

# **POSCO and Subsidiaries**

**Condensed Consolidated Interim Financial Statements  
(Unaudited)  
June 30, 2017**

**(With Independent Auditors' Review Report Thereon)**

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## **Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
POSCO:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of June 30, 2017, the condensed consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, the condensed consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2017 and 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

### **Auditor's review responsibility**

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

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

### **Conclusion**

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

## **Emphasis of matter**

Without qualifying our opinion, we drew attention to the following key audit matters with related to production-to-order transactions.

Pursuant to “Practical Guide to Korean Standards on Auditing 2016-1”, audit matters related to entities engaged in production-to-order transactions are of significance in our review of the condensed consolidated financial statements, which determination is based on our professional judgment and communications with those charged with governance. These matters were addressed in the context of our review of the condensed consolidated financial statements as of and for the six-month period ended June 30, 2017 as a whole, and we do not provide a separate opinion on these matters.

In addition, as mentioned in “Auditors’ Review Responsibility” section, our responsibility is to issue a report on these condensed interim financial statements based on our reviews in accordance with Review Standards for Quarterly and Semi-annual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. We have inquired primarily of personnel responsible for financial and accounting matters, and applied analytical and other review procedures on the review matter in connection with production-to-order transactions.

### **(a) Overview**

An overview of key audit matters related to the industry with production-to-order transactions described in this review report is as follows.

Certain subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD. and POSCO ICT are engaged in production-to-order transactions. Sales in relation to production-to-order transactions are approximately 11% of consolidated sales for the six-month period ended June 30, 2017.

When the outcome of a construction contract can be estimated reliably, the Company recognizes contract revenues and contract costs associated with the construction contract as revenue and expenses, respectively, based on the percentage-of-completion method at the end of the reporting period. The percentage-of-completion is calculated based on the ratio of contract costs incurred for work performed to date to estimated total contract costs. The gross amount due from customers for contract work is presented for all contracts in which costs incurred plus recognized profits (less recognized losses) exceeded progress billings. The gross amount due to customers for contract work is presented for all contracts in which progress billings exceed costs incurred plus recognized profits (less recognized losses).

### **(b) Identification of significant risks and review procedures**

We identified the significant risks through discussions with auditors of certain subsidiaries in industry with production-to-order transactions and review of their review documentation of identified significant risks. We also reviewed their review procedures in responding to those significant risks, which were conducted based on their professional judgments. Our procedures include the review of the subsidiary auditors’ review results, inquiries and application of analytical and other procedures on their review results. The identified significant risks and major review procedures for the Company’s production-to-order transactions are as follows:

## 1) Revenues recognized by the input method

We identified significant risks associated with revenues recognized by the input method. The variation of estimated amounts has significant impact on profit for the six-month period ended June 30, 2017 and future periods because the uncertainty of estimated total contract revenues and costs is high for large-scale development constructions at initial stage, constructions with delays and possibility of being discontinued.

The following review procedures were performed regarding revenues recognized by the input method.

- Review of appropriateness of accounting treatments in relation to revenue recognition by the input method
- Obtain and review the contracts for major construction contracts which are newly commenced
- Analytical review and inquiries of construction progress and significant changes of major construction contracts
- Analytical review of key financial indicators (contract amounts, estimated costs, ratio of costs, ratio of due from customer for contract work, and others)

## 2) Uncertainty of estimated total contract costs

Construction contracts are generally performed for long-term duration, and total contract costs are estimated based on future estimated figures such as material costs, labor costs, outsourcing costs and etc. which are expected to be occurred during construction duration. The estimated total contract costs have uncertainty and changed by ~~¥~~12,137 million for the six-month period ended June 30, 2017 (see note 26(d) to the consolidated financial statements). We identified significant risks regarding uncertainty of estimated total contract costs based on the impact on profit or loss for the six-month period ended June 30, 2017.

The following review procedures were performed regarding the impact of uncertainty of estimated total contract costs on the condensed consolidated interim financial statements.

- Inquiries as to the cause of the changes for projects in which significant changes in estimated total contract costs were made
- Inquiries and inspection of document for construction projects which were completed if there was a significant difference between the rate of actual costs and the rate of estimated costs
- Inquiries regarding whether there are construction projects in which the probability that the estimated total contact costs are increased due to delay or extension of construction duration, and others
- Inquiries and analytical review to identify construction sites where input costs exceed the estimated contract cost for each cost element

### 3) Assessment of the percentage-of-completion

The changes in the percentage-of-completion have significant influence on current and future profit of construction contract and may result in misstatement of profit or loss of construction contract. We identified significant risks regarding assessment of the percentage-of-completion as uncertainty of assessment of the percentage-of-completion has significant influence on profit or loss of construction contract in case the Company fails to assess the percentage-of-completion reliably.

The following review procedures were performed regarding total contract costs and cumulative incurred contract costs in assessment of the percentage-of-completion.

- Identify whether there were construction contracts that the percentage-of-completion has changed and inquiries of the cause of the change
- Inquiries whether there were costs incurred but excluded when calculating the percentage-of-completion and accounting treatment regarding such excluded costs
- Recalculation of the percentage-of-completion of major projects
- Comparison of the difference between the percentage-of-completion confirmed by other available information obtained and the actual percentage-of-completion used in the calculation and review the appropriateness of the rationale of the difference

### 4) Recoverability of due from customers for contract work

As of June 30, 2017 and December 31, 2016, the amounts of due from customers for contract work are ₩804,547 million and ₩964,304 million, respectively, or approximately 8% and 10% of consolidated trade accounts and note receivable (see note 26(b) to the consolidated financial statements) as of both reporting dates. We identified significant risks regarding the recoverability of due from customers for contract work as the amounts of due from customers for contract work are significant.

The following review procedures were performed regarding the recoverability of due from customers for contract work.

- Identify whether there were any construction sites which indicates abnormally significant amount of due from customers for contract work as compared to billing and payment conditions in the construction contracts
- Inquiries of the cause of a significant difference between the percentage-of-completion and the billing rate of construction contract
- Inquiries and identify of the possibility of financial risk of customers through obtaining of other related information
- Inquiries whether there were specific reasons such as litigation and others for a construction site which shows that the amount of due from customers for contract work has not changed for an extended period

#### 5) Accounting for the variation of construction work

The variation of construction contracts has occurred during the six-month period ended June 30, 2017 and had significant influence on profits or loss of the construction (see note 26(d) to the consolidated financial statements). We identified significant risks regarding the accounting for the variation of construction work.

The following review procedures were performed regarding accounting of the variation of construction work and disclosures.

- Inquiries of the cause on significant changes in contract revenue of construction contracts
- Inquiries of the possibility of penalties incurred for the sites of which the completion of construction was delayed or completion due date is approaching
- Inquiries whether the customer is likely to approve the change of the contract amount due to changes in construction
- Confirm whether the additional estimated contract costs incurred due to the changes in construction are appropriately reflected in the estimated total contract costs and calculation of the percentage-of-completion

#### **Other matters**

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

The consolidated statement of financial position of the Company as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 2, 2017, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2016, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
August 14, 2017

This report is effective as of August 14, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Financial Position**  
**As of June 30, 2017 and December 31, 2016**  
**(Unaudited)**

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<b>Assets</b>			
Cash and cash equivalents	21 ₩	2,897,024	2,447,619
Trade accounts and notes receivable, net	4,21,26,33	9,701,847	9,786,927
Other receivables, net	5,21,33	1,970,865	1,539,742
Other short-term financial assets	6,21	4,665,912	5,224,911
Inventories	7	9,711,675	9,051,721
Current income tax assets		37,555	46,473
Assets held for sale	8	428	311,958
Other current assets	14	<u>890,928</u>	<u>894,484</u>
<b>Total current assets</b>		<u>29,876,234</u>	<u>29,303,835</u>
Long-term trade accounts and notes receivable, net	4,21	347,239	51,124
Other receivables, net	5,21	833,212	762,912
Other long-term financial assets	6,21	2,732,610	2,657,692
Investments in associates and joint ventures	9	3,667,502	3,882,389
Investment property, net	11	1,101,245	1,117,720
Property, plant and equipment, net	12	32,843,437	33,770,339
Intangible assets, net	13	6,092,435	6,088,729
Defined benefit assets, net	19	35,884	83,702
Deferred tax assets		1,434,117	1,476,873
Other non-current assets	14	<u>544,458</u>	<u>567,680</u>
<b>Total non-current assets</b>		<u>49,632,139</u>	<u>50,459,160</u>
<b>Total assets</b>	₩	<u>79,508,373</u>	<u>79,762,995</u>

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Financial Position, Continued**  
**As of June 30, 2017 and December 31, 2016**  
**(Unaudited)**

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<b>Liabilities</b>			
Trade accounts and notes payable	21,33	₩ 3,505,220	4,073,286
Short-term borrowings and current installments of long-term borrowings	4,15,21	11,319,785	10,194,807
Other payables	16,21,33	1,576,925	1,851,659
Other short-term financial liabilities	17,21	107,388	149,748
Current income tax liabilities		455,880	446,071
Provisions	18,34	119,109	114,865
Other current liabilities	20,26	1,878,335	2,084,961
<b>Total current liabilities</b>		<u>18,962,642</u>	<u>18,915,397</u>
Long-term trade accounts and notes payable	21	31,348	44,512
Long-term borrowings, excluding current installments	15,21	11,055,386	12,510,191
Other payables	16,21	166,123	208,559
Other long-term financial liabilities	17,21	51,854	81,309
Defined benefit liabilities, net	19	136,565	123,604
Deferred tax liabilities		1,778,537	1,642,939
Long-term provisions	18,34	375,217	337,739
Other non-current liabilities	20	58,568	60,351
<b>Total non-current liabilities</b>		<u>13,653,598</u>	<u>15,009,204</u>
<b>Total liabilities</b>		<u>32,616,240</u>	<u>33,924,601</u>
<b>Equity</b>			
Share capital	22	482,403	482,403
Capital surplus	22	1,401,572	1,397,791
Hybrid bonds	23	996,919	996,919
Reserves	24	(153,000)	(143,985)
Treasury shares	25	(1,533,254)	(1,533,468)
Retained earnings		41,925,527	41,173,778
<b>Equity attributable to owners of the controlling company</b>		43,120,167	42,373,438
<b>Non-controlling interests</b>	22,23	3,771,966	3,464,956
<b>Total equity</b>		<u>46,892,133</u>	<u>45,838,394</u>
<b>Total liabilities and equity</b>	₩	<u>79,508,373</u>	<u>79,762,995</u>

See accompanying notes to the condensed consolidated interim financial statements.

# POSCO and Subsidiaries

## Condensed Consolidated Interim Statements of Comprehensive Income

### For the three-month and six-month periods ended June 30, 2017 and 2016

#### (Unaudited)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
	Notes	2017	2016	2017	2016
(in millions of Won, except per share information)					
Revenue	26,33,36	₩ 14,944,404	12,857,384	30,021,588	25,318,582
Cost of sales	7,26,30,33	(13,075,482)	(11,288,360)	(25,894,605)	(22,208,124)
Gross profit		1,868,922	1,569,024	4,126,983	3,110,458
Selling and administrative expenses	27,30				
Administrative expenses		(506,063)	(527,162)	(1,038,199)	(1,023,398)
Selling expenses		(383,750)	(363,348)	(744,707)	(748,780)
Operating profit		979,109	678,514	2,344,077	1,338,280
Share of profit of equity-accounted investees, net	9	(64,645)	111,839	7,365	161,756
Finance income and costs	21,28				
Finance income		232,432	254,118	1,112,636	1,088,413
Finance costs		(314,806)	(763,412)	(1,261,886)	(1,750,351)
Other non-operating income and expenses	29				
Other non-operating income		45,658	74,341	124,095	125,518
Other non-operating expenses	30	(104,525)	(86,947)	(227,673)	(150,268)
Profit before income tax	36	773,223	268,453	2,098,614	813,348
Income tax expense	31,36	(243,173)	(47,913)	(591,676)	(254,442)
Profit		530,050	220,540	1,506,938	558,906
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	(2,720)	(60,273)	(8,433)	(73,482)
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		66,905	35,689	(147,068)	58,113
Net changes in unrealized fair value of available-for-sale investments	21	187,349	131,250	224,359	128,249
Foreign currency translation differences		165,955	(43,274)	(84,967)	(28,355)
Other comprehensive income (loss), net of tax		417,489	63,392	(16,109)	84,525
Total comprehensive income	₩	947,539	283,932	1,490,829	643,431
Profit attributable to:					
Owners of the controlling company	₩	512,809	291,654	1,363,737	651,325
Non-controlling interests		17,241	(71,114)	143,201	(92,419)
Profit	₩	530,050	220,540	1,506,938	558,906
Total comprehensive income attributable to :					
Owners of the controlling company	₩	877,702	364,633	1,348,069	760,489
Non-controlling interests		69,837	(80,701)	142,760	(117,058)
Total comprehensive income	₩	947,539	283,932	1,490,829	643,431
Basic and diluted earnings per share (in Won)	32	₩ 6,312	3,545	16,843	7,936

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**For the six-month periods ended June 30, 2017 and 2016**  
**(Unaudited)**

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
<b>Balance as of January 1, 2016</b>	₩ 482,403	1,383,623	996,919	(594,756)	(1,533,898)	40,501,059	41,235,350	3,834,872	45,070,222
<b>Comprehensive income:</b>									
Profit	-	-	-	-	-	651,325	651,325	(92,419)	558,906
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(63,144)	(63,144)	(10,338)	(73,482)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	58,190	-	-	58,190	(77)	58,113
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	128,287	-	-	128,287	(38)	128,249
Foreign currency translation differences, net of tax	-	-	-	(14,169)	-	-	(14,169)	(14,186)	(28,355)
<b>Total comprehensive income</b>	-	-	-	172,308	-	588,181	760,489	(117,058)	643,431
<b>Transactions with owners of the controlling company, recognized directly in equity:</b>									
Year-end dividends	-	-	-	-	-	(479,974)	(479,974)	(50,333)	(530,307)
Changes in subsidiaries	-	-	-	-	-	-	-	(8,323)	(8,323)
Changes in ownership interest in subsidiaries	-	5,030	-	-	-	-	5,030	(10,416)	(5,386)
Interest of hybrid bonds	-	-	-	-	-	(21,734)	(21,734)	(12,060)	(33,794)
Disposal of treasury shares	-	5	-	-	116	-	121	-	121
Others	-	(230)	-	806	-	708	1,284	(2,864)	(1,580)
<b>Total transactions with owners of the controlling company</b>	-	4,805	-	806	116	(501,000)	(495,273)	(83,996)	(579,269)
<b>Balance as of June 30, 2016</b>	₩ 482,403	1,388,428	996,919	(421,642)	(1,533,782)	40,588,240	41,500,566	3,633,818	45,134,384

See accompanying notes to the condensed consolidated interim financial statements.

## POSCO and Subsidiaries

### Condensed Consolidated Interim Statements of Changes in Equity, Continued For the six-month periods ended June 30, 2017 and 2016 (Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
<b>Balance as of January 1, 2017</b>	₩ 482,403	1,397,791	996,919	(143,985)	(1,533,468)	41,173,778	42,373,438	3,464,956	45,838,394
<b>Comprehensive income:</b>									
Profit	-	-	-	-	-	1,363,737	1,363,737	143,201	1,506,938
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(7,808)	(7,808)	(625)	(8,433)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(130,843)	-	-	(130,843)	(16,225)	(147,068)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	224,548	-	-	224,548	(189)	224,359
Foreign currency translation differences, net of tax	-	-	-	(101,565)	-	-	(101,565)	16,598	(84,967)
<b>Total comprehensive income</b>	-	-	-	(7,860)	-	1,355,929	1,348,069	142,760	1,490,829
<b>Transactions with owners of the controlling company, recognized directly in equity:</b>									
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)	(40,649)	(500,636)
Interim dividends	-	-	-	-	-	(119,997)	(119,997)	-	(119,997)
Changes in subsidiaries	-	-	-	-	-	-	-	(18,560)	(18,560)
Changes in ownership interest in subsidiaries	-	4,320	-	-	-	-	4,320	230,427	234,747
Interest of hybrid bonds	-	-	-	-	-	(21,501)	(21,501)	(11,994)	(33,495)
Disposal of treasury shares	-	41	-	-	214	-	255	-	255
Others	-	(580)	-	(1,155)	-	(2,695)	(4,430)	5,026	596
<b>Total transactions with owners of the controlling company</b>	-	3,781	-	(1,155)	214	(604,180)	(601,340)	164,250	(437,090)
<b>Balance as of June 30, 2017</b>	₩ 482,403	1,401,572	996,919	(153,000)	(1,533,254)	41,925,527	43,120,167	3,771,966	46,892,133

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the six-month periods ended June 30, 2017 and 2016**  
**(Unaudited)**

(in millions of Won)

	<u>Notes</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>Cash flows from operating activities</b>			
Profit	₩	1,506,938	558,906
Adjustments for:			
Depreciation		1,440,457	1,416,361
Amortization		202,146	184,445
Finance income		(605,905)	(397,957)
Finance costs		730,119	1,009,990
Income tax expense		591,676	254,442
Impairment losses on property, plant and equipment		7,573	7,290
Gain on disposal of property, plant and equipment		(18,619)	(17,935)
Loss on disposal of property, plant and equipment		78,069	43,962
Impairment losses on goodwill and intangible assets		20,365	2,525
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(54,981)	(6,373)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		20,319	1,715
Share of profit of equity-accounted investees		(7,365)	(161,756)
Gain on disposals of assets held for sale		(1,179)	(22,184)
Costs for defined benefit plans		96,142	117,446
Bad debt expenses		90,864	28,166
Loss on valuation of inventories		114,853	108,149
Increase to provisions		75,834	97,100
Others, net		(2,791)	(871)
		<u>2,777,577</u>	<u>2,664,515</u>
Changes in operating assets and liabilities	35	(2,023,934)	629,240
Interest received		79,251	118,469
Interest paid		(353,868)	(341,457)
Dividends received		140,888	100,069
Income taxes paid		(464,969)	(378,720)
		<u></u>	<u></u>
Net cash provided by operating activities	₩	<u>1,661,883</u>	<u>3,351,022</u>

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Cash Flows, Continued**  
**For the six-month periods ended June 30, 2017 and 2016**  
**(Unaudited)**

(in millions of Won)

	<b>Notes</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Cash flows from investing activities</b>			
Acquisitions of short-term financial instruments	₩	(9,074,147)	(9,778,295)
Proceeds from disposal of short-term financial instruments		9,609,486	8,858,682
Increase in loans		(866,657)	(597,331)
Collection of loans		402,561	132,414
Acquisitions of available-for-sale investments		(30,081)	(62,777)
Proceeds from disposal of available-for-sale investments		226,744	6,390
Acquisitions of investment in associates and joint ventures		(14,127)	(130,251)
Proceeds from disposal of investment in associates and joint ventures		33,329	3,355
Acquisitions of investment property		(5,346)	(5,284)
Acquisitions of property, plant and equipment		(1,078,307)	(1,137,529)
Proceeds from disposal of property, plant and equipment		18,408	12,407
Acquisitions of intangible assets		(217,053)	(93,654)
Proceeds from disposal of intangible assets		29,962	6,902
Proceeds from disposal of assets held for sale		203,941	7,494
Cash received from (decrease in) disposal of business, net of cash transferred		(9,440)	17,021
Others, net		(25,893)	32,209
Net cash used in investing activities		(796,620)	(2,728,247)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		323,535	1,433,303
Repayment of borrowings		(1,452,525)	(2,403,920)
Proceeds from (repayment of) short-term borrowings, net		1,154,735	(281,986)
Capital contribution from non-controlling interests		249,935	919
Payment of cash dividends		(621,033)	(523,130)
Payment of interest of hybrid bonds		(33,738)	(33,924)
Others, net		(19,337)	(28,938)
Net cash used in financing activities		(398,428)	(1,837,676)
<b>Effect of exchange rate fluctuation on cash held</b>		(17,430)	22,329
<b>Net increase (decrease) in cash and cash equivalents</b>		449,405	(1,192,572)
<b>Cash and cash equivalents at beginning of the period</b>		2,447,619	4,871,184
<b>Cash and cash equivalents at end of the period</b>	₩	2,897,024	3,678,612

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As of June 30, 2017**  
**(Unaudited)**

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**1. General Information**

General information about POSCO, its 38 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 144 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 106 associates and joint ventures are as follows:

(a) The controlling company

POSCO, the controlling company, was incorporated on April 1, 1968, to manufacture and sell steel rolled products and plates in the domestic and overseas markets.

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

As of June 30, 2017, the shares of the POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

(b) Consolidated subsidiaries included for the first time during the six-month period ended June 30, 2017 were as follows:

<b>Company</b>	<b>Date of inclusion</b>	<b>Ownership (%)</b>	<b>Reason</b>
POSCO RU Limited Liability Company	January 2017	100.00	New establishment
Golden Lace DAEWOO Company Limited	April 2017	100.00	New establishment
POSCO RTECH	June 2017	100.00	New establishment

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(c) Subsidiaries excluded from consolidation during the six-month period ended June 30, 2017 were as follows:

Company	Date of exclusion	Reason
POSCO MAPC SA DE CV	January 2017	Merged into POSCO MPPC S.A de C.V.
POSCO (Zhangjiagang) STS Processing Center Co., Ltd	January 2017	Merged into Zhangjiagang Pohang Stainless Steel Co., Ltd
POSCO ENGINEERING CO., LTD	February 2017	Merged into POSCO ENGINEERING & CONSTRUCTION CO., LTD.
POSCO YongXin Rare Earth Metal Co., Ltd.	March 2017	Disposal
SANTOS CMI S.A.	March 2017	Disposal
EPC EQUITIES LLP	March 2017	Disposal
SANTOS CMI Guatemala S.A.	March 2017	Disposal
COINSA INGENIERIA Y PETROQUIMICA S.R.L	March 2017	Disposal
SANTOS CMI CONSTRUCTION TRADING LLP	March 2017	Disposal
SANTOS CMI INC. USA	March 2017	Disposal
SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA	March 2017	Disposal
SANTOS CMI PERU S.A.	March 2017	Disposal
SANTOS CMI CONSTRUCCIONES S.A.	March 2017	Disposal
GENTECH INTERNATIONAL INC.	March 2017	Disposal
SANTOS CMI CONSTRUCCIONES DE CHILE S.A	March 2017	Disposal
COMPANIADEAUTOMATIZACION &CONTROL, GENESYS S.A	March 2017	Disposal
POSCO Electrical Steel India Private Limited	March 2017	Merged into POSCO Maharashtra Steel Private Limited
POSEC Hawaii, Inc.	May 2017	Liquidation
PT. POSCO MTECH INDONESIA	May 2017	Disposal

# **POSCO and Subsidiaries**

## **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)**

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### **2. Statement of Compliance**

#### **Statement of compliance**

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

These condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No. 1034 "Interim Financial Reporting" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as of and for the year ended December 31, 2016. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

#### **Use of estimates and judgments**

##### **(a) Judgments, assumptions and estimation uncertainties**

The preparation of the condensed consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated 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 consolidated financial statements as of and for the year ended December 31, 2016.

##### **(b) Measurement of fair value**

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the financial officer.

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

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

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)**

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

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

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

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

### **3. Summary of Significant Accounting Policies**

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2016.

#### **Changes in Accounting Policies**

The Company has applied the following amendments to standards for the first time for their interim reporting period beginning on January 1, 2017. The Company will apply the accounting policies set out below for their annual reporting period ending December 31, 2017.

##### **(a) Amendments to K-IFRS No. 1007 "Statement of Cash Flows"**

For the year beginning on January 1, 2017, the Company applied the amendments to K-IFRS No. 1007 "Statement of Cash Flows". K-IFRS No. 1007 requires liabilities related to the cash flows that were classified as a financing activity in the statement of cash flows or will be classified as a financing activity in the future should be disclosed as follows:

- Fluctuations in financing cash flows
- Changes in the acquisition or loss of control of a subsidiary or other business
- Exchange rate effect
- Fair value changes
- Other changes

K-IFRS No. 1007 does not require the disclosure of comparative information of prior period, and the Company will disclose the related disclosures in its annual financial statements for the year ending December 31, 2017.

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)**

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#### **(b) Amendments to K-IFRS No. 1012 “Income Taxes”**

For the year beginning on January 1, 2017, the Company applied the amendments to K-IFRS No. 1012 “Income Taxes”. In accordance with K-IFRS No. 1012, in the case of debt instruments measured at fair value, deferred tax accounting treatment is clarified. The difference between the carrying amount and taxable base amount of the debt liabilities is considered as temporary differences, regardless of the expected recovery method. When reviewing the recoverability of deferred tax assets, the estimated of probable future taxable income may include the recovery of some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will recover the asset for more than its carrying amount. In addition, the estimated of probable future taxable income are determined as the amount before considering the deductible effect from reversal of the deductible temporary differences.

The Company believes that the effect of the amendments to the consolidated financial statements is not significant. Therefore, the Company has not retrospectively applied the amendments in accordance with the transitional requirements.

#### **New standards and interpretations not yet adopted**

The following new standards, interpretations and amendments to existing standards have been published but are not mandatory for the Company for annual period beginning on January 1, 2017, and the Company has not early adopted them.

#### **(a) K-IFRS No. 1109 “Financial Instruments”**

K-IFRS No. 1109 “Financial Instruments”, published on September 25, 2015, is effective for annual period beginning on or after January 1, 2018, with earlier adoption permitted. It replaces existing guidance in K-IFRS No. 1039 “Financial Instruments: Recognition and Measurement”. The Company plans to adopt K-IFRS No. 1109 for the year beginning on January 1, 2018.

K-IFRS No. 1109 will generally be applied retrospectively, however the Company plans to take advantage of the exemption allowing it not to restate the comparative information for prior periods with respect to classification and measurement including impairment changes. New hedge accounting requirements will generally be applied prospectively except for certain exemptions including the accounting for the time value of options.

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)**

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Key features of the new standard, K-IFRS No. 1109, are 1) classification and measurement of financial assets that reflects the business model in which the assets are managed and their cash flow characteristics, 2) impairment methodology that reflects 'expected credit loss' (ECL) model for financial assets, and 3) expanded scope of hedged items and hedging instruments which qualify for hedge accounting and changes in assessment method for effect of hedging relationships.

The Company has initiated procedures to prepare for changes related to K-IFRS No. 1109, and the Company is proceeding analysis of the impact on the financial statements resulting from the application of K-IFRS No. 1109. The Company will complete the analysis of financial impacts arising from applying this standard in 2017.

#### **(b) K-IFRS No. 1115 "Revenue from Contracts with Customers"**

K-IFRS No. 1115 "Revenue from Contracts with Customers", published on November 6, 2015, is effective for annual period beginning on or after January 1, 2018, with earlier adoption permitted. It replaces existing revenue recognition guidance, including K-IFRS No. 1018 "Revenue", K-IFRS No. 1011 "Construction Contracts", K-IFRS No. 2031 "Revenue-Barter transactions involving advertising services", K-IFRS No. 2113 "Customer Loyalty Programs", K-IFRS No. 2115 "Agreements for the construction of real estate", and K-IFRS No. 2118 "Transfers of assets from customers". The Company shall apply this standard using one of the following two methods; (a) retrospectively to each prior reporting period presented in accordance with K-IFRS No. 1008 "Accounting Policies, Changes in Accounting Estimates and Errors" but using the practical expedients for completed contracts- i.e. completed contracts for the earliest prior period presented are not restated; or (b) retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. The Company plans to adopt K-IFRS No. 1115 in its consolidated financial statements for the year ending December 31, 2018, however the Company has not determined the transition method.

Existing K-IFRS standards and interpretations including K-IFRS No. 1018 provide revenue recognition guidance by transaction types such as sales of goods, rendering of services, interest income, royalty income, dividend income and construction revenue; however, under the new standard, K-IFRS No. 1115, the five-step approach (Step 1: Identify the contract(s) with a customer, Step 2: Identify the performance obligations in the contract, Step 3: Determine the transaction price, Step 4: Allocate the transaction price to the performance obligations in the contract, Step 5: Recognize revenue when the entity satisfied a performance obligation) is applied for all types of contracts or agreements.

The Company has initiated procedures to prepare for changes related to K-IFRS No. 1115, and the Company is proceeding analysis of the impact on the financial statements resulting from the application of K-IFRS No. 1115. The Company will complete the analysis of financial impacts arising from applying this standard in 2017.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Current</b>			
Trade accounts and notes receivable	₩	9,428,436	9,329,799
Finance lease receivables		11,091	10,300
Due from customers for contract work		804,547	964,304
Less: Allowance for doubtful accounts		(542,227)	(517,476)
	₩	<u>9,701,847</u>	<u>9,786,927</u>
<b>Non-current</b>			
Trade accounts and notes receivable	₩	384,850	80,447
Finance lease receivables		5,384	11,326
Less: Allowance for doubtful accounts		(42,995)	(40,649)
	₩	<u>347,239</u>	<u>51,124</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩640,596 million and ₩344,410 million as of June 30, 2017 and December 31, 2016, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and recognized as short-term borrowings from financial institutions (Note 15).

#### 5. Other Receivables

Other receivables as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Current</b>			
Loans	₩	719,212	421,818
Other accounts receivable		1,241,931	1,131,492
Accrued income		184,707	139,618
Deposits		107,418	93,891
Others		15,796	13,606
Less: Allowance for doubtful accounts		(298,199)	(260,683)
	₩	<u>1,970,865</u>	<u>1,539,742</u>
<b>Non-current</b>			
Loans	₩	790,185	733,974
Other accounts receivable		85,375	81,938
Accrued income		1,790	1,746
Deposits		123,147	104,217
Less: Allowance for doubtful accounts		(167,285)	(158,963)
	₩	<u>833,212</u>	<u>762,912</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 6. Other Financial Assets

Other financial assets as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<b>Current</b>		
Derivatives assets held for trading	₩ 29,930	49,281
Available-for-sale securities (bonds)	1,735	2,952
Current portion of held-to-maturity securities	417	422
Short-term financial instruments(*1,2)	4,633,830	5,172,256
	<u>₩ 4,665,912</u>	<u>5,224,911</u>
<b>Non-current</b>		
Derivatives assets held for trading	₩ 26,855	98,301
Available-for-sale securities (equity instruments)(*3,4)	2,532,895	2,392,534
Available-for-sale securities (bonds)	47,074	46,330
Available-for-sale securities (others)	63,922	73,108
Held-to-maturity securities	2,078	2,048
Long-term financial instruments(*2)	59,786	45,371
	<u>₩ 2,732,610</u>	<u>2,657,692</u>

(\*1) As of June 30, 2017 and December 31, 2016, ₩10,285 million and ₩6,813 million, respectively, are restricted for the use in a government project.

(\*2) As of June 30, 2017 and December 31, 2016, financial instruments amounting to ₩79,907 million and ₩82,008 million, respectively, are restricted for use in financial arrangements, pledge and others.

(\*3) During the six-month period ended June 30, 2017, there were objective evidences of impairment for listed equity securities such as FuelCell Energy and others, and for non-listed equity securities such as Congonhas Minerios S.A. and others due to the significant or prolonged decline in the fair value of the shares. As a result, impairment losses of ₩59,178 million were recognized in profit or loss during the six-month period ended June 30, 2017.

(\*4) As of June 30, 2017 and December 31, 2016, ₩133,849 million and ₩123,220 million of available-for-sale securities, respectively, have been provided as collateral for borrowings, construction projects and others.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 7. Inventories

Inventories as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
Finished goods	₩	1,381,188	1,200,344
Merchandise		892,582	851,325
Semi-finished goods		1,655,027	1,552,988
Raw materials		2,413,590	1,939,539
Fuel and materials		828,047	817,397
Construction inventories		906,439	990,941
Materials-in-transit		1,782,197	1,807,816
Others		86,935	94,535
		<u>9,946,005</u>	<u>9,254,885</u>
Less: Allowance for inventories valuation		<u>(234,330)</u>	<u>(203,164)</u>
	₩	<u>9,711,675</u>	<u>9,051,721</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the six-month period ended June 30, 2017 and the year ended December 31, 2016 were ₩114,853 million and ₩152,249 million, respectively.

#### 8. Assets Held for Sale

Details of assets held for sale as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>		<b>June 30, 2017</b>			<b>December 31, 2016</b>		
		<b>The controlling company</b>	<b>Subsidiaries</b>	<b>Total</b>	<b>The controlling company</b>	<b>Subsidiaries (*1)</b>	<b>Total</b>
<b>Assets</b>							
Property, plant and equipment	₩	392	-	392	764	305,864	306,628
Other assets		-	36	36	-	5,330	5,330
	₩	<u>392</u>	<u>36</u>	<u>428</u>	<u>764</u>	<u>311,194</u>	<u>311,958</u>

(\*1) During the year ended December 31, 2016, Posco e&c Songdo International Building, a subsidiary of the Company, entered into the disposal contract for the office building of POSCO ENGINEERING & CONSTRUCTION CO., LTD. in Songdo and classified the related property, plant and equipment as assets held for sale. During the six-month period ended June 30, 2017, disposal of the assets held for sale was completed.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

Company	June 30, 2017				December 31, 2016
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
<b>[Domestic]</b>					
EQP POSCO Global NO1					
Natural Resources PEF	178,713,975,892	29.83	₩ 178,787	₩ 175,445	175,690
SNNC	18,130,000	49.00	90,650	101,524	107,859
QSONE Co., Ltd.	200,000	50.00	84,395	84,966	84,799
Chuncheon Energy Corp.(*1)	10,539,989	29.90	52,700	44,303	45,077
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.28	45,163	35,215	37,372
BLUE OCEAN Private Equity Fund	333	27.52	33,300	34,630	35,752
UITrans LRT Co., Ltd.(*1)	7,714,380	38.19	38,572	17,682	17,851
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	2,008,000	29.53	10,040	16,374	12,551
Daesung Steel(*3)	108,038	17.54	14,000	14,162	12,302
Keystone-HYUNDAI SECURITIES					
NO. 1. Private Equity Fund	13,800,000	40.45	13,800	12,941	13,314
KoFC POSCO HANWHA KB Shared Growth					
NO.2. Private Equity Fund(*3)	11,350	12.50	11,350	11,477	11,890
KONES, Corp.	3,250,000	41.67	6,893	5,532	5,641
Others (36 companies)(*1)				63,861	55,061
				<u>618,112</u>	<u>615,159</u>
<b>[Foreign]</b>					
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	202,299	215,996
AES-VCM Mong Duong					
Power Company Limited(*2)	-	30.00	164,303	152,114	167,141
7623704 Canada Inc.(*3)	114,452,000	10.40	124,341	129,652	137,512
Eureka Moly LLC	-	20.00	240,123	84,470	89,601
AMCI (WA) PTY LTD.	49	49.00	209,664	67,087	70,501
KOREA LNG LTD.	2,400	20.00	135,205	50,164	63,058
Nickel Mining Company SAS	3,234,698	49.00	157,585	46,895	45,138
NCR LLC	-	29.41	37,505	35,780	36,738
PT. Batutua Tembaga Raya	128,285	22.00	21,824	19,186	22,723
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	16,716	18,008
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	10,442	8,706
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	6,686	6,840
Others (26 companies)(*1)				117,229	98,320
				<u>938,720</u>	<u>980,282</u>
				<u>₩ 1,556,832</u>	<u>1,595,441</u>

(\*1) Investments in associates are provided as collateral related to associates' borrowings amounting to ₩130,272 million and ₩124,963 million as of June 30, 2017 and December 31, 2016, respectively.

(\*2) Shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, is provided as collateral related to associates' borrowings as of June 30, 2017 and December 31, 2016.

(\*3) As of June 30, 2017, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(b) Details of investments in joint ventures as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

Company	June 30, 2017				December 31, 2016
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
<b>[Domestic]</b>					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 79,965	83,113
<b>[Foreign]</b>					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,174,827	1,186,859
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	370,487	393,570
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	207,723	330,463
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	90,042	97,369
KOBRASCO	2,010,719,185	50.00	32,950	86,906	88,308
DMSA/AMSA(*2)	-	4.00	294,869	61,819	74,935
Others (13 companies)				38,901	32,331
				<u>2,030,705</u>	<u>2,203,835</u>
				<u>₩ 2,110,670</u>	<u>2,286,948</u>

(\*1) As of June 30, 2017 and December 31, 2016, investments in joint ventures amounting to ₩1,174,827 million and ₩1,186,859 million, respectively, are provided as collateral in relation to borrowings of the joint venture.

(\*2) As of June 30, 2017 and December 31, 2016, investments in joint ventures amounting to ₩61,819 million and ₩74,935 million, respectively, are provided as collateral for guarantees.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(c) The movements of investments in associates and joint ventures for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

### 1) For the six-month period ended June 30, 2017

(in millions of Won)

Company	December 31, 2016 Book value	Acquisition	Dividend	Share of profits (losses)	Other increase (decrease)(*1)	June 30, 2017 Book value
<b>[Domestic]</b>						
EQP POSCO Global NO1						
Natural Resources PEF	₩ 175,690	-	-	(245)	-	175,445
SNNC	107,859	-	-	(6,294)	(41)	101,524
QSONE Co., Ltd.	84,799	-	(368)	535	-	84,966
Chuncheon Energy Corp.	45,077	-	-	(774)	-	44,303
Incheon-Gimpo Expressway Co., Ltd	37,372	-	-	(2,898)	741	35,215
BLUE OCEAN Private Equity Fund	35,752	-	-	563	(1,685)	34,630
UITrans LRT Co., Ltd.	17,851	-	-	(169)	-	17,682
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	12,551	-	-	3,823	-	16,374
Daesung Steel	12,302	-	-	1,860	-	14,162
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	13,314	-	-	(348)	(25)	12,941
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	11,890	-	-	(413)	-	11,477
KONES, Corp.	5,641	-	-	(109)	-	5,532
POSCO MITSUBISHI CARBON TECHNOLOGY	83,113	-	-	(3,148)	-	79,965
Others (36 companies)	55,061	13,979	-	(5,867)	688	63,861
	<u>698,272</u>	<u>13,979</u>	<u>(368)</u>	<u>(13,484)</u>	<u>(322)</u>	<u>698,077</u>
<b>[Foreign]</b>						
South-East Asia Gas Pipeline Company Ltd.	215,996	-	(21,677)	20,420	(12,440)	202,299
AES-VCN Mong Duong Power Company Limited	167,141	-	(15,090)	9,797	(9,734)	152,114
7623704 Canada Inc.	137,512	-	(1,336)	1,378	(7,902)	129,652
Eureka Moly LLC	89,601	-	-	(17)	(5,114)	84,470
AMCI (WA) PTY LTD.	70,501	-	-	(3,634)	220	67,087
KOREA LNG LTD.	63,058	-	(3,875)	4,572	(13,591)	50,164
Nickel Mining Company SAS	45,138	-	-	786	971	46,895
NCR LLC	36,738	147	-	(25)	(1,080)	35,780
PT. Batutua Tembaga Raya	22,723	-	-	(3,152)	(385)	19,186
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	18,008	-	-	(630)	(662)	16,716
PT. Wampu Electric Power	8,706	-	-	2,219	(483)	10,442
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,840	-	-	198	(352)	6,686
Roy Hill Holdings Pty Ltd	1,186,859	-	-	28,076	(40,108)	1,174,827
POSCO-NPS Niobium LLC	393,570	-	(10,911)	10,350	(22,522)	370,487
CSP - Compania Siderurgica do Pecem	330,463	-	-	(98,820)	(23,920)	207,723
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	97,369	-	(5,542)	1,226	(3,011)	90,042
KOBRASCO	88,308	-	(22,135)	27,264	(6,531)	86,906
DMSA/AMSA	74,935	4,310	-	(10,989)	(6,437)	61,819
Others (39 companies)	130,651	-	(1,987)	31,830	(4,364)	156,130
	<u>3,184,117</u>	<u>4,457</u>	<u>(82,553)</u>	<u>20,849</u>	<u>(157,445)</u>	<u>2,969,425</u>
	<u>₩ 3,882,389</u>	<u>18,436</u>	<u>(82,921)</u>	<u>7,365</u>	<u>(157,767)</u>	<u>3,667,502</u>

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 2) For the year ended December 31, 2016

(in millions of Won)

Company	December 31, 2015 Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2016 Book value
<b>[Domestic]</b>						
EQP POSCO Global NO1 Natural Resources PEF ₩	175,676	222	-	(399)	191	175,690
POSCO PLANTEC Co., Ltd.	171,218	-	-	(171,927)	709	-
SeAH Changwon Integrated Special Steel	165,754	-	-	4,797	(170,551)	-
SNNC	111,326	-	-	(3,417)	(50)	107,859
QSONE Co., Ltd.	83,919	-	-	880	-	84,799
Chun-cheon Energy Co., Ltd.	30,420	19,832	-	(5,175)	-	45,077
Incheon-Gimpo Expressway Co., Ltd.	39,447	-	-	(2,758)	683	37,372
BLUE OCEAN Private Equity Fund	35,437	-	-	643	(328)	35,752
UITrans LRT Co., Ltd.	40,903	6,817	-	(29,825)	(44)	17,851
Keystone-HYUNDAI SECURITIES						
NO. 1. Private Equity Fund	13,015	-	-	281	18	13,314
CHUNGJU ENTERPRISE CITY						
DEVELOPMENT Co., Ltd.	12,265	-	-	286	-	12,551
Daesung Steel	14,000	-	-	(2,272)	574	12,302
KoFC POSCO HANWHA KB Shared Growth						
NO. 2. Private Equity Fund	14,829	1,875	-	1,186	(6,000)	11,890
KONES, Corp.	5,775	-	-	(256)	122	5,641
POSCO MITSUBISHI CARBON TECHNOLOGY	104,970	-	-	(21,929)	72	83,113
POSCO ES MATERIALS CO., LTD	38,447	-	-	(2,061)	(36,386)	-
Others (33 companies)	33,933	20,061	(200)	(2,802)	4,069	55,061
	<u>1,091,334</u>	<u>48,807</u>	<u>(200)</u>	<u>(234,748)</u>	<u>(206,921)</u>	<u>698,272</u>
<b>[Foreign]</b>						
South-East Asia Gas Pipeline Company Ltd.	222,269	-	(59,717)	46,855	6,589	215,996
AES-VCM Mong Duong Power Company Limited	153,271	-	-	27,031	(13,161)	167,141
7623704 Canada Inc.	134,034	-	(921)	175	4,224	137,512
Eureka Moly LLC	87,878	-	-	(18)	1,741	89,601
AMCI (WA) PTY LTD	72,289	-	-	(3,358)	1,570	70,501
KOREA LNG LTD.	53,548	-	(6,342)	6,392	9,460	63,058
Nickel Mining Company SAS	76,445	-	-	(31,047)	(260)	45,138
NCR LLC	35,447	-	-	(41)	1,332	36,738
PT. Batutua Tembaga Raya	15,382	7,040	-	-	301	22,723
Zhongyue POSCO (Qinhuangdao) Tinplate						
Industrial Co., Ltd	19,311	-	-	(412)	(891)	18,008
PT. Wampu Electric Power	8,855	-	-	(397)	248	8,706
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,061	-	-	242	(463)	6,840
Roy Hill Holdings Pty Ltd	1,153,434	-	-	12,643	20,782	1,186,859
POSCO-NPS Niobium LLC	381,461	-	(10,893)	11,499	11,503	393,570
CSP - Companhia Siderurgica do Pecem	80,805	88,930	-	116,694	44,034	330,463
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	100,908	-	-	258	(3,797)	97,369
KOBRASCO	78,364	-	(29,297)	20,761	18,480	88,308
DMSA/AMSA	105,964	24,624	-	(60,415)	4,762	74,935
Others (37 companies)	67,273	28,993	(4,252)	(791)	39,428	130,651
	<u>2,853,999</u>	<u>149,587</u>	<u>(111,422)</u>	<u>146,071</u>	<u>145,882</u>	<u>3,184,117</u>
₩	<u>3,945,333</u>	<u>198,394</u>	<u>(111,622)</u>	<u>(88,677)</u>	<u>(61,039)</u>	<u>3,882,389</u>

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the six-month period June 30, 2017 and the year ended December 31, 2016 are as follows:

### 1) June 30, 2017

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
<b>[Domestic]</b>					
EQP POSCO Global NO1 Natural Resources PEF ₩	587,496	857	586,639	-	(833)
SNNC	696,458	474,942	221,516	246,942	(22,042)
QSONE Co., Ltd.	247,432	77,500	169,932	7,857	1,070
Chuncheon Energy Corp.	631,622	462,361	169,261	19,596	68
Incheon-Gimpo Expressway Co., Ltd	1,186,226	962,970	223,256	-	(9,581)
BLUE OCEAN Private Equity Fund	337,434	205,639	131,795	228,135	1,091
UITrans LRT Co., Ltd.	419,867	327,174	92,693	-	(443)
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	139,257	100,745	38,512	-	(801)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	96,793	66,733	30,060	58,180	17,893
Daesung Steel	164,900	115,543	49,357	28,923	10,606
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	93,191	1,374	91,817	1,542	(3,301)
KONES, Corp.	2,317	1,471	846	2,106	(261)
POSCO MITSUBISHI CARBON TECHNOLOGY	442,161	309,819	132,342	55,039	(5,206)
<b>[Foreign]</b>					
South-East Asia Gas Pipeline Company Ltd.	2,040,663	1,229,615	811,048	223,128	81,548
7623704 Canada Inc.	1,258,808	1	1,258,807	-	23,788
KOREA LNG LTD.	260,083	86	259,997	20,639	19,602
Nickel Mining Company SAS	449,691	309,380	140,311	60,101	(7,320)
PT. Batutua Tembaga Raya	352,829	300,886	51,943	70,934	33,955
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	74,367	19,468	54,899	47,156	(1,851)
PT. Wampu Electric Power	208,579	159,374	49,205	10,138	11,096
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	66,640	39,264	27,376	39,675	783
Roy Hill Holdings Pty Ltd	10,688,506	7,353,595	3,334,911	993,589	415,992
POSCO-NPS Niobium LLC	740,770	-	740,770	-	18,835
CSP - Companhia Siderurgica do Pecem	5,019,523	4,151,065	868,458	596,543	(492,647)
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	684,277	351,727	332,550	657,916	4,660
KOBRASCO	246,370	72,558	173,812	88,377	54,529
DMSA/AMSA	6,126,568	4,657,331	1,469,237	306,303	(274,358)

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

2) December 31, 2016

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
<b>[Domestic]</b>					
EQP POSCO Global NO1 Natural Resources PEF ₩	597,767	864	596,903	-	(1,349)
POSCO PLANTEC Co., Ltd.	501,659	678,004	(176,345)	361,351	(43,195)
SNNC	725,987	482,429	243,558	527,101	2,022
QSONE Co., Ltd.	247,385	77,786	169,599	15,961	1,760
Chun-cheon Energy Co., Ltd	547,805	378,613	169,192	-	(3,748)
Incheon-Gimpo Expressway Co., Ltd.	929,539	718,107	211,432	-	(1,910)
BLUE OCEAN Private Equity Fund	357,723	220,895	136,828	456,311	2,335
UITrans LRT Co., Ltd.	400,761	307,625	93,136	-	(822)
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	119,378	79,946	39,432	197	694
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	136,857	124,666	12,191	19,028	967
Daesung Steel	150,944	112,194	38,750	60,772	(12,955)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	96,213	1,094	95,119	14,157	9,561
KONES, Corp.	2,627	1,519	1,108	3,952	(615)
POSCO MITSUBISHI CARBON TECHNOLOGY	448,618	311,070	137,548	53,908	(36,572)
<b>[Foreign]</b>					
South-East Asia Gas Pipeline Company Ltd.	2,171,689	1,305,942	865,747	491,011	187,114
7623704 Canada Inc.	1,334,391	1	1,334,390	-	19,485
KOREA LNG LTD.	303,389	19,704	283,685	33,035	31,962
Nickel Mining Company SAS	491,458	347,194	144,264	145,571	(61,473)
PT. Batutua Tembaga Raya	351,119	332,037	19,082	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	83,291	24,676	58,615	117,387	(1,216)
PT. Wampu Electric Power	206,052	165,618	40,434	3,405	(1,984)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	67,905	40,451	27,454	81,260	938
Roy Hill Holdings Pty Ltd	10,962,261	8,059,714	2,902,547	845,243	129,968
POSCO-NPS Niobium LLC	786,937	-	786,937	-	24,719
CSP - Companhia Siderurgica do Pecem	5,682,161	4,237,247	1,444,914	226,669	243,151
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	789,336	427,475	361,861	948,488	1,033
KOBRASCO	178,853	2,236	176,617	72,274	41,522
DMSA/AMSA	6,570,172	4,842,560	1,727,612	579,388	(519,969)

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of June 30, 2017 are as follows:

Joint operations	Operation	Ownership (%)	Location
Myanmar A-1/A-3 mine	Mine development and gas production	51.00	Myanmar
Offshore midstream	Gas transportation facility	51.00	Myanmar
Greenhills mine	Mine development	20.00	Canada
Arctos Anthracite coal project	Mine development	50.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
CD J/V	Mine development	5.00	Australia
RUM J/V	Mine development	10.00	Australia

#### 11. Investment Property, Net

Changes in the carrying amount of investment property for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

(a) For the six-month period ended June 30, 2017

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩	392,723	-	(607)	-	(594)	391,522
Buildings		671,539	-	-	(11,874)	(6,921)	652,744
Structures		2,147	-	-	(198)	110	2,059
Construction-in-progress		51,311	5,186	-	-	(1,577)	54,920
	₩	<u>1,117,720</u>	<u>5,186</u>	<u>(607)</u>	<u>(12,072)</u>	<u>(8,982)</u>	<u>1,101,245</u>

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

(b) For the year ended December 31, 2016

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	346,879	24,116	(8,056)	-	29,784	392,723
Buildings		696,526	7,548	(3,339)	(24,043)	(5,153)	671,539
Structures		1,819	1	-	(288)	615	2,147
Construction-in-progress		39,068	13,910	-	-	(1,667)	51,311
	₩	<u>1,084,292</u>	<u>45,575</u>	<u>(11,395)</u>	<u>(24,331)</u>	<u>23,579</u>	<u>1,117,720</u>

(\*1) Impairment losses on investment property amounting to ₩318 million are included.

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

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 12. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

##### (a) For the six-month period ended June 30, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,601,208	1,629	(5,463)	-	(39,232)	2,558,142
Buildings		4,995,631	21,405	(3,273)	(175,712)	10,490	4,848,541
Structures		2,908,480	6,292	(1,390)	(106,515)	32,507	2,839,374
Machinery and equipment		20,318,390	80,326	(43,188)	(1,095,213)	820,366	20,080,681
Vehicles		46,699	4,326	(949)	(9,024)	1,539	42,591
Tools		71,380	5,520	(2,441)	(14,526)	7,124	67,057
Furniture and fixtures		132,406	13,331	(528)	(24,368)	421	121,262
Finance lease assets		159,013	4,630	(333)	(7,342)	(2,038)	153,930
Bearer plants		-	-	-	(3,258)	55,533	52,275
Construction-in-progress		2,537,132	949,327	(1,077)	-	(1,405,798)	2,079,584
	₩	<u>33,770,339</u>	<u>1,086,786</u>	<u>(58,642)</u>	<u>(1,435,958)</u>	<u>(519,088)</u>	<u>32,843,437</u>

(\*1) Impairment losses on property, plant and equipment amounting to ₩7,573 million are included.

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

##### (b) For the year ended December 31, 2016

<i>(in millions of Won)</i>		Beginning	Acquisitions	Business combination	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,572,807	8,901	15,687	(16,176)	(6,452)	26,441	2,601,208
Buildings		5,165,725	37,493	277,242	(12,857)	(396,899)	(75,073)	4,995,631
Structures		2,949,413	19,043	-	(1,994)	(216,631)	158,649	2,908,480
Machinery and equipment		21,093,743	193,856	47,021	(36,095)	(2,277,740)	1,297,605	20,318,390
Vehicles		52,005	8,967	88	(1,990)	(18,484)	6,113	46,699
Tools		73,478	17,546	635	(848)	(27,396)	7,965	71,380
Furniture and fixtures		148,099	30,650	32	(4,248)	(51,361)	9,234	132,406
Finance lease assets		92,796	79,556	-	(38)	(13,409)	108	159,013
Construction-in-progress		2,374,789	1,935,339	2,181	(4,255)	-	(1,770,922)	2,537,132
	₩	<u>34,522,855</u>	<u>2,331,351</u>	<u>342,886</u>	<u>(78,501)</u>	<u>(3,008,372)</u>	<u>(339,880)</u>	<u>33,770,339</u>

(\*1) Includes impairment losses on property, plant and equipment amounting to ₩196,882 million. During the year ended December 31, 2016, due to the existence of indicators for impairment, such as continuing operating loss on fuel cell business of the POSCO ENERGY CO., LTD., which is included in Other reportable segment, the Company performed impairment test and recognized impairment loss of ₩61,565 million. Recoverable amount was determined based on value-in-use, which was calculated by applying a 14.0% discount rate. The impairment recorded in 2016 also included ₩58,388 million related to POSCO for individual assets based on disposal plans.

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 13. Goodwill and Other Intangible Assets, Net

Changes in the carrying amount of goodwill and other intangible assets for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

#### (a) For the six-month period ended June 30, 2017

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment losses	Others(*2)	Ending
Goodwill	₩ 1,375,131	-	-	-	-	(3,179)	1,371,952
Intellectual property rights	2,521,171	104,962	(332)	(105,067)	(8,538)	2,788	2,514,984
Premium in rental(*1)	119,039	3,170	(573)	(283)	-	(422)	120,931
Development expense	117,012	448	(1,179)	(32,739)	-	10,304	93,846
Port facilities usage rights	256,617	-	-	(9,250)	-	41,310	288,677
Exploration and evaluation assets	162,268	68,969	-	-	-	75	231,312
Customer relationships	514,245	-	-	(23,132)	-	(230)	490,883
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	483,841	35,342	(6,683)	(31,675)	(11,827)	(28,553)	440,445
	₩ 6,088,729	212,891	(8,767)	(202,146)	(20,365)	22,093	6,092,435

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

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

#### (b) For the year ended December 31, 2016

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment losses	Others(*2)	Ending
Goodwill	₩ 1,461,954	-	-	-	(95,984)	9,161	1,375,131
Intellectual property rights	2,667,086	56,849	(753)	(204,112)	(16,786)	18,887	2,521,171
Premium in rental(*1)	127,949	1,964	(7,526)	(243)	(1,559)	(1,546)	119,039
Development expense	135,796	4,027	(60)	(61,732)	(298)	39,279	117,012
Port facilities usage rights	264,801	-	-	(15,217)	-	7,033	256,617
Exploration and evaluation assets	151,144	45,524	-	-	(3,290)	(31,110)	162,268
Customer relationships	559,809	-	-	(47,790)	-	2,226	514,245
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	497,810	52,350	(1,454)	(48,910)	(7,353)	(8,602)	483,841
	₩ 6,405,754	160,714	(9,793)	(378,004)	(125,270)	35,328	6,088,729

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

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 14. Other Assets

Other assets as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Current</b>			
Advance payments	₩	727,467	787,452
Prepaid expenses		161,703	105,102
Others		1,758	1,930
	₩	<u>890,928</u>	<u>894,484</u>
<b>Non-current</b>			
Long-term advance payments	₩	26,785	27,189
Long-term prepaid expenses		364,325	380,678
Others(*1)		153,348	159,813
	₩	<u>544,458</u>	<u>567,680</u>

(\*1) As of June 30, 2017 and December 31, 2016, the Company recognized tax assets amounting to ₩96,419 million and ₩100,693 million, respectively, based on the Company's best estimate of the tax amounts to be refunded when the results of the Company's appeal in connection with the additional income tax payment in prior years' tax audits that were finalized and claim for rectification are finalized.

### 15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

	<b>Lenders</b>	<b>Interest rate (%)</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Short-term borrowings</b>				
Bank overdrafts	Bank of America and others	0.6~4.4	₩ 218,702	254,036
Short-term borrowings	HSBC and others	0.3~14.5	8,878,503	7,725,691
			<u>9,097,205</u>	<u>7,979,727</u>
<b>Current portion of long-term liabilities</b>				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.4~8.5	1,208,842	1,390,733
Current portion of debentures	Korea Development Bank and others	2.0~5.9	1,014,339	825,176
Less: Current portion of discount on debentures issued			(601)	(829)
			<u>2,222,580</u>	<u>2,215,080</u>
			₩ <u>11,319,785</u>	<u>10,194,807</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(b) Long-term borrowings, excluding current portion as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	<b>Lenders</b>	<b>Interest rate (%)</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Long-term borrowings	Export-Import Bank of Korea and others	0.5~8.4	₩ 5,422,868	6,420,612
Less: Present value discount			(49,498)	(55,799)
Debentures	Korea Development Bank and others	1.4~6.3	5,697,250	6,163,896
Less: Discount on debentures issued			(15,234)	(18,518)
			₩ <u>11,055,386</u>	<u>12,510,191</u>

(c) Property, plant and equipment including investment property, cash equivalents, trade accounts and notes receivable, financial instruments, available-for-sale financial assets, inventories and other assets amounting to ₩5,922,979 million, ₩11,675 million, ₩4,742 million (77 of notes receivable), ₩68,348 million, ₩31,116 million, ₩65,422 million and ₩138,561 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

## 16. Other Payables

Other payables as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Current</b>		
Accounts payable	₩ 717,054	854,623
Accrued expenses	580,153	665,295
Dividend payable	7,127	7,770
Finance lease liabilities	21,634	24,523
Withholdings	250,957	299,448
	₩ <u>1,576,925</u>	<u>1,851,659</u>
<b>Non-current</b>		
Accounts payable	₩ 5,331	6,823
Accrued expenses	12,572	41,082
Finance lease liabilities	86,518	89,886
Long-term withholdings	61,702	70,768
	₩ <u>166,123</u>	<u>208,559</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 17. Other Financial Liabilities

Other financial liabilities as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Current</b>			
Derivative liabilities	₩	56,864	85,786
Financial guarantee liabilities		50,524	63,962
	₩	<u>107,388</u>	<u>149,748</u>
<b>Non-current</b>			
Derivative liabilities	₩	16,224	37,110
Financial guarantee liabilities		35,630	44,199
	₩	<u>51,854</u>	<u>81,309</u>

### 18. Provisions

(a) Provisions as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		<b>June 30, 2017</b>		<b>December 31, 2016</b>	
		<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Provision for bonus payments	₩	36,559	-	42,986	-
Provision for construction warranties		10,742	98,234	10,551	86,158
Provision for legal contingencies and claims(*1)		1,972	84,917	4,348	80,498
Provision for restoration(*2)		10,231	36,632	10,169	37,962
Others(*3,4)		59,605	155,434	46,811	133,121
	₩	<u>119,109</u>	<u>375,217</u>	<u>114,865</u>	<u>337,739</u>

(\*1) The Company recognized probable outflow of resources amounting to ₩28,391 million and ₩30,425 million as provisions in relation to lawsuits against the Company as of June 30, 2017 and December 31, 2016, respectively.

(\*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩33,458 million as provisions for restoration as of June 30, 2017. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 2.37 ~ 2.49% to assess present value of these costs.

(\*3) As of June 30, 2017 and December 31, 2016, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩103,454 million and ₩87,827 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(\*4) As of June 30, 2017 and December 31, 2016, the amount includes a provision of ₩23,600 million for expected outflow of resources in connection with the performance guarantee for the Hwaseong-Dongtan complexes development project of POSCO ENGINEERING & CONSTRUCTION CO., LTD.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(b) Changes in provisions for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

1) For the six-month period ended June 30, 2017

(in millions of Won)

		<b>Beginning</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Others(*1)</b>	<b>Ending</b>
Provision for bonus payments	₩	42,986	35,414	(40,135)	(1,174)	(532)	36,559
Provision for construction warranties		96,709	19,573	(6,690)	(1,500)	884	108,976
Provision for legal contingencies and claims		84,846	8,226	(255)	(3,674)	(2,254)	86,889
Provision for restoration		48,131	3,564	(4,263)	-	(569)	46,863
Others		179,932	54,367	(20,163)	(4,722)	5,625	215,039
	₩	<u>452,604</u>	<u>121,144</u>	<u>(71,506)</u>	<u>(11,070)</u>	<u>3,154</u>	<u>494,326</u>

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

2) For the year ended December 31, 2016

(in millions of Won)

		<b>Beginning</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Others(*1)</b>	<b>Ending</b>
Provision for bonus payments	₩	42,602	44,106	(42,211)	(272)	(1,239)	42,986
Provision for construction warranties		81,446	33,925	(19,469)	(2,695)	3,502	96,709
Provision for legal contingencies and claims		52,610	45,525	(14,012)	(188)	911	84,846
Provision for restoration		41,926	31,673	(13,367)	(12,475)	374	48,131
Others		105,428	142,767	(68,143)	(3,086)	2,966	179,932
	₩	<u>324,012</u>	<u>297,996</u>	<u>(157,202)</u>	<u>(18,716)</u>	<u>6,514</u>	<u>452,604</u>

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

## 19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month and six-month periods ended June 30, 2017 and 2016 were as follows:

		<b>For the three-month periods ended June 30</b>		<b>For the six-month periods ended June 30</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Expense related to post-employment benefit plans under defined contribution plans	₩	8,847	6,825	17,435	14,510

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### (b) Defined benefit plan

- 1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
Present value of funded obligations	₩	1,731,310	1,715,583
Fair value of plan assets(*1)		(1,643,141)	(1,693,118)
Present value of non-funded obligations		12,512	17,437
Net defined benefit liabilities	₩	<u>100,681</u>	<u>39,902</u>

(\*1) As of June 30, 2017 and December 31, 2016, the Company recognized net defined benefit assets amounting to ₩35,884 million and ₩83,702 million, respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

- 2) Changes in present value of defined benefit obligations for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

<i>(in millions of Won)</i>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
Defined benefit obligation			
at the beginning of period	₩	1,733,020	1,714,115
Current service costs		98,400	285,706
Interest costs		17,059	39,286
Remeasurements		2,683	(32,927)
Benefits paid		(104,983)	(278,278)
Others		(2,357)	5,118
Defined benefit obligation at the end of period	₩	<u>1,743,822</u>	<u>1,733,020</u>

- 3) Changes in fair value of plan assets for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

<i>(in millions of Won)</i>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
Fair value of plan assets			
at the beginning of period	₩	1,693,118	1,532,090
Interest on plan assets		19,317	37,385
Remeasurement of plan assets		(7,784)	(6,963)
Contributions to plan assets		17,519	328,671
Benefits paid		(89,640)	(189,817)
Others		10,611	(8,248)
Fair value of plan assets at the end of period	₩	<u>1,643,141</u>	<u>1,693,118</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
(in millions of Won)				
Current service costs	₩ 47,504	57,406	98,400	116,405
Net interest costs	(136)	533	(2,258)	1,041
	₩ 47,368	57,939	96,142	117,446

## 20. Other Liabilities

Other liabilities as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
(in millions of Won)		
<b>Current</b>		
Due to customers for contract work	₩ 902,803	1,160,201
Advances received	734,385	707,086
Unearned revenue	10,479	8,702
Withholdings	210,205	186,665
Others	20,463	22,307
	₩ 1,878,335	2,084,961
<b>Non-current</b>		
Advances received	₩ 7,634	-
Unearned revenue	18,896	20,013
Others	32,038	40,338
	₩ 58,568	60,351

## 21. Financial Instruments

(a) Classification of financial instruments

- 1) Financial assets as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
(in millions of Won)		
Financial assets at fair value through profit or loss		
Derivative assets held for trading	₩ 56,785	147,582
Available-for-sale financial assets	2,645,626	2,514,924
Held-to-maturity financial assets	2,495	2,470
Loans and receivables	20,055,989	19,390,610
	₩ 22,760,895	22,055,586

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

2) Financial liabilities as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Financial liabilities at fair value through profit or loss		
Derivative liabilities held for trading	₩ 73,088	122,896
Financial liabilities measured at amortized cost		
Trade accounts and notes payable	3,536,568	4,117,798
Borrowings	22,375,171	22,704,998
Financial guarantee liabilities	86,154	108,161
Others	1,669,532	2,007,114
	₩ <u>27,740,513</u>	<u>29,060,967</u>

3) Finance income and costs by category of financial instrument for the six-month periods ended June 30, 2017 and 2016 were as follows:

① For the six-month period ended June 30, 2017

<i>(in millions of Won)</i>	<b>Finance income and costs</b>						<b>Other comprehensive income</b>
	<b>Interest income (expense)</b>	<b>Gain and loss on valuation</b>	<b>Gain and loss on foreign currency</b>	<b>Gain and loss on disposal</b>	<b>Impairment losses</b>	<b>Others</b>	
Financial assets at fair value through profit or loss	₩ -	(4,951)	-	108,525	-	-	103,574
Available-for-sale financial assets	28	-	-	95,106	(59,178)	69,265	105,221
Held-to-maturity financial assets	93	-	-	(3)	-	10	100
Loans and receivables	78,038	-	(279,987)	(17,330)	-	(128)	(219,407)
Financial liabilities at fair value through profit or loss	-	(75,746)	-	(105,728)	-	-	(181,474)
Financial liabilities measured at amortized cost	(328,419)	-	380,906	-	-	(9,751)	42,736
	₩ <u>(250,260)</u>	<u>(80,697)</u>	<u>100,919</u>	<u>80,570</u>	<u>(59,178)</u>	<u>59,396</u>	<u>(149,250)</u>
							224,359

② For the six-month period ended June 30, 2016

<i>(in millions of Won)</i>	<b>Finance income and costs</b>						<b>Other comprehensive income</b>
	<b>Interest income (expense)</b>	<b>Gain and loss on valuation</b>	<b>Gain and loss on foreign currency</b>	<b>Gain and loss on disposal</b>	<b>Impairment losses</b>	<b>Others</b>	
Financial assets at fair value through profit or loss	₩ -	20,000	-	174,987	-	-	194,987
Available-for-sale financial assets	328	-	-	1,209	(225,674)	27,266	(196,871)
Held-to-maturity financial assets	188	-	-	-	-	19	207
Loans and receivables	92,147	-	(43,283)	(7,316)	-	(87)	41,461
Financial liabilities at fair value through profit or loss	-	(51,845)	-	(189,240)	-	-	(241,085)
Financial liabilities measured at amortized cost	(343,088)	-	(108,954)	(61)	-	(8,534)	(460,637)
	₩ <u>(250,425)</u>	<u>(31,845)</u>	<u>(152,237)</u>	<u>(20,421)</u>	<u>(225,674)</u>	<u>18,664</u>	<u>(661,938)</u>
							128,249

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

4) Finance income and costs by category of financial instrument for the three-month periods ended June 30, 2017 and 2016 were as follows:

### ① For the three-month period ended June 30, 2017

(in millions of Won)

	Finance income and costs							Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment losses	Others	Total	
Financial assets at fair value through profit or loss	₩ -	(17,068)	-	50,662	-	-	33,594	-
Available-for-sale financial assets	14	-	-	96,690	(55,219)	27,252	68,737	187,349
Held-to-maturity financial assets	41	-	-	-	-	5	46	-
Loans and receivables	37,685	-	181,827	(7,253)	-	(129)	212,130	-
Financial liabilities at fair value through profit or loss	-	25,647	-	(51,697)	-	-	(26,050)	-
Financial liabilities measured at amortized cost	(159,810)	-	(206,006)	-	-	(5,015)	(370,831)	-
	₩ (122,070)	8,579	(24,179)	88,402	(55,219)	22,113	(82,374)	187,349

### ② For the three-month period ended June 30, 2016

(in millions of Won)

	Finance income and costs							Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment losses	Others	Total	
Financial assets at fair value through profit or loss	₩ -	(79,566)	-	60,666	-	-	(18,900)	-
Available-for-sale financial assets	85	-	-	1,121	(196,183)	6,587	(188,390)	131,250
Held-to-maturity financial assets	83	-	-	-	-	10	93	-
Loans and receivables	39,967	-	71,007	(3,513)	-	(43)	107,418	-
Financial liabilities at fair value through profit or loss	-	4,497	-	(60,412)	-	-	(55,915)	-
Financial liabilities measured at amortized cost	(165,748)	-	(182,596)	(61)	-	(5,195)	(353,600)	-
	₩ (125,613)	(75,069)	(111,589)	(2,199)	(196,183)	1,359	(509,294)	131,250

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### (b) Fair value

#### 1) Fair value and book value

The carrying amount and the fair value of financial instruments as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

	June 30, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 2,334,226	2,334,226	2,139,687	2,139,687
Derivative assets held for trading(*1,2)	56,785	56,785	147,582	147,582
	<u>2,391,011</u>	<u>2,391,011</u>	<u>2,287,269</u>	<u>2,287,269</u>
Assets measured at amortized cost(*3)				
Cash and cash equivalents	2,897,024	2,897,024	2,447,619	2,447,619
Trade accounts and notes receivable, net	10,049,086	10,049,086	9,838,051	9,838,051
Loans and other receivables, net	7,109,879	7,109,879	7,104,940	7,104,940
Held-to-maturity financial assets	2,495	2,495	2,470	2,470
	<u>20,058,484</u>	<u>20,058,484</u>	<u>19,393,080</u>	<u>19,393,080</u>
Liabilities measured at fair value				
Derivative liabilities held for trading(*2)	73,088	73,088	122,896	122,896
Liabilities measured at amortized cost(*3)				
Trade accounts and notes payable	3,536,568	3,536,568	4,117,798	4,117,798
Borrowings	22,375,171	22,638,647	22,704,998	22,956,571
Financial guarantee liabilities	86,154	86,154	108,161	108,161
Others	1,669,532	1,669,532	2,007,114	2,007,114
	<u>₩ 27,667,425</u>	<u>27,930,901</u>	<u>28,938,071</u>	<u>29,189,644</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 and derivatives which are classified as fair value hierarchy level 3 is calculated using valuation model such as a discounted cash flow model and others 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 which are classified as fair value hierarchy level 2 is measured using derivatives' valuation models such as market approach and others. Principal input variables of derivatives' valuation model are interest rate, spot price of underlying asset and others.
- (\*3) The fair value of financial assets and liabilities measured at amortized cost is measured using a present value calculated by market interest rate as of the end of reporting period. The fair value is mainly calculated for the disclosures in the note. On the other hand, the Company has not performed fair value measurement for the financial assets and liabilities measured at amortized cost except borrowings which are classified as fair value hierarchy level 2 since their carrying amounts approximate fair value.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 2) The fair value hierarchy

The fair values of financial instruments by fair value hierarchy as of June 30, 2017 and December 31, 2016 are as follows:

#### ① June 30, 2017

<i>(in millions of Won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets				
Available-for-sale financial assets	₩ 1,961,367	-	372,859	2,334,226
Derivative assets held for trading	-	52,520	4,265	56,785
	<u>₩ 1,961,367</u>	<u>52,520</u>	<u>377,124</u>	<u>2,391,011</u>
Financial liabilities				
Derivative liabilities held for trading	₩ -	73,088	-	73,088

#### ② December 31, 2016

<i>(in millions of Won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets				
Available-for-sale financial assets	₩ 1,800,943	-	338,744	2,139,687
Derivative assets held for trading	-	137,236	10,346	147,582
	<u>₩ 1,800,943</u>	<u>137,236</u>	<u>349,090</u>	<u>2,287,269</u>
Financial liabilities				
Derivative liabilities held for trading	₩ -	122,896	-	122,896

### (c) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2016.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 22. Share Capital and Capital Surplus

(a) Share capital as of June 30, 2017 and December 31, 2016 are as follows:

<i>(Share, in Won)</i>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
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, 2017, total shares of ADRs of 36,506,532, outstanding in overseas stock market, are equivalent to 9,126,633 shares of common stock.

(\*2) As of June 30, 2017, 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, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
Share premium	₩	463,825	463,825
Gain on disposal of treasury shares		783,829	783,788
Other capital surplus		153,918	150,178
	₩	<u>1,401,572</u>	<u>1,397,791</u>

(c) During the six-month period ended June 30, 2017, POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued redeemable convertible preferred shares which are classified as non-controlling interest in the consolidated financial statements. The details of redeemable convertible preferred shares as of June 30, 2017 are as follows:

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

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	<b>Date of issue</b>	<b>Date of maturity</b>	<b>Interest rate (%)</b>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
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, 2017 are as follows:

<i>(in millions of Won)</i>	<b>Hybrid bond 1-1</b>	<b>Hybrid bond 1-2</b>
Issue price	800,000	200,000
Maturity date	30 years (POSCO has a right to extend the maturity date)	
Interest rate	Issue date ~ 2018-06-12 : 4.3% Reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.3% · After 10 years : additionally +0.25% according to Step-up clauses · After 25 years : additionally +0.75%	Issue date ~ 2023-06-12 : 4.6% Reset every 10 years as follows; · After 10 years : return on government bond (10 years) + 1.4% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to POSCO)	
Others	POSCO can call the hybrid bond at year 5 and interest payment date afterwards	POSCO can call the hybrid bond at year 10 and interest payment date afterwards

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of June 30, 2017 amounts to ₩2,150 million.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(b) POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued hybrid bonds which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	<b>Date of issue</b>	<b>Date of maturity</b>	<b>Interest rate (%)</b>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
Hybrid bond 1-1(*1)	2013-08-29	2043-08-29	4.66	₩	165,000	165,000
Hybrid bond 1-2(*1)	2013-08-29	2043-08-29	4.72		165,000	165,000
Hybrid bond 1-3(*1)	2013-08-29	2043-08-29	4.72		30,000	30,000
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21		140,000	140,000
Issuance cost					(1,532)	(1,532)
				₩	<u>498,468</u>	<u>498,468</u>

(\*1) Details of hybrid bonds of POSCO ENERGY Co., Ltd. as of June 30, 2017 are as follows:

<i>(in millions of Won)</i>	<b>Hybrid bond 1-1</b>	<b>Hybrid bond 1-2 and 1-3</b>	<b>Hybrid bond 1-4</b>
Issue price	165,000	195,000	140,000
Maturity date	30 years (The issuer has a right to extend the maturity date)		
Interest rate	Issue date ~ 2018-08-29 : 4.66% Reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.39% · After 10 years : additionally +0.25% according to Step-up clauses · After 25 years : additionally +0.75%	Issue date ~ 2018-08-29 : 4.72% Reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.45% · After 10 years : additionally +0.25% according to Step-up clauses · After 25 years : additionally +0.75%	Issue date ~ 2018-08-29 : 5.21% Reset every 10 years as follows; · After 10 years : return on government bond (10 years) + 1.55% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to the issuer but for hybrid bond 1-3, the issuer pays every quarter (3/30, 6/30, 9/30, 12/30))		
Others	The issuer can call the hybrid bond at year 5 and interest payment date afterwards	The issuer can call the hybrid bond at year 5 and interest payment date afterwards	The issuer can call the hybrid bond at year 10 and interest payment date afterwards

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of June 30, 2017 amounts to ₩1,996 million.

## 24. Reserves

Reserves as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Accumulated comprehensive loss of		
investments in associates and joint ventures	₩ (432,577)	(301,734)
Changes in unrealized fair value		
of available-for-sale investments	500,691	276,143
Currency translation differences	(200,829)	(99,264)
Others	(20,285)	(19,130)
	₩ <u>(153,000)</u>	<u>(143,985)</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 25. Treasury Shares

As of June 30, 2017, the Company holds 7,188,166 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

#### 26. Construction Contracts

(a) Details of in-progress construction contracts as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		June 30, 2017		December 31, 2016	
		Construction segment	Others	Construction segment	Others
Accumulated cost	₩	22,354,713	312,040	22,493,050	313,422
Add: Accumulated profit		1,640,178	53,249	1,574,858	48,119
Less: Accumulated loss		(991,399)	(27,437)	(1,115,245)	(23,920)
Accumulated revenue		23,003,492	337,852	22,952,663	337,621
Less: Progress billings		(23,105,488)	(328,349)	(23,157,151)	(338,991)
Others		(8,848)	3,085	2,909	7,052
	₩	(110,844)	12,588	(201,579)	5,682

(b) Details of due from customers for contract work and due to customers for contract work related to construction as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		June 30, 2017		December 31, 2016	
		Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩	738,945	65,602	894,181	70,123
Due to customers for contract work		(849,789)	(53,014)	(1,095,760)	(64,441)
	₩	(110,844)	12,588	(201,579)	5,682

(c) Details of the provisions of construction loss as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

		June 30, 2017	December 31, 2016
Construction segment	₩	82,508	143,159
Others		3,428	3,524
	₩	85,936	146,683

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

- (d) Due to the factors causing the variation of costs for the six-month period ended June 30, 2017, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profit or loss for the six-month period ended June 30, 2017 and future periods are as follows:

(in millions of Won)

	Changes in estimated total contract costs	Changes in profit (loss) of construction contract		
		Net income (loss)	Future income (loss)	Total
Construction segment	₩ 11,341	6,561	596	7,157
Others	796	1,560	(613)	947
	₩ 12,137	8,121	(17)	8,104

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contracts as of June 30, 2017. The estimation is evaluated for the total contract cost and expected total contract revenue as of the end of the period. Also, it may change during future periods.

- (e) Uncertainty of estimates

### 1) Total contract revenues

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

### 2) Total contract costs

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

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

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 27. Selling and Administrative Expenses

Administrative expenses and selling expenses for the three-month and six-month periods ended June 30, 2017 and 2016 were as follows:

#### (a) Administrative expenses

(in millions of Won)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Wages and salaries	₩ 175,978	185,260	385,271	393,231
Expenses related to post-employment benefits	16,452	24,246	38,858	45,955
Other employee benefits	38,807	43,314	79,400	89,797
Travel	10,236	9,793	19,074	20,494
Depreciation	22,997	25,339	47,019	52,006
Amortization	36,263	30,624	72,535	67,201
Communication	2,667	2,609	5,479	5,418
Electricity expenses	1,509	1,981	2,678	4,074
Taxes and public dues	23,242	23,279	43,565	40,486
Rental	17,374	28,683	33,710	50,834
Repairs	2,414	2,571	4,236	5,518
Entertainment	2,622	3,141	5,448	6,714
Advertising	34,622	20,868	58,427	37,715
Research & development	24,819	30,000	50,378	50,789
Service fees	44,742	37,134	95,930	84,074
Vehicles maintenance	2,063	2,667	4,191	5,142
Industry association fee	2,578	3,041	5,991	6,621
Conference	3,566	3,353	6,743	6,742
Increase to provisions	2,988	1,707	6,201	4,903
Bad debt expenses	31,933	38,450	57,904	25,724
Others	8,191	9,102	15,161	19,960
	₩ 506,063	527,162	1,038,199	1,023,398

#### (b) Selling expenses

(in millions of Won)	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Freight and custody expenses	₩ 336,647	322,037	665,574	665,254
Operating expenses for distribution center	2,507	2,525	5,113	5,105
Sales commissions	14,438	21,401	28,383	42,350
Sales advertising	821	379	1,142	1,000
Sales promotion	3,038	931	5,537	4,731
Sample	484	636	1,007	1,417
Sales insurance premium	8,858	7,696	17,799	14,390
Contract cost	12,083	6,010	12,681	11,223
Others	4,874	1,733	7,471	3,310
	₩ 383,750	363,348	744,707	748,780

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 28. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2017 and 2016 were as follows:

		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2017	2016	2017	2016
(in millions of Won)					
<b>Finance income</b>					
Interest income	₩	37,740	40,135	78,159	92,663
Dividend income		27,252	6,587	69,265	27,266
Gain on foreign currency transactions		176,347	234,927	396,875	513,445
Gain on foreign currency translations		(136,064)	(63,306)	289,465	178,582
Gain on derivatives transactions		51,848	62,625	109,857	177,011
Gain on valuations of derivatives		(23,609)	(30,788)	65,523	94,569
Gain on disposals of available-for-sale investments		97,114	2,180	97,114	2,401
Others		1,804	1,758	6,378	2,476
	₩	232,432	254,118	1,112,636	1,088,413
<b>Finance costs</b>					
Interest expenses	₩	159,810	165,748	328,419	343,088
Loss on foreign currency transactions		177,289	269,856	392,852	538,291
Loss on foreign currency translations		(112,827)	13,354	192,569	305,973
Loss on derivatives transactions		52,880	62,371	107,058	191,264
Loss on valuation of derivatives		(32,188)	44,281	146,220	126,414
Impairment losses on available-for-sale investments		55,219	196,183	59,178	225,674
Others		14,623	11,619	35,590	19,647
	₩	314,806	763,412	1,261,886	1,750,351

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 29. 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, 2017 and 2016 were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
<i>(in millions of Won)</i>				
<b>Other non-operating income</b>				
Gain on disposals of assets held for sale	₩ 1,073	2,831	1,179	22,184
Gain on disposals of investment in subsidiaries, associates and joint ventures	5,310	4,516	54,981	6,373
Gain on disposals of property, plant and equipment	13,448	6,751	18,619	17,935
Gain on disposals of intangible assets	15,480	487	21,990	571
Reversal of Other bad debt expenses	75	6,099	75	6,099
Gain on insurance proceeds	813	12,420	1,606	14,199
Others	9,459	41,237	25,645	58,157
	₩ 45,658	74,341	124,095	125,518
<b>Other non-operating expenses</b>				
Impairment losses on assets held for sale	₩ -	6,325	-	6,325
Loss on disposals of investment in subsidiaries, associates and joint ventures	831	807	20,319	1,715
Loss on disposals of property, plant and equipment	46,810	28,452	78,069	43,962
Impairment losses on property, plant and equipment	632	7,290	7,573	7,290
Impairment losses on intangible assets	20,343	2,081	20,365	2,525
Contribution to provisions	(1,449)	4,956	1,468	19,645
Other bad debt expenses	9,908	5,820	33,035	8,541
Donations	933	3,374	17,457	18,172
Idle tangible assets expenses	3,673	1,491	5,927	2,423
Others	22,844	26,351	43,460	39,670
	₩ 104,525	86,947	227,673	150,268

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 30. 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, 2017 and 2016 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	
	2017	2016	2017	2016
Raw material used,				
changes in inventories and others	₩ 8,603,259	6,837,165	17,257,508	13,806,425
Employee benefits expenses	826,322	991,089	1,652,577	1,818,770
Outsourced processing cost	1,732,835	1,871,329	3,325,416	3,611,188
Electricity expenses	222,186	247,885	468,320	527,065
Depreciation(*1)	709,212	708,947	1,440,457	1,416,361
Amortization	99,565	86,864	202,146	184,445
Freight and custody expenses	336,647	322,037	665,574	665,254
Sales commissions	14,438	21,401	28,383	42,350
Loss on disposals of property, plant and equipment	46,810	28,452	78,069	43,962
Impairment losses on property, plant and equipment	632	7,290	7,573	7,290
Impairment losses on goodwill and intangible assets	20,343	2,081	20,365	2,525
Donations	933	3,374	17,457	18,172
Others	1,456,638	1,137,903	2,741,339	1,986,764
	₩ 14,069,820	12,265,817	27,905,184	24,130,571

(\*1) Includes depreciation expense of investment property.

### 31. Income Taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2017 and 2016 were 28.19% and 31.28%, respectively. The effective tax rates for the six-month period ended June 30, 2017 and 2016 were higher than the statutory tax rate of 24.2% for the controlling company mainly due to the effect of deductible temporary difference in the Company's investments in subsidiaries and associates, for which no deferred tax assets are recognized.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 32. Earnings per Share

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2017 and 2016 were as follows:

(in Won except per share information)	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2017	2016	2017	2016
Profit attributable to controlling interest	₩ 512,808,767,975	291,654,126,047	1,363,737,028,037	651,325,016,303
Interests of hybrid bonds	(7,877,385,203)	(8,073,975,372)	(16,298,038,354)	(16,474,401,438)
	<u>504,931,382,772</u>	<u>283,580,150,675</u>	<u>1,347,438,989,683</u>	<u>634,850,614,865</u>
Weighted-average number of common shares outstanding (*1)	79,998,476	79,996,105	79,998,084	79,995,921
Basic and diluted earnings per share	₩ 6,312	3,545	16,843	7,936

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
<i>(Share)</i>				
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,188,359)	(7,190,730)	(7,188,751)	(7,190,914)
Weighted-average number of common shares outstanding	<u>79,998,476</u>	<u>79,996,105</u>	<u>79,998,084</u>	<u>79,995,921</u>

Since there were no potential shares of common stock which had dilutive effects as of June 30, 2017 and 2016, diluted earnings per share is equal to basic earnings per share.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 33. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the six-month periods ended June 30, 2017 and 2016 were as follows:

1) For the six-month period ended June 30, 2017

(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
<b>Subsidiaries(*3)</b>						
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	1,778	44	-	80,775	-	4,528
POSCO Processing&Service	298,781	1	113,628	4,595	8,309	404
POSCO COATED & COLOR STEEL Co., Ltd.	205,803	3,533	-	-	5,165	22
POSCO ICT(*4)	791	5,077	-	145,916	13,894	86,413
eNtoB Corporation	1	30	155,121	1,502	17	13,138
POSCO CHEMTECH	173,162	21,064	231,609	15,721	141,196	6,259
POSCO ENERGY CO., LTD.	83,310	698	-	-	-	-
POSCO DAEWOO Corporation	2,458,294	35,155	211,854	221	16,755	1,249
POSCO Thainox Public Company Limited	109,055	9,780	6,130	-	-	-
POSCO America Corporation	203,013	-	90	-	-	75
POSCO Canada Ltd.	218	349	142,566	-	-	-
POSCO Asia Co., Ltd.	1,000,653	610	232,150	194	764	1,575
Qingdao Pohang Stainless Steel Co., Ltd.	81,685	-	-	-	-	28
POSCO JAPAN Co., Ltd.	754,062	-	13,481	-	-	739
POSCO MEXICO S.A. DE C.V.	176,937	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	219,889	-	-	-	-	32
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	100,616	-	-	-	-	-
Others	563,923	7,039	137,576	16,730	115,190	49,604
	<u>6,431,971</u>	<u>83,380</u>	<u>1,244,205</u>	<u>265,654</u>	<u>301,290</u>	<u>164,066</u>
<b>Associates and joint ventures(*3)</b>						
POSCO PLANTEC Co., Ltd.	453	46	3,742	202,905	10,333	15,965
SNNC	2,657	284	244,116	-	-	1
POSCO-SAMSUNG-Slovakia Processing Center	23,459	-	-	-	-	-
Roy Hill Holdings Pty Ltd.	-	-	362,734	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	150,097	-	-	-
Others	6,871	39,846	44,626	-	-	1
	<u>33,440</u>	<u>40,176</u>	<u>805,315</u>	<u>202,905</u>	<u>10,333</u>	<u>15,967</u>
₩	<u>6,465,411</u>	<u>123,556</u>	<u>2,049,520</u>	<u>468,559</u>	<u>311,623</u>	<u>180,033</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, 2017, the Company provided guarantees to related parties (Note 34).

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 2) For the six-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
<b>Subsidiaries</b>						
POSCO ENGINEERING & CONSTRUCTION CO., 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	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	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>
<b>Associates and joint ventures</b>						
SeAH Changwon Integrated Special Steel	20	-	887	-	517	-
POSCO PLANTEC Co., Ltd.	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>

(b) Significant transactions between the controlling company and related companies for the three-month periods ended June 30, 2017 and 2016 were as follows:

### 1) For the three-month period ended June 30, 2017

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
<b>Subsidiaries</b>						
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	1,007	16	-	42,821	-	142
POSCO COATED & COLOR STEEL Co., Ltd.	100,614	119	-	-	2,702	-
POSCO ICT	490	7	-	100,638	6,994	42,033
eNtoB Corporation	1	-	75,597	183	7	7,973
POSCO CHEMTECH	90,575	5,464	116,066	12,567	70,148	628
POSCO ENERGY CO., LTD.	39,855	331	-	-	-	-
POSCO DAEWOO Corporation	1,425,056	-	141,381	192	12,385	647
POSCO Thainox Public Company Limited	56,888	9,780	2,914	-	-	-
POSCO America Corporation	103,168	-	90	-	-	39
POSCO Canada Ltd.	218	320	82,568	-	-	-
POSCO Asia Co., Ltd.	475,664	54	164,589	-	573	598
Qingdao Pohang Stainless Steel Co., Ltd.	44,833	-	-	-	-	2
POSCO JAPAN Co., Ltd.	398,464	-	7,117	-	-	499
POSCO MEXICO S.A. DE C.V.	96,387	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	123,505	-	-	-	-	11
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	44,747	-	-	-	-	-
Others	274,699	635	93,722	5,418	57,750	26,114
	<u>3,276,171</u>	<u>16,726</u>	<u>684,044</u>	<u>161,819</u>	<u>150,559</u>	<u>78,686</u>
<b>Associates and joint ventures</b>						
POSCO PLANTEC Co., Ltd.	350	5	2,955	108,239	5,299	6,249
SNNC	1,390	133	122,307	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	10,483	-	-	-	-	-
Roy Hill Holdings Pty Ltd.	-	-	206,485	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	73,156	-	-	-
Others	3,058	27,402	20,895	-	-	-
	<u>15,281</u>	<u>27,540</u>	<u>425,798</u>	<u>108,239</u>	<u>5,299</u>	<u>6,249</u>
₩	<u>3,291,452</u>	<u>44,266</u>	<u>1,109,842</u>	<u>270,058</u>	<u>155,858</u>	<u>84,935</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

2) 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
<b>Subsidiaries</b>						
POSCO ENGINEERING & CONSTRUCTION CO., 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	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>
<b>Associates and joint ventures</b>						
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>

(c) The related account balances of significant transactions between the controlling company and related companies as of June 30, 2017 and December 31, 2016 are as follows:

1) June 30, 2017

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
<b>Subsidiaries</b>							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	14	1,454	1,468	-	17,279	358	17,637
POSCO COATED & COLOR STEEL Co., Ltd.	50,384	81	50,465	-	5	1,577	1,582
POSCO ICT	-	56	56	806	81,112	2,130	84,048
eNtoB Corporation	-	-	-	10,610	18,128	15	28,753
POSCO CHEMTECH	31,715	3,315	35,030	58,473	12,825	17,409	88,707
POSCO ENERGY CO., LTD.	14,448	492	14,940	-	-	1,425	1,425
POSCO DAEWOO Corporation	385,408	1	385,409	2,203	1,953	4,489	8,645
POSCO Thainox Public Company Limited	56,888	-	56,888	834	-	-	834
POSCO America Corporation	20,035	-	20,035	-	90	-	90
POSCO Asia Co., Ltd.	385,989	81	386,070	10,278	-	-	10,278
Qingdao Pohang Stainless Steel Co., Ltd.	33,028	-	33,028	-	-	-	-
POSCO MEXICO S.A. DE C.V.	116,595	-	116,595	-	-	-	-
POSCO Maharashtra Steel Private Limited	378,806	9	378,815	-	-	-	-
Others	371,304	3,839	375,143	27,510	17,743	26,187	71,440
	<u>1,844,614</u>	<u>9,328</u>	<u>1,853,942</u>	<u>110,714</u>	<u>149,135</u>	<u>53,590</u>	<u>313,439</u>
<b>Associates and joint ventures</b>							
POSCO PLANTEC Co., Ltd.	19	3	22	3,914	19,548	-	23,462
SNNC	240	52	292	31,513	-	-	31,513
Others	689	22,184	22,873	17,906	-	-	17,906
	<u>948</u>	<u>22,239</u>	<u>23,187</u>	<u>53,333</u>	<u>19,548</u>	<u>-</u>	<u>72,881</u>
₩	<u>1,845,562</u>	<u>31,567</u>	<u>1,877,129</u>	<u>164,047</u>	<u>168,683</u>	<u>53,590</u>	<u>386,320</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

2) December 31, 2016

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
<b>Subsidiaries</b>							
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 3	3,359	3,362	-	9,825	515	10,340
POSCO Processing & Service	207,744	178	207,922	1,085	5,367	5,184	11,636
POSCO COATED & COLOR STEEL Co., Ltd.	48,716	324	49,040	-	5	1,600	1,605
POSCO ICT	-	128	128	1,062	89,382	6,074	96,518
eNroB Corporation	-	-	-	9,948	29,310	15	39,273
POSCO CHEMTECH	27,253	3,868	31,121	54,702	11,870	19,282	85,854
POSCO ENERGY CO., LTD.	18,701	2,012	20,713	-	-	1,425	1,425
POSCO DAEWOO Corporation	182,700	11,184	193,884	460	183	49	692
POSCO Thainox Public Company Limited	62,034	8	62,042	-	224	-	224
POSCO America Corporation	10,008	-	10,008	-	-	-	-
POSCO Asia Co., Ltd.	375,823	7	375,830	25,101	-	-	25,101
Qingdao Pohang Stainless Steel Co., Ltd.	25,386	-	25,386	-	5	-	5
POSCO MEXICO S.A. DE C.V.	114,166	-	114,166	-	-	-	-
POSCO Maharashtra Steel Private Limited	208,737	2,512	211,249	-	-	-	-
Others	333,031	2,461	335,492	17,374	46,455	26,974	90,803
	<u>1,614,302</u>	<u>26,041</u>	<u>1,640,343</u>	<u>109,732</u>	<u>192,626</u>	<u>61,118</u>	<u>363,476</u>
<b>Associates and joint ventures</b>							
POSCO PLANTEC Co., Ltd.	30	9	39	2,125	39,647	-	41,772
SNNC	223	26	249	40,201	-	-	40,201
Others	800	1	801	991	17,685	-	18,676
	<u>1,053</u>	<u>36</u>	<u>1,089</u>	<u>43,317</u>	<u>57,332</u>	<u>-</u>	<u>100,649</u>
₩	<u>1,615,355</u>	<u>26,077</u>	<u>1,641,432</u>	<u>153,049</u>	<u>249,958</u>	<u>61,118</u>	<u>464,125</u>

(d) Significant transactions between the Company, excluding the controlling company, and related companies for the six-month periods ended June 30, 2017 and 2016 were as follows:

1) For the six-month period ended June 30, 2017

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
<b>Associates and joint ventures</b>				
POSCO PLANTEC Co., Ltd.	₩ 11,759	-	19	2,876
New Songdo International City Development, LLC	129,840	-	-	30
SNNC	15,352	-	-	2,603
Chuncheon Energy Co., Ltd.	53,496	5	-	-
Noeul Green Energy Co., Ltd.	6,083	-	-	1,119
VSC POSCO Steel Corporation	13,177	-	95	-
USS-POSCO Industries	7,430	54	1,089	-
CSP - Companhia Siderurgica do Pecem	69,290	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	25,100	-	28,044	-
LLP POSUK Titanium	-	-	3,972	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	2	-	9,490	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	12,168	-	-	-
PT. Batutua Tembaga Raya	-	-	8,650	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	17,886	-	74	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	86	1,429
Sebang Steel	441	-	13,229	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	43,764	-	-	-
DMSA/AMSA	-	-	22,019	-
South-East Asia Gas Pipeline Company Ltd.	-	34,541	-	-
Others	<u>132,398</u>	<u>21,836</u>	<u>9,721</u>	<u>4,189</u>
₩	<u>538,186</u>	<u>56,436</u>	<u>96,488</u>	<u>12,246</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
<b>Associates and joint ventures</b>				
SeAH Changwon Integrated Special Steel	₩ 13,926	-	20,632	-
POSCO PLANTEC Co., Ltd.	6,344	-	1,606	1,608
New Songdo International City Development, LLC	128,333	-	-	8
SNNC	9,176	-	18,368	5,083
Posco e&c Songdo International Building	2,822	-	-	12,847
Chuncheon Energy Co., Ltd.	196,179	-	-	-
VSC POSCO Steel Corporation	23,025	48	513	-
USS-POSCO Industries	166,976	-	494	-
CSP - Companhia Siderurgica do Pecem	7,901	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	31,776	-	35,000	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	17,643	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	6,156	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	13,742	-	20	-
Zhangjiagang Pohang Refractories Co., Ltd.	125	14	215	1,195
Sebang Steel	-	-	13,094	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	53,011	-	3,535	-
DMSA/AMSA	-	-	42,852	-
South-East Asia Gas Pipeline Company Ltd.	-	59,068	-	-
Others	117,700	2,874	13,065	422
	₩ 777,192	62,004	167,037	21,163

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(e) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended June 30, 2017 and 2016 were as follows:

1) For the three-month period ended June 30, 2017

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
<b>Associates and joint ventures</b>				
POSCO PLANTEC Co., Ltd.	₩ 4,684	-	10	1,803
New Songdo International City Development, LLC	72,483	-	-	19
SNNC	3,004	-	-	870
Chuncheon Energy Co., Ltd.	20,989	5	-	-
Noeul Green Energy Co., Ltd.	4,308	-	-	813
VSC POSCO Steel Corporation	2,000	-	13	-
USS-POSCO Industries	-	7	659	-
CSP - Companhia Siderurgica do Pecem	28,809	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,679	-	14,391	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	2	-	3,705	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	4,856	-	-	-
PT. Batutua Tembaga Raya	-	-	5,939	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,015	-	52	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	40	568
Sebang Steel	441	-	6,269	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	192	-	-	-
DMSA/AMSA	-	-	9,273	-
South-East Asia Gas Pipeline Company Ltd.	-	15,093	-	-
Others	109,676	18,170	5,941	3,318
	₩ 269,138	33,275	46,292	7,391

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
<b>Associates and joint ventures</b>				
SeAH Changwon Integrated Special Steel	₩ 7,482	-	9,978	-
POSCO PLANTEC Co., Ltd.	3,302	-	1,565	465
New Songdo International City Development, LLC	79,921	-	-	-
SNNC	3,606	-	8,284	4,709
Posco e&c Songdo International Building	1,411	-	-	6,423
Chuncheon Energy Co., Ltd.	87,169	-	-	-
VSC POSCO Steel Corporation	14,646	48	61	-
USS-POSCO Industries	96,067	-	334	-
CSP - Compania Siderurgica do Pecem	(80,089)	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	16,112	-	15,884	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	7,379	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	3,007	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,547	-	5	-
Zhangjiagang Pohang Refractories Co., Ltd.	33	-	22	646
Sebang Steel	-	-	7,884	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	30,827	-	419	-
DMSA/AMSA	-	-	12,485	-
South-East Asia Gas Pipeline Company Ltd.	-	7,143	-	-
Others	62,679	595	7,169	275
	₩ 332,720	7,786	71,469	12,518

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(f) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of June 30, 2017 and December 31, 2016 are as follows:

### 1) June 30, 2017

(in millions of Won)

(in millions of Won)		Receivables				Payables		
		Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures								
POSCO PLANTEC Co., Ltd.	₩	2,028	-	-	2,028	2,615	11,336	13,951
New Songdo International City Development, LLC		388,482	354,564	5,725	748,771	-	17	17
Chuncheon Energy Co., Ltd.		28,457	-	254	28,711	-	1,185	1,185
VSC POSCO Steel Corporation		1,018	-	-	1,018	-	-	-
USS-POSCO Industries		-	-	-	-	245	-	245
Nickel Mining Company SAS		-	60,822	388	61,210	-	-	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		59,904	56,980	1,579	118,463	-	870	870
CSP - Companhia Siderurgica do Pecem		222,513	-	138,985	361,498	-	121,954	121,954
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		-	5,698	5	5,703	2,384	-	2,384
PT. Batutua Tembaga Raya		-	35,899	-	35,899	115	-	115
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		6,365	6,838	39	13,242	62	-	62
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.		6,044	-	-	6,044	-	559	559
DMSA/AMSA		-	82,431	1,519	83,950	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	238,793	8,916	247,709	-	-	-
Others		131,522	152,423	7,144	291,089	1,167	501	1,668
	₩	846,333	994,448	164,554	2,005,335	6,588	136,422	143,010

### 2) December 31, 2016

(in millions of Won)

(in millions of Won)

		Receivables				Payables		
		Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes receivable	Others	Total
Associates and joint ventures								
POSCO PLANTEC Co., Ltd.	₩	4,709	-	6	4,715	2,718	8,521	11,239
New Songdo International City Development, LLC		255,822	-	5,725	261,547	-	-	-
Chuncheon Energy Co., Ltd.		12,142	-	-	12,142	-	3,171	3,171
VSC POSCO Steel Corporation		5,265	-	-	5,265	-	-	-
USS-POSCO Industries		583	-	-	583	75	-	75
Nickel Mining Company SAS		133	60,425	116	60,674	-	-	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		62,814	60,425	1,643	124,882	-	875	875
CSP - Companhia Siderurgica do Pecem		224,760	-	149,700	374,460	-	109,272	109,272
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		3,279	6,647	6	9,932	1,365	-	1,365
PT. Batutua Tembaga Raya		-	38,120	-	38,120	2,293	-	2,293
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		9,292	8,460	43	17,795	40	-	40
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.		100,367	-	-	100,367	-	-	-
DMSA/AMSA		-	90,638	-	90,638	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	276,605	48	276,653	-	-	-
Others		184,402	142,812	6,593	333,807	4,615	750	5,365
	₩	863,568	684,132	163,880	1,711,580	11,106	122,589	133,695

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(g) Significant financial transactions between the Company, excluding the controlling company, and related companies for the six-month period ended June 30, 2017 and the year ended December 31, 2016 were as follows:

### 1) June 30, 2017

(in millions of Won)

	Beginning	Lend	Collect	Others(*3)	Ending
<b>Associates and joint ventures</b>					
METAPOLIS Co.,Ltd.	₩ 13,270	-	-	-	13,270
New Songdo International City Development, LLC	-	354,564	-	-	354,564
DMSA/AMSA(*1)	90,638	1,500	-	(9,707)	82,431
South-East Asia Gas Pipeline Company Ltd.	276,605	-	(22,793)	(15,019)	238,793
PT. Batutua Tembaga Raya	38,120	-	-	(2,221)	35,899
PT. Tanggamus Electric Power	3,606	-	-	(205)	3,401
PT. Wampu Electric Power	5,761	-	-	(329)	5,432
PT. POSMI Steel Indonesia	4,834	-	-	(276)	4,558
Nickel Mining Company SAS	60,425	-	-	397	60,822
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.	60,425	-	-	(3,445)	56,980
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	6,647	-	(577)	(372)	5,698
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	7,251	-	-	(413)	6,838
Hamparan Mulya	3,626	-	-	(207)	3,419
POS-SEAHSTEELWIRE (TIANJIN)CO.,Ltd	5,438	-	(5,438)	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,460	-	(1,142)	(480)	6,838
POS-SeaAH Steel Wire (Thailand) Co., Ltd.	7,251	-	-	(413)	6,838
AMCI (WA) PTY LTD	91,775	1,680	-	397	93,852
POS-AUSTEM YANTAI AUTOMOTIVE CO., LTD.(*2)	-	-	-	5,698	5,698
POS-AUSTEM WUHAN AUTOMOTIVE CO., LTD.(*2)	-	-	-	9,117	9,117
₩	684,132	357,744	(29,950)	(17,478)	994,448

(\*1) During the six-month period ended June 30, 2017, loans amounting to ₩4,310 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

(\*2) During the six-month period ended June 30, 2017, it was newly classified to joint venture.

(\*3) Includes adjustments of foreign currency translation differences and others.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

### 2) December 31, 2016

(in millions of Won)

	Beginning	Lend	Collect	Others(*3)	Ending
<b>Associates and jointventures</b>					
METAPOLIS Co., Ltd.	₩ 26,000	-	(12,730)	-	13,270
Posco e&c Songdo International Building(*1)	-	298,865	-	(298,865)	-
DMSA/AMSA(*2)	99,854	11,774	-	(20,990)	90,638
South-East Asia Gas Pipeline Company Ltd.	283,954	27,087	(43,080)	8,644	276,605
PT. Batutua Tembaga Raya	36,830	-	-	1,290	38,120
PT. Tanggamus Electric Power	2,359	1,174	-	73	3,606
PT. Wampu Electric Power	4,454	1,169	-	138	5,761
PT. POSMI Steel Indonesia	4,688	-	-	146	4,834
Nickel Mining Company SAS	17,580	40,594	-	2,251	60,425
POSK(Pinghu) Steel Processing Center Co., Ltd.	5,743	5,683	(11,366)	(60)	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.	58,600	-	-	1,825	60,425
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,782	-	(4,471)	336	6,647
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	-	6,959	-	292	7,251
Hamparan Mulya	3,516	-	-	110	3,626
POS-SEAHSTEELWIRE (TIANJIN)CO.,Ltd	5,274	-	-	164	5,438
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	11,720	-	(3,480)	220	8,460
POS-SeAH Steel Wire (Thailand) Co., Ltd.	-	6,959	-	292	7,251
AMCI (WA) PTY LTD	85,168	4,665	-	1,942	91,775
	₩ 656,522	404,929	(75,127)	(302,192)	684,132

(\*1) During the year ended December 31, 2016, it was classified as a subsidiary from an associate.

(\*2) During the year ended December 31, 2016, loans amounting to ₩24,624 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

(\*3) Includes adjustments of foreign currency translation differences and others.

(h) For the six-month periods ended June 30, 2017 and 2016, details of compensation to key management officers were as follows:

(in millions of Won)

	June 30, 2017	June 30, 2016
Short-term benefits	₩ 62,334	47,077
Long-term benefits	5,684	8,869
Retirement benefits	7,649	9,480
	₩ 75,667	65,426

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued

### As of June 30, 2017

#### (Unaudited)

## 34. Commitments and Contingencies

### (a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of June 30, 2017 are as follows:

(in millions of Won)			Guarantee limit		Guarantee amount		
Guarantor	Guarantee beneficiary	Financial institution	Foreign currency	Won equivalent	Foreign currency	Won equivalent	
[The Company]							
POSCO	POSCO Asia Co., Ltd.	National Australia Bank and others	USD	100,000,000	113,960	100,000,000	
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	166,982	131,874,750	
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	184,394	5,501,000,000	
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	649,853,000	740,572	380,525,400	
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	160,000,000	182,336	160,000,000	
	POSCO SS VINA CO., LTD.	Export-Import Bank of Korea and others	USD	354,351,050	403,818	329,506,159	
	POSCO VST CO., LTD.	ANZ and others	USD	65,000,000	74,074	16,250,000	
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	223,362	196,000,000	
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,538,803	1,199,179,131	
		Zhangjiagang Pohang Stainless Steel Co., Ltd.					
POSCO DAEWOO Corporation	Daewoo Global Development. Pte., Ltd	BTMU and others	CNY	760,500,000	127,604	760,500,000	
	Daewoo Power PNG Ltd.	Export-Import Bank of Korea	USD	22,140,000	25,231	2,952,000	
	Daewoo Textile LLC	Export-Import Bank of Korea	USD	54,400,000	61,994	54,400,000	
	POSCO ASSAN TST STEEL INDUSTRY	Export-Import Bank of Korea	USD	6,000,000	6,838	6,000,000	
	POSCO DAEWOO INDIA PVT., LTD.	ING and others	USD	14,652,750	16,698	14,652,750	
	PT. Bio Inti Agrindo	Shinhan Bank and others	USD	272,400,000	310,427	221,542,729	
		Export-Import Bank of Korea	USD	120,750,000	137,607	104,250,000	
		HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.					
		Woori Bank and others	USD	138,000,000	157,265	138,000,000	
		POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	16,500,000	18,803	16,500,000
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	HSBC	USD	100,000,000	113,960	100,000,000	
	POSCO ENGINEERING (THAILAND) CO., LTD.	POSCO Asia Co., Ltd.	USD	39,451,000	44,958	39,451,000	
	POSCO Engineering and Construction India Private Limited	Woori Bank	USD	2,100,000	2,393	2,100,000	
	PT PEN INDONESIA	POSCO Asia Co., Ltd.	USD	5,000,000	5,698	5,000,000	
	PT.POSCO E&C INDONESIA	BNP Indonesia	IDR	79,000,000,000	6,755	79,000,000,000	
	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	1,800,000	2,051	1,800,000	
	POSCO CHEMTECH	PT.Krakatau Posco Chemtech Calcination	KEB Bank	USD	33,600,000	38,291	22,588,235
	POSCO COATED & COLOR STEEL Co., Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd. and others	USD	13,986,947	15,940	13,986,947
	POSCO ENERGY CO., LTD	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	220,968	145,478,302
[Associates and joint ventures]							
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	478,632	420,000,000	
		BNDES	BRL	464,060,000	160,050	464,060,000	
POSCO DAEWOO Corporation	LLP POSUK Titanium	SMBC	USD	15,000,000	17,094	15,000,000	
	GLOBAL KOMSCO Daewoo LLC	ICBC	USD	8,225,000	9,373	8,225,000	
POSCO ENGINEERING & CONSTRUCTION CO., LTD.							
	New Songdo International City Development, LLC	Others	KRW	340,000	340,000	313,500	
POSCO ICT	Incheon-Gimpo Expressway Co., Ltd.	KDB Bank	KRW	100,000	100,000	100,000	
	Uitrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000	
POSCO CHEMTECH	KRAKATAU POS-CHEM						
	DONG-SUH CHEMICAL	KEB Bank	USD	1,140,000	1,299	1,140,000	
	PT.INDONESIA POS CHEMTECH						
	CHOSUN Ref	KEB Bank	USD	3,900,000	4,444	3,900,000	
[Others]							
POSCO DAEWOO Corporation	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	87,272,727	99,456	36,472,670	
	Ecocity CO.,LTD and others	Others	KRW	975,100	975,100	371,398	
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	THE GALE INVESTMENTS COMPANY, L.L.C.	Woori Bank	USD	65,493,500	74,636	52,065,800	
	SMS Energy and others	KEB Bank and others	KRW	104,880	104,880	78,173	
POSCO ICT	Hyochun CO., LTD	Daegu Bank and others	KRW	39,575	39,575	39,575	
	BLT Enterprise and others	Kyobo Life Insurance Co.,Ltd and others	KRW	1,163,585	1,163,585	1,163,585	
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank and others	AUD	24,837,721	21,746	24,837,721	
POSCO(Suzhou)							
Automotive Processing Center Co.,Ltd.	POS INFRA AUTO	KDB Bank	USD	405,000	462	405,000	
			USD	4,658,148,474	5,308,425	3,939,245,873	
			KRW	2,799,140	2,799,140	2,142,231	
			CNY	760,500,000	127,604	760,500,000	
			THB	5,501,000,000	184,394	5,501,000,000	
			IDR	79,000,000,000	6,755	79,000,000,000	
			AUD	24,837,721	21,746	24,837,721	
			BRL	464,060,000	160,050	464,060,000	

(b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩602,553 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION CO., LTD. amounting to ₩316,280 million as of June 30, 2017.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

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#### (c) Other commitments

Details of other commitments of the Company as of June 30, 2017 are as follows:

POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of June 30, 2017, 130 million tons of iron ore and 20 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>As of June 30, 2017, POSCO entered into commitments 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-Chinabad, respectively. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of June 30, 2017, the ending balance of the borrowing amounts to USD 4.09 million.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd. under construction of new power plant.</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of June 30, 2017, POSCO ENGINEERING &amp; CONSTRUCTION CO., LTD. has foreign currency guarantee of up to USD 2,163 million and uses USD 983 million with Woori Bank and others. Also, POSCO ENGINEERING &amp; CONSTRUCTION CO., LTD. has Korean Won guarantee of up to ₩10,100 million and uses ₩9,585 million with Hana Bank and others.</p>
POSCO ICT	<p>As of June 30, 2017, in relation to contract enforcement, POSCO ICT was provided with ₩140,602 million and ₩35,028 million guarantees from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.</p>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

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#### (d) Litigation in progress

The Company is involved in 341 lawsuits and claims for alleged damages aggregating to ₩796.2 billion as defendant as of June 30, 2017, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩28.4 billion for 113 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims for which the Company does not believe that it has a present obligation as of June 30, 2017.

#### (e) Other contingencies

POSCO	POSCO has provided three blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for long-term foreign currency borrowings.
POSCO DAEWOO Corporation	As of June 30, 2017, POSCO DAEWOO Corporation has provided 35 blank promissory notes and 16 blank checks to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	As of June 30, 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 36 blank checks and eight blank promissory notes as collateral for agreements and outstanding loans. As of June 30, 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided ₩8,202,431 million of joint guarantee to guarantees of business partners issued by Korea Housing & Urban Guarantee Corporation.
POSCO ICT	As of June 30, 2017, POSCO ICT has provided two blank promissory notes and eight blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

#### 35. Cash Flows from Operating Activities

Adjustments for operating cash flows for the six-month periods ended June 30, 2017 and 2016 were as follows:

<i>(in millions of Won)</i>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Trade accounts and notes receivable	₩ (323,970)	391,793
Other receivables	(129,167)	132,397
Inventories	(471,183)	486,263
Other current assets	1,436	(219,003)
Other non-current assets	8,986	4,772
Trade accounts and notes payable	(590,036)	46,288
Other payables	(291,627)	(244,537)
Other current liabilities	(160,689)	197,655
Provisions	(30,864)	(28,592)
Payment of severance benefits	(104,983)	(97,697)
Plan assets	72,121	(49,992)
Other non-current liabilities	(3,958)	9,893
	₩ <u>(2,023,934)</u>	<u>629,240</u>

#### 36. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2016.

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

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of June 30, 2017 (Unaudited)

(a) Information about reportable segments for the six-month periods ended June 30, 2017 and 2016 was as follows:

1) For the six-month period ended June 30, 2017

<i>(in millions of Won)</i>		<b>Steel</b>	<b>Trading</b>	<b>Construction</b>	<b>Others</b>	<b>Total</b>
External revenues	₩	14,770,398	10,586,338	3,347,704	1,317,148	30,021,588
Internal revenues		9,086,615	7,278,333	197,798	1,216,783	17,779,529
Inter segment revenue		6,061,273	4,093,758	161,491	1,170,036	11,486,558
Total revenues		23,857,013	17,864,671	3,545,502	2,533,931	47,801,117
Segment profits		1,543,395	93,368	90,099	160,598	1,887,460

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

<i>(in millions of Won)</i>		<b>Steel</b>	<b>Trading</b>	<b>Construction</b>	<b>Others</b>	<b>Total</b>
External revenues	₩	12,898,585	7,980,048	3,201,080	1,238,869	25,318,582
Internal revenues		7,762,035	4,278,103	374,046	1,163,873	13,578,057
Inter segment revenue		4,379,843	2,328,140	303,147	1,115,723	8,126,853
Total revenues		20,660,620	12,258,151	3,575,126	2,402,742	38,896,639
Segment profits (loss)		484,196	127,585	(199,535)	16,027	428,273

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the six-month periods ended June 30, 2017 and 2016 were as follows:

<i>(in millions of Won)</i>		<b>June 30, 2017</b>	<b>June 30, 2016</b>
Total profit for reportable segments	₩	1,887,460	428,273
Corporate fair value adjustments		(41,387)	(43,719)
Elimination of inter-segment profits		(339,135)	174,352
Income tax expense		591,676	254,442
Profit before income tax expense	₩	2,098,614	813,348