956)	-	(9,168)
Loans and receivables		41,894	-	25,248	-	-	(221)	66,921
Financial liabilities at fair value through profit or loss		-	-	-	-	-	5,486	5,486
Financial liabilities at amortized cost		(122,449)	-	(57,646)	-	-	(48)	(180,143)
	₩	(80,535)	42,784	(32,398)	(454)	(51,956)	10,164	(112,395)
								28,379

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩265,384 million for the six-month period ended June 30, 2015.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

4) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2016 and 2015 were as follows:

① For the three-month period ended June 30, 2016

(in millions of Won)		Finance income and costs						Other comprehensive income
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total
Financial assets at fair value through profit or loss	₩	-	-	-	-	-	(68,097)	(68,097)
Available-for-sale financial assets		36	4,422	-	2,171	(191,975)	-	(185,346)
Loans and receivables		18,478	-	32,159	-	-	(130)	50,507
Financial liabilities at fair value through profit or loss		-	-	-	-	-	2,997	2,997
Financial liabilities at amortized cost		(35,267)	-	(106,230)	-	-	2,547	(138,950)
	₩	(16,753)	4,422	(74,071)	2,171	(191,975)	(62,683)	(338,889)
								132,926

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩34,251 million for the three-month period ended June 30, 2016.

② For the three-month period ended June 30, 2015

(in millions of Won)		Finance income and costs						Other comprehensive income
		Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total
Financial assets at fair value through profit or loss	₩	-	-	-	-	-	4,790	4,790
Available-for-sale financial assets		11	7,269	-	(16)	(27,619)	-	(20,355)
Loans and receivables		9,249	-	14,195	-	-	(125)	23,319
Financial liabilities at fair value through profit or loss		-	-	-	-	-	5,486	5,486
Financial liabilities at amortized cost		(59,165)	-	(44,604)	-	-	(23)	(103,792)
	₩	(49,905)	7,269	(30,409)	(16)	(27,619)	10,128	(90,552)
								267

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩27,888 million for the three-month period ended June 30, 2015.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(b) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of June 30, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	June 30, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Available-for-sale financial assets(*1) ₩	1,582,030	1,582,030	1,622,911	1,622,911
Derivatives assets(*2)	44,753	44,753	90,883	90,883
	<u>1,626,783</u>	<u>1,626,783</u>	<u>1,713,794</u>	<u>1,713,794</u>
Assets measured at amortized cost(*3)				
Cash and cash equivalents	1,218,061	1,218,061	1,634,106	1,634,106
Trade accounts and note receivable, net	2,790,381	2,790,381	2,759,999	2,759,999
Loans and other receivables	4,294,424	4,294,424	3,560,117	3,560,117
	<u>8,302,866</u>	<u>8,302,866</u>	<u>7,954,222</u>	<u>7,954,222</u>
Liabilities measured at fair value				
Derivatives liabilities(*2)	3,252	3,252	8,118	8,118
Liabilities measured at amortized cost(*3)				
Trade accounts and notes payable	719,751	719,751	577,856	577,856
Borrowings	5,295,365	5,620,038	5,288,827	5,573,931
Financial guarantee liabilities	92,871	92,871	99,054	99,054
Others	833,151	833,151	978,648	978,648
₩	<u>6,941,138</u>	<u>7,265,811</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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

2) The fair value hierarchy

The fair values of financial instruments by fair value hierarchy as of June 30, 2016 and December 31, 2015 are as follows:

① June 30, 2016

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,388,457	-	193,573	1,582,030
Derivatives assets		-	23,968	20,785	44,753
	₩	<u>1,388,457</u>	<u>23,968</u>	<u>214,358</u>	<u>1,626,783</u>
Financial liabilities					
Derivatives liabilities	₩	-	3,252	-	3,252

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
Derivatives 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					
Derivatives 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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

21. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in Won, except share information)</i>	June 30, 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 June 30, 2016, total shares of ADRs of 45,950,792, outstanding in overseas stock market, are equivalent to 11,487,698 shares of common stock.

(*2) As of June 30, 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 June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	June 30, 2016	December 31, 2015
Additional paid-in capital	₩ 463,825	463,825
Gain on disposal of treasury shares	783,761	783,756
Loss from merger	(91,310)	-
	₩ 1,156,276	1,247,581

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

22. Hybrid Bonds

Hybrid bonds classified as equity as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		June 30, 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 June 30, 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 June 30, 2016 amounts to ₩2,150 million.

23. Reserves

Reserves as of June 30, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		June 30, 2016	December 31, 2015
Accumulated changes in unrealized fair value of available-for-sale investments, net of tax	₩	99,327	(30,018)

24. Treasury Shares

As of June 30, 2016, the Company holds 7,190,644 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

25. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for the three-month and six-month periods ended June 30, 2016 and 2015 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2016	2015	2016	2015
Wages and salaries	₩ 50,751	51,815	103,651	107,423
Expenses related to post-employment benefits	7,528	6,557	16,088	16,759
Other employee benefits	13,021	11,460	25,974	25,782
Travel	3,462	3,603	6,134	6,693
Depreciation	4,136	4,947	8,161	10,045
Amortization	13,666	13,058	26,875	26,142
Rental	13,760	16,257	29,654	34,635
Repairs	2,063	2,699	3,697	4,086
Advertising	16,670	17,967	31,322	36,016
Research & development	24,806	19,215	37,503	37,909
Service fees	38,735	48,626	75,036	90,154
Supplies expense	347	1,463	4,658	2,838
Vehicles maintenance	1,550	1,690	3,160	3,485
Industry association fee	1,701	3,626	3,314	5,205
Training	5,140	6,681	8,501	7,494
Conference	922	1,388	1,909	2,812
Bad debt expenses (reversal of bad debt expenses)	18,717	(912)	20,669	(1,209)
Others	11,563	12,401	18,081	19,512
	₩ 228,538	222,541	424,387	435,781

(b) Selling expenses

Selling expenses for the three-month and six-month periods ended June 30, 2016 and 2015 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2016	2015	2016	2015
Freight and custody expenses	₩ 193,053	218,895	395,611	437,900
Operating expenses for distribution center	2,381	2,895	4,808	5,414
Sales commissions	18,688	12,691	34,551	28,235
Sales advertising	435	557	1,003	1,175
Sales promotion	1,336	1,475	2,595	2,745
Sample	256	335	606	699
Sales insurance premium	1,168	1,398	1,910	2,677
	₩ 217,317	238,246	441,084	478,845

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

26. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2016 and 2015 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2016	2015	2016	2015
Finance income				
Interest income	₩ 18,514	9,260	43,666	41,914
Dividend income	38,674	35,157	132,537	308,168
Gain on foreign currency transactions	42,570	39,714	122,220	80,811
Gain on foreign currency translations	(2,438)	11,651	38,233	23,507
Gain on valuation of derivatives	(15,770)	11,537	25,287	11,695
Gain on derivative transactions	-	-	-	67
Gain on disposals of available-for-sale investment	2,171	66	2,171	66
Financial guarantee income	2,568	-	5,135	-
	₩ 86,289	107,385	369,249	466,228
Finance costs				
Interest expenses	₩ 35,267	59,165	79,739	122,449
Loss on foreign currency transactions	72,114	38,200	130,721	76,535
Loss on foreign currency translations	42,089	43,574	136,912	60,181
Loss on valuation of derivatives	49,330	1,261	66,552	1,261
Loss on derivative transactions	-	-	-	505
Impairment loss on available-for-sale investment	191,975	27,619	218,837	51,956
Others	152	230	350	352
	₩ 390,927	170,049	633,111	313,239

27. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2016 and 2015 were as follows:

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2016	2015	2016	2015
Other non-operating income				
Gain on disposals of property, plant and equipment	₩ 5,688	4,385	16,281	6,063
Reversal of impairment loss on intangible assets	1,838	-	1,838	-
Gain on disposals of investment	-	-	-	-
in subsidiaries, associates and joint ventures	-	2,046	-	2,046
Gain on disposals of assets held for sale	-	50,482	-	52,165
Premium income	196	1,761	1,974	6,749
Gain on exemption of dept	9,665	-	9,665	-
Others	8,926	835	15,000	6,114
	₩ 26,313	59,509	44,758	73,137
Other non-operating expenses				
Loss on disposals of property, plant and equipment	₩ 31,161	24,878	55,646	44,238
Impairment loss on property, plant and equipment	-	45,859	-	46,436
Donations	1,901	6,346	15,201	20,650
Idle tangible asset expenses	969	1,282	1,901	4,735
Impairment loss on of investment	-	-	-	-
in subsidiaries, associates and joint ventures	1,517	195,604	35,943	215,676
Loss on disposals of assets held for sale	-	-	-	20,133
Others	3,487	621	10,376	41,507
	₩ 39,035	274,590	119,067	393,375

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 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 and six-month periods ended June 30, 2016 and 2015 were as follows (excluding finance costs and income tax expense):

(in millions of Won)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2016	2015	2016	2015
Changes in inventories(*1)	₩ 200,556	186,210	317,264	198,997
Raw materials and consumables used	2,868,727	3,462,381	5,801,280	7,311,241
Employee benefits expenses	389,762	367,356	786,641	744,487
Outsourced processing cost	499,463	539,360	1,004,343	1,083,317
Depreciation(*2)	513,093	515,056	1,019,089	1,022,390
Amortization	18,772	16,682	37,111	34,005
Electricity and water expenses	186,296	243,718	388,914	491,112
Service fees	56,504	61,540	107,234	115,387
Rental	17,916	20,668	38,528	44,164
Advertising	16,670	17,967	31,322	36,016
Freight and custody expenses	193,053	218,895	395,611	437,900
Sales commissions	18,688	12,691	34,551	28,235
Loss on disposals of property, plant and equipment	31,161	24,878	55,646	44,238
Impairment loss on property, plant and equipment	-	45,859	-	46,436
Impairment loss on investments in subsidiaries, associates and joint ventures	1,517	195,604	35,943	215,676
Others	323,731	313,736	547,482	673,685
	₩ 5,335,909	6,242,601	10,600,959	12,527,286

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

(*2) Includes depreciation of investment property.

29. Income Taxes

The effective tax rate of the Company for the six-month periods ended June 30, 2016 and 2015 was 20.93% and 33.12%, respectively. The effective tax rate for the six-month period ended June 30, 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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

30. Earnings per Share

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2016 and 2015 were as follows:

(in Won, except per share information)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2016	2015	2016	2015
Profit for the period	₩	310,509,841,739	210,449,831,980	756,420,412,289	710,210,219,982
Interests of hybrid bonds, net of tax		(8,073,975,372)	(8,240,301,971)	(16,474,401,438)	(16,351,402,838)
Weighted-average number of common shares outstanding(*1)		79,996,105	79,993,372	79,995,921	79,993,215
Basic and diluted earnings per share		3,781	2,528	9,250	8,674

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

(in share)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2016	2015	2016	2015
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,190,730)	(7,193,463)	(7,190,914)	(7,193,620)
Weighted-average number of common shares outstanding	79,996,105	79,993,372	79,995,921	79,993,215

Since there were no potential shares of common stock which had dilutive effects as of June 30, 2016 and 2015, diluted earnings per share is equal to basic earnings per share.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

31. Related Party Transactions

(a) Significant transactions with related companies for the six-month periods ended June 30, 2016 and 2015 were as follows:

1) For the six-month period ended June 30, 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. ₩	27,360	16,629	-	153,331	-	16,046
POSCO Processing&Service	478,627	5,777	252,080	-	-	872
POSCO COATED & COLOR STEEL Co., Ltd.	153,329	2,560	-	-	6,491	56
POSCO ICT(*4)	686	292	-	81,440	17,783	81,535
eNtoB Corporation	-	-	122,429	4,164	56	8,923
POSCO CHEMTECH	159,436	18,012	246,706	6,603	141,213	3,334
POSCO ENERGY CO., LTD.	93,103	652	-	-	-	-
POSCO TMC Co., Ltd.	146,761	-	1	-	1,024	677
POSCO AST	152,108	1	-	-	19,695	922
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)(*5)	1,561,031	34,341	37,172	-	-	132
POSCO Thainox Public Company Limited	114,947	2,857	4,237	-	-	23
POSCO America Corporation	285,368	-	-	-	-	-
POSCO Canada Ltd.	-	-	63,481	-	-	-
POSCO Asia Co., Ltd.	900,391	123	164,289	49	291	722
Qingdao Pohang Stainless Steel Co., Ltd.	60,924	-	-	-	-	419
POSCO JAPAN Co., Ltd.	514,806	-	12,211	368	54	994
POSCO MEXICO S.A. DE C.V.	111,181	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	192,584	-	-	-	-	57
Others	483,015	9,818	107,676	31,185	104,837	50,836
	<u>5,435,657</u>	<u>91,062</u>	<u>1,010,282</u>	<u>277,140</u>	<u>291,444</u>	<u>165,548</u>
Associates and joint ventures(*3)						
SeAH Changwon Integrated Special Steel(*6)	20	-	887	-	517	-
POSCO PLANTEC Co., Ltd.(*6)	1,854	25	1,812	92,003	8,170	4,869
SNNC	2,400	697	205,899	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	16,569	-	-	-	-	-
KOBRASCO	-	29,297	-	-	-	-
Others	18,227	4,610	28,298	-	-	-
	<u>39,070</u>	<u>34,629</u>	<u>236,896</u>	<u>92,003</u>	<u>8,687</u>	<u>4,869</u>
₩	<u>5,474,727</u>	<u>125,691</u>	<u>1,247,178</u>	<u>369,143</u>	<u>300,131</u>	<u>170,417</u>

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

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

(*3) As of June 30, 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 June 30, 2016, Daewoo International Corporation was renamed POSCO DAEWOO Corporation.

(*6) During the year 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 June 30, 2016 (Unaudited)

2) For the six-month period ended June 30, 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. ₩	2,027	90	19	291,361	1,822	29,336
POSCO Processing&Service	534,281	-	246,883	-	-	1,632
POSCO COATED & COLOR STEEL Co., Ltd.	198,400	-	-	-	5,698	54
POSCO ICT	680	4	-	84,512	14,669	88,429
eNtoB Corporation	-	-	146,452	2,396	53	10,464
POSCO CHEMTECH	245,830	17,633	259,499	6,182	150,021	499
POSCO ENERGY CO., LTD.	96,177	615	-	-	-	13
POSCO TMC Co., Ltd.	123,016	-	-	-	666	634
POSCO AST	199,145	3	4,115	-	19,271	109
POSHIMETAL Co., Ltd.	6,517	75	82,124	-	-	33
POSCO DAEWOO Corporation						
(formerly, Daewoo International Corporation)	1,782,130	34,341	26,749	-	-	769
SeAH Changwon Integrated Special Steel	2,811	176,904	8,239	-	515	75
POSCO PLANTEC Co., Ltd.	3,981	25	1,735	64,492	10,460	10,922
POSCO Thainox Public Company Limited	139,818	10	3,300	-	-	25
PT. KRAKATAU POSCO	-	-	115,557	-	-	-
POSCO America Corporation	336,072	7	-	-	-	85
POSCO Canada Ltd.	-	-	64,024	-	-	-
POSCO Asia Co., Ltd.	921,709	579	125,255	-	95	237
Qingdao Pohang Stainless Steel Co., Ltd.	80,851	-	-	-	-	46
POSCO JAPAN Co., Ltd.	507,507	9,383	11,934	1,674	-	519
POSCO MEXICO S.A. DE C.V.	132,429	153	-	-	-	-
POSCO Maharashtra Steel Private Limited	207,938	-	-	-	-	-
Others	462,894	10,125	120,512	45,174	106,843	46,262
	<u>5,984,213</u>	<u>249,947</u>	<u>1,216,397</u>	<u>495,791</u>	<u>310,113</u>	<u>190,143</u>
Associates and joint ventures						
SeAH Changwon Integrated Special Steel	1,653	-	2,672	-	229	1
SNNC	1,205	283	212,142	-	-	-
CSP - Companhia Siderurgica do Pecem	3,358	537	-	-	-	-
Others	19,541	30,862	28,295	-	-	-
	<u>25,757</u>	<u>31,682</u>	<u>243,109</u>	<u>-</u>	<u>229</u>	<u>1</u>
₩	<u>6,009,970</u>	<u>281,629</u>	<u>1,459,506</u>	<u>495,791</u>	<u>310,342</u>	<u>190,144</u>

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(b) Significant transactions with related companies for the three-month periods ended June 30, 2016 and 2015 were as follows:

1) For the three-month period ended June 30, 2016

(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. ₩	25,818	26	-	41,743	-	3,684
POSCO Processing&Service	254,568	-	153,745	-	-	627
POSCO COATED & COLOR STEEL Co., Ltd.	79,387	1	-	-	3,247	24
POSCO ICT	385	201	-	57,129	11,154	37,228
eNtoB Corporation	-	-	63,646	3,529	36	5,385
POSCO CHEMTECH	70,366	5,430	118,684	4,367	71,274	1,549
POSCO ENERGY CO., LTD.	47,919	344	-	-	-	-
POSCO TMC Co., Ltd.	77,021	-	-	-	556	366
POSCO AST	76,475	-	-	-	11,192	178
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	767,009	-	13,367	-	-	-
POSCO Thainox Public Company Limited	59,981	2,857	2,280	-	-	23
POSCO America Corporation	160,552	-	-	-	-	-
POSCO Canada Ltd.	-	-	38,704	-	-	-
POSCO Asia Co., Ltd.	419,542	123	105,303	49	270	544
Qingdao Pohang Stainless Steel Co., Ltd.	36,386	-	-	-	-	190
POSCO JAPAN Co., Ltd.	242,575	-	6,520	-	26	842
POSCO MEXICO S.A. DE C.V.	33,181	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	91,102	-	-	-	-	57
Others	271,562	1,575	61,975	16,427	54,072	31,586
	<u>2,713,829</u>	<u>10,557</u>	<u>564,224</u>	<u>123,244</u>	<u>151,827</u>	<u>82,283</u>
Associates and joint ventures						
SeAH Changwon Integrated Special Steel	15	-	435	-	379	-
POSCO PLANTEC Co., Ltd.	758	5	980	48,694	4,153	2,134
SNNC	1,175	531	98,109	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	8,714	-	-	-	-	-
KOBRASCO	-	29,297	-	-	-	-
Others	14,581	1,540	15,483	-	-	-
	<u>25,243</u>	<u>31,373</u>	<u>115,007</u>	<u>48,694</u>	<u>4,532</u>	<u>2,134</u>
₩	<u>2,739,072</u>	<u>41,930</u>	<u>679,231</u>	<u>171,938</u>	<u>156,359</u>	<u>84,417</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

2) For the three-month period ended June 30, 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. ₩	1,102	26	-	133,824	536	7,331
POSCO Processing&Service	254,405	-	102,440	-	-	325
POSCO COATED & COLOR STEEL Co., Ltd.	96,959	-	-	-	2,431	30
POSCO ICT	386	-	-	49,262	7,234	43,976
eNtoB Corporation	-	-	68,462	1,869	27	4,914
POSCO CHEMTECH	117,465	5,833	126,055	4,449	75,237	127
POSCO ENERGY CO., LTD.	48,575	313	-	-	-	-
POSCO TMC Co., Ltd.	68,482	-	-	-	407	355
POSCO AST	94,030	-	1,340	-	10,399	74
POSHIMETAL Co., Ltd.	3,346	41	44,991	-	-	-
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	884,194	6	15,036	-	-	769
POSCO PLANTEC Co., Ltd.	1,608	7	857	36,665	4,834	5,267
POSCO Thainox Public Company Limited	67,861	-	1,431	-	-	25
PT. KRAKATAU POSCO	-	-	31,921	-	-	-
POSCO America Corporation	160,145	7	-	-	-	49
POSCO Canada Ltd.	-	-	31,027	-	-	-
POSCO Asia Co., Ltd.	456,563	579	74,436	-	95	145
Qingdao Pohang Stainless Steel Co., Ltd.	44,122	-	-	-	-	46
POSCO JAPAN Co., Ltd.	241,267	-	6,711	717	-	250
POSCO MEXICO S.A. DE C.V.	54,686	1	-	-	-	-
POSCO Maharashtra Steel Private Limited	105,543	-	-	-	-	-
Others	235,743	4,782	58,141	19,975	53,429	22,481
	<u>2,936,482</u>	<u>11,595</u>	<u>562,848</u>	<u>246,761</u>	<u>154,629</u>	<u>86,164</u>
Associates and joint ventures						
SeAH Changwon Integrated Special Steel	1,653	-	2,672	-	229	1
SNNC	567	77	114,966	-	-	-
CSP - Companhia Siderurgica do Pecem	-	537	-	-	-	-
Others	11,112	24,433	13,982	-	-	-
	<u>13,332</u>	<u>25,047</u>	<u>131,620</u>	<u>-</u>	<u>229</u>	<u>1</u>
₩	<u>2,949,814</u>	<u>36,642</u>	<u>694,468</u>	<u>246,761</u>	<u>154,858</u>	<u>86,165</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(c) The related account balances of significant transactions with related companies as of June 30, 2016 and December 31, 2015 are as follows:

1) June 30, 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. ₩	1	1,370	1,371	-	6,269	523	6,792
POSCO Processing&Service	100,905	88	100,993	14,133	697	1	14,831
POSCO COATED & COLOR STEEL Co., Ltd.	45,521	226	45,747	-	372	1,570	1,942
POSCO ICT	-	169	169	882	47,801	6,026	54,709
eNtoB Corporation	-	-	-	9,491	17,483	18	26,992
POSCO CHEMTECH	24,167	4,337	28,504	53,843	11,562	17,584	82,989
POSCO ENERGY CO., LTD.	15,094	1,060	16,154	-	-	1,945	1,945
POSCO TMC Co., Ltd.	77,080	51	77,131	-	23	304	327
POSCO AST	31,260	17	31,277	-	2,118	4,058	6,176
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	145,710	17	145,727	382	16	49	447
POSCO Thainox Public Company Limited	59,978	-	59,978	-	-	-	-
POSCO America Corporation	61,415	-	61,415	-	-	-	-
POSCO Asia Co., Ltd.	272,232	73	272,305	2,335	-	133	2,468
Qingdao Pohang Stainless Steel Co., Ltd.	22,008	-	22,008	-	-	-	-
POSCO MEXICO S.A. DE C.V.	47,331	-	47,331	-	-	-	-
POSCO Maharashtra Steel Private Limited	149,641	9	149,650	-	-	-	-
Others	190,101	3,201	193,302	18,015	24,732	28,626	71,373
	<u>1,242,444</u>	<u>10,618</u>	<u>1,253,062</u>	<u>99,081</u>	<u>111,073</u>	<u>60,837</u>	<u>270,991</u>
Associates and joint ventures							
SeAH Changwon Integrated Special Steel	11	-	11	7	-	159	166
POSCO PLANTEC Co., Ltd.	4	13	17	1,922	17,050	55	19,027
SNNC	223	18	241	21,476	4	1,082	22,562
KOBRASCO	-	14,648	14,648	-	-	-	-
Others	587	6	593	-	-	-	-
	<u>825</u>	<u>14,685</u>	<u>15,510</u>	<u>23,405</u>	<u>17,054</u>	<u>1,296</u>	<u>41,755</u>
₩	<u>1,243,269</u>	<u>25,303</u>	<u>1,268,572</u>	<u>122,486</u>	<u>128,127</u>	<u>62,133</u>	<u>312,746</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
POSHIMETAL Co., Ltd.	707	9	716	-	10,148	-	10,148
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	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 June 30, 2016 (Unaudited)

(d) For the six-month periods ended June 30, 2016 and 2015 details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	June 30, 2016	June 30, 2015
Short-term benefits	₩ 14,538	17,679
Long-term benefits	5,831	5,966
Retirement benefits	3,877	7,407
	<u>₩ 24,246</u>	<u>31,052</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 June 30, 2016, 153 million tons of iron ore and 23 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 in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

As of June 30, 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 8.25 million and USD 6.49 million. The borrowings are related to 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 June 30, 2016, the balances of the borrowing are USD 4.11 million.

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

(b) As of June 30, 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.

(c) Litigation in progress

The Company is involved in 37 litigations for alleged damages aggregating to ₩87.6 billion as of June 30, 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 litigation, the Company has not recognized any provisions since the Company believes that it does not have a present obligation on other litigations as of June 30, 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 six-month periods ended June 30, 2016 and 2015 were as follows:

(in millions of Won)

	June 30, 2016	June 30, 2015
Trade accounts and notes receivable, net	₩ (59,730)	247,106
Other accounts receivable	43,245	181,689
Inventories	425,467	430,348
Prepaid expenses	1,368	19,005
Other current assets	(1,693)	(6,954)
Long-term guarantee deposits	57	(164)
Other non-current assets	(60)	(14)
Trade accounts and notes payable	142,044	(44,508)
Other accounts payable	(75,825)	(160,419)
Accrued expenses	(7,838)	(18,581)
Advances received	1,605	(6,157)
Withholdings	3,332	3,737
Unearned revenue	(145)	39
Other current liabilities	(7,092)	(30,635)
Payment severance benefits	(46,655)	(54,947)
Plan assets	(56,370)	23,788
	₩ 361,710	583,333

POSCO

Notes to the Condensed Separate Interim Financial Statements, Continued As of June 30, 2016 (Unaudited)

34. Business Combination

- (a) The Company merged with POS-HIMETAL Co. Ltd., and POSCO Green Gas Technology during the six-month period ended June 30, 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.

	POS-HIMETAL Co., Ltd.	POSCO Green Gas Technology
Decision date of Board of Directors	2015.12.11	2016.02.19
Acquisition date	2016.03.01	2016.05.01

- (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)

	POS-HIMETAL Co., Ltd.(*1)	POSCO Green Gas Technology(*2)
Transfer price		
Book value of existing ownership interest	₩ 2,966	682,600
Identifiable assets, acquired liabilities		
Cash and cash equivalents	316	23,934
Trade accounts and note receivable, net	2,583	-
Inventories	35,113	9,227
Property, plant, equipment and intangible assets	231,848	1,059,901
Other assets	7,002	7,803
Trade accounts and note payable	(1,685)	-
Borrowings	(331,817)	(202,544)
Other payables	(2,931)	(226,602)
Other liabilities	(10,207)	(7,685)
Total identifiable net assets	(69,778)	664,034
Capital surplus arising from business combination		
Decrease in capital surplus	₩ 72,744	18,566

- (*1) The pro-forma revenues and net profits for the period ended June 30, 2016, based on the assumption that the POS-HIMETAL Co., Ltd had been acquired at the beginning of 2016, are estimated to be ₩11,775,974 million and ₩738,004 million, respectively.
- (*2) The pro-forma revenues and net profits for the period ended June 30, 2016, based on the assumption that POSCO Green Gas Technology had been acquired at the beginning of 2016, are estimated to be ₩11,775,073 million and ₩751,363 million, respectively.