

POSCO

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

(With Independent Auditors' Review Report Thereon)

Table of Contents

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

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO (the "Company"), which comprise the condensed separate interim statement of financial position as of June 30, 2017, the condensed separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2017, and 2016, the condensed separate 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 separate interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 1034 "Interim Financial Reporting". The Company's management is also responsible for the internal controls determined necessary to prepare condensed separate interim financial statements free of material misstatements due to error or fraud.

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

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

KPMG Samjong Accounting Corp.

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

POSCO

Condensed Separate Interim Statements of Financial Position As of June 30, 2017 and December 31, 2016 (Unaudited)

(in millions of Won)

	Notes	June 30, 2017	December 31, 2016
Assets			
Cash and cash equivalents	20 ₩	418,273	120,529
Trade accounts and notes receivable, net	4,14,20,31	3,577,626	3,216,209
Other receivables, net	5,20,31	369,468	246,061
Other short-term financial assets	6,20	3,744,657	4,130,963
Inventories	7,28	4,274,774	3,995,291
Assets held for sale	8	393	764
Other current assets	13	38,812	22,859
Total current assets		12,424,003	11,732,676
Long-term trade accounts and notes receivable, net	4,20	11,787	14,040
Other receivables, net	5,20	84,480	87,669
Other long-term financial assets	6,20	2,219,690	2,145,570
Investments in subsidiaries, associates and joint ventures	9	15,256,058	15,031,385
Investment property, net	10	80,146	86,296
Property, plant and equipment, net	11	21,947,433	22,257,409
Intangible assets, net	12	502,135	508,890
Defined benefit assets, net	18	35,884	81,621
Other non-current assets	13	105,730	110,197
Total non-current assets		40,243,343	40,323,077
Total assets	₩	52,667,346	52,055,753

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Financial Position, Continued As of June 30, 2017 and December 31, 2016 (Unaudited)

(in millions of Won)

	Notes	June 30, 2017	December 31, 2016
Liabilities			
Trade accounts and notes payable	20,31	₩ 858,516	1,082,927
Short-term borrowings			
and current installments of long-term borrowings	4,14,20	360,019	364,840
Other payables	15,20,31	756,661	866,074
Other short-term financial liabilities	16,20	15,136	16,508
Current income tax liabilities		303,049	315,530
Provisions	17	16,068	14,154
Other current liabilities	19	50,706	37,219
Total current liabilities		2,360,155	2,697,252
Long-term borrowings,			
excluding current installments	14,20	3,649,928	3,778,014
Other payables	15,20	82,946	117,310
Other long-term financial liabilities	16,20	72,332	72,742
Deferred tax liabilities		1,156,026	1,015,966
Long-term provisions	17,32	25,691	29,506
Other non-current liabilities	19	22,528	15,516
Total non-current liabilities		5,009,451	5,029,054
Total liabilities		7,369,606	7,726,306
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,156,344	1,156,303
Hybrid bonds	22	996,919	996,919
Reserves	23	509,425	284,240
Treasury shares	24	(1,533,254)	(1,533,468)
Retained earnings		43,685,903	42,943,050
Total equity		45,297,740	44,329,447
Total liabilities and equity	₩	52,667,346	52,055,753

See accompanying notes to the condensed separate interim financial statements.

POSCO

Condensed Separate Interim Statements of Comprehensive Income For the three-month and six-month periods ended June 30, 2017 and 2016 (Unaudited)

(in millions of Won, except per share information)

	Notes	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2017	2016	2017	2016
Revenue	31	₩ 7,134,350	6,009,608	14,201,796	11,776,740
Cost of sales	7,28,31	(6,133,143)	(4,851,019)	(11,976,580)	(9,616,421)
Gross profit		1,001,207	1,158,589	2,225,216	2,160,319
Selling and administrative expenses	25,28,31				
Administrative expenses		(210,396)	(228,538)	(426,647)	(424,387)
Selling expenses		(205,813)	(217,317)	(418,143)	(441,084)
Operating profit		584,998	712,734	1,380,426	1,294,848
Finance income and costs	20,26				
Finance income		169,534	86,289	512,049	369,249
Finance costs		(60,185)	(390,927)	(323,550)	(633,111)
Other non-operating income and expenses	27,31				
Other non-operating income		31,386	26,313	275,319	44,758
Other non-operating expenses	28	(74,963)	(39,035)	(122,814)	(119,067)
Profit before income tax		650,770	395,374	1,721,430	956,677
Income tax expense	29	(141,606)	(84,864)	(372,629)	(200,257)
Profit		509,164	310,510	1,348,801	756,420
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans, net of tax	18	(2,316)	(52,771)	(4,463)	(48,643)
Items that are or may be reclassified subsequently to profit or loss:					
Net changes in unrealized fair value of available-for-sale investments, net of tax	6,20,23	185,159	132,926	225,185	129,345
Total comprehensive income		₩ 692,007	390,665	1,569,523	837,122
Basic and diluted earnings per share (in Won)	30	₩ 6,266	3,781	16,657	9,250

See accompanying notes to the condensed separate interim financial statements.

POSCO

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

(in millions of Won)

		Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2016	₩	482,403	1,247,581	996,919	(30,018)	(1,533,898)	41,862,570	43,025,557
Comprehensive income:								
Profit		-	-	-	-	-	756,420	756,420
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(48,643)	(48,643)
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	129,345	-	-	129,345
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(479,974)	(479,974)
Business combination		-	(91,310)	-	-	-	-	(91,310)
Interest of hybrid bonds		-	-	-	-	-	(21,734)	(21,734)
Disposal of treasury shares		-	5	-	-	116	-	121
Balance as of June 30, 2016	₩	<u>482,403</u>	<u>1,156,276</u>	<u>996,919</u>	<u>99,327</u>	<u>(1,533,782)</u>	<u>42,068,639</u>	<u>43,269,782</u>
Balance as of January 1, 2017	₩	482,403	1,156,303	996,919	284,240	(1,533,468)	42,943,050	44,329,447
Comprehensive income:								
Profit		-	-	-	-	-	1,348,801	1,348,801
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(4,463)	(4,463)
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	225,185	-	-	225,185
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(459,987)	(459,987)
Interim dividends		-	-	-	-	-	(119,997)	(119,997)
Interest of hybrid bonds		-	-	-	-	-	(21,501)	(21,501)
Disposal of treasury shares		-	41	-	-	214	-	255
Balance as of June 30, 2017	₩	<u>482,403</u>	<u>1,156,344</u>	<u>996,919</u>	<u>509,425</u>	<u>(1,533,254)</u>	<u>43,685,903</u>	<u>45,297,740</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO

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

(in millions of Won)

	Notes	June 30, 2017	June 30, 2016
Cash flows from operating activities			
Profit	₩	1,348,801	756,420
Adjustments for:			
Costs for defined benefit plans		50,042	55,954
Depreciation		1,038,962	1,019,089
Amortization		44,036	37,111
Finance income		(408,910)	(247,029)
Finance costs		204,453	502,040
Loss on valuation of inventories		32,638	4,013
Gain on disposal of property, plant and equipment		(15,928)	(16,281)
Loss on disposal of property, plant and equipment		70,375	55,646
Impairment losses on property, plant and equipment		5,562	-
Gain on disposal of intangible assets		(21,976)	(483)
Impairment losses on intangible assets		11,822	1,431
Impairment losses on investments in subsidiaries, associates and joint ventures		12,816	35,943
Reversal of impairment loss on investments in subsidiaries, associates and joint ventures		(225,860)	-
Increase to provisions		543	511
Income tax expense		372,629	200,257
Others		2,155	10,131
Changes in operating assets and liabilities	33	(1,121,945)	361,710
Interest received		36,056	43,220
Interest paid		(70,489)	(103,269)
Dividends received		138,078	124,795
Income taxes paid		(311,257)	(213,086)
Net cash provided by operating activities	₩	1,192,603	2,628,123

See accompanying notes to the condensed separate interim financial statements.

POSCO

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

(in millions of Won)

	Notes	June 30, 2017	June 30, 2016
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩	9,193,918	8,652,172
Proceeds from disposal of long-term financial instruments		1	-
Proceeds from disposal of available-for-sale investments		209,958	1,232
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		-	1,130
Proceeds from disposal of intangible assets		22,208	2,455
Proceeds from disposal of assets held for sale		450	-
Proceeds from business combination		-	24,250
Acquisition of short-term financial investments		(8,807,162)	(9,405,956)
Acquisition of available-for-sale investments		(11,072)	(17,066)
Acquisition of investments in subsidiaries, associates and joint ventures		(12,368)	(142,928)
Acquisition of property, plant and equipment		(809,611)	(1,008,213)
Payment for disposal of property, plant and equipment		(8,821)	(9,528)
Acquisition of intangible asstes		(38,353)	(25,599)
Net cash used in investing activities	₩	(260,852)	(1,928,051)
Cash flows from financing activities			
Proceeds from borrowings		323,504	874,654
Increase in long-term financial liabilities		806	2,630
Repayment of borrowings		(351,251)	(1,503,662)
Decrease in long-term financial liabilities		(5,199)	(3,135)
Payment of cash dividends		(580,129)	(480,012)
Payment of interest of hybrid bonds		(21,740)	(21,860)
Net cash used in financing activities	₩	(634,009)	(1,131,385)
Changes in cash due to foreign currency translation		2	15,268
Net increase (decrease) in cash and cash equivalents		297,744	(416,045)
Cash and cash equivalents			
Cash and cash equivalents at beginning of the period		120,529	1,634,106
Cash and cash equivalents at end of the period	₩	418,273	1,218,061

See accompanying notes to the condensed separate interim financial statements.

POSCO

Notes to the Condensed Separate Interim Financial Statements

As of June 30, 2017

(Unaudited)

1. Reporting Entity

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

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

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

2. Statement of Compliance

Statement of compliance

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

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

These condensed interim financial statements are separate interim financial statements in accordance with K-IFRS No. 1027 “Separate Financial Statements” presented by a parent, an investor in a subsidiary, an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

POSCO

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

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the separate financial statements as of and for the year ended December 31, 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.

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

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

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

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

POSCO

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

3. Summary of Significant Accounting Policies

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

(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.

POSCO

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

The Company believes that the effect of the amendments to the separate 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.

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.

POSCO

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

(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 separate 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

Notes to the Condensed Separate 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:

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Current			
Trade accounts and notes receivable	₩	3,595,252	3,231,461
Less: Allowance for doubtful accounts		(17,626)	(15,252)
	₩	<u>3,577,626</u>	<u>3,216,209</u>
Non-current			
Trade accounts and notes receivable	₩	17,677	21,671
Less: Present value discount		(5,623)	(7,364)
Less: Allowance for doubtful accounts		(267)	(267)
	₩	<u>11,787</u>	<u>14,040</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩54,874 million and ₩31,370 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 14).

5. Other Receivables

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Current			
Other accounts receivable	₩	356,839	231,535
Others		18,363	20,235
Less: Allowance for doubtful accounts		(5,734)	(5,709)
	₩	<u>369,468</u>	<u>246,061</u>
Non-current			
Long-term loans	₩	23,028	23,183
Long-term other accounts receivable		58,599	61,728
Others		2,853	2,758
	₩	<u>84,480</u>	<u>87,669</u>

POSCO

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

6. Other Financial Assets

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

(in millions of Won)

		June 30, 2017	December 31, 2016
Current			
Available-for-sale securities (debt instruments)	₩	450	-
Short-term financial assets(*1)		3,733,922	4,124,150
Cash deposits(*2)		10,285	6,813
	₩	<u>3,744,657</u>	<u>4,130,963</u>
Non-current			
Long-term derivative assets	₩	14,055	80,959
Available-for-sale securities (equity instruments)		2,196,416	2,058,240
Available-for-sale securities (others)		9,187	6,338
Cash deposits(*3)		32	33
	₩	<u>2,219,690</u>	<u>2,145,570</u>

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

(*2) Deposits amounting to ₩10,285 million and ₩6,813 million as of June 30, 2017 and December 31, 2016, respectively, are restricted in relation to government assigned project.

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

(b) Available-for-sale equity securities as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

					June 30, 2017			December 31, 2016
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of available-for-sale investments	Accumulated impairment loss	Book value	Book value
Marketable equity securities								
Nippon Steel & Sumitomo Metal Corporation	23,835,200	2.51	₩ 719,622	615,554	87,187	(191,255)	615,554	644,257
KB Financial group Inc.	11,590,550	2.77	536,517	668,775	299,616	(167,358)	668,775	496,076
Woori Bank	20,280,000	3.00	244,447	374,166	129,719	-	374,166	267,787
Hyundai Heavy Industries Co., Ltd.(*1)	-	-	-	-	-	-	-	214,904
Hyundai Robotics Co., Ltd.(*1)	233,996	1.94	54,420	90,439	69,895	(33,876)	90,439	-
Hyundai Construction Equipment Co., Ltd.(*1)	69,653	1.94	16,199	23,961	17,846	(10,084)	23,961	-
Hyundai Electric & Energy Systems Co., Ltd.(*1)	72,103	1.94	16,769	22,460	16,129	(10,438)	22,460	-
DONGKUK STEEL MILL CO., LTD	1,786,827	1.87	10,471	26,177	15,706	-	26,177	19,744
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	8,930	21,632	19,105	(6,403)	21,632	20,064
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82	11,911	12,263	352	-	12,263	19,355
Others (9 companies)(*2)			80,981	60,413	22,731	(43,299)	60,413	74,526
			<u>1,700,267</u>	<u>1,915,840</u>	<u>678,286</u>	<u>(462,713)</u>	<u>1,915,840</u>	<u>1,756,713</u>
Non-marketable equity securities								
Congorhas Mineries S.A.(*3,4)	3,658,394	2.02	221,535	174,037	-	(47,498)	174,037	190,884
Pongsan Special Metal	315,790	5.00	7,657	7,657	-	-	7,657	7,657
HANKUM CO., LTD	21,000	4.99	4,599	4,599	-	-	4,599	4,599
Core-Industry Co., Ltd.	490,000	19.84	4,214	4,214	-	-	4,214	4,214
AJUSTEEL CO., LTD	17,000	4.36	4,165	4,165	-	-	4,165	4,165
Others (39 companies)(*2,3,5)			240,999	85,904	(6,221)	(148,874)	85,904	90,008
			<u>483,169</u>	<u>280,576</u>	<u>(6,221)</u>	<u>(196,372)</u>	<u>280,576</u>	<u>301,527</u>
			₩ <u>2,183,436</u>	<u>2,196,416</u>	<u>672,065</u>	<u>(659,085)</u>	<u>2,196,416</u>	<u>2,058,240</u>

(*1) Hyundai Heavy Industries Co., Ltd. has been split off into Hyundai Heavy Industries Co., Ltd.("the surviving Company"), Hyundai Robotics Co., Ltd., Hyundai Construction Equipment Co., Ltd., and Hyundai Electric & Energy Systems Co., Ltd. during the six-month period ended June 30, 2017. After the split-off, the Company sold its share of Hyundai Heavy Industries Co., Ltd. during the six-month period ended June 30, 2017.

POSCO

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

- (*2) The Company has recognized ₩720 million and ₩661 million of impairment losses on security of Steel Flower Co., Ltd., and Troika Natural Resources PEF, respectively, due to additional decline in the fair value of the security during the six-month period ended June 30, 2017.
- (*3) The Company has recognized ₩47,498 million and ₩3,920 million of impairment losses on security of Congonhas Minerios S.A. and Asian Clean Energy PEF, respectively, due to prolonged or significant decline in the fair value of the security during the six-month period ended June 30, 2017.
- (*4) Fair value is based on an analysis performed by an external professional evaluation agency.
- (*5) Non-marketable equity securities whose fair values cannot be reliably measured are recorded at cost.

7. Inventories

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

<i>(in millions of Won)</i>	June 30, 2017	December 31, 2016
Finished goods	₩ 774,311	696,192
Semi-finished goods	1,192,987	1,092,864
By-products	5,887	4,303
Raw materials	983,301	814,993
Fuel and materials	550,872	535,036
Materials-in-transit	799,561	863,226
Others	493	520
	4,307,412	4,007,134
Less: Allowance for inventories valuation	(32,638)	(11,843)
	₩ 4,274,774	3,995,291

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 ₩32,638 million and ₩11,843 million, respectively.

8. Assets Held for Sale

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

<i>(in millions of Won)</i>	June 30, 2017	December 31, 2016
Property, plant and equipment	₩ 393	764

POSCO

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

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying values as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

(in millions of Won)

			June 30, 2017		December 31, 2016
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
POSCO DAEWOO Corporation(*1)	Korea	Trading	62.90	₩ 3,610,164	3,371,481
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	Korea	Engineering and construction	52.80	1,014,314	1,014,314
POSCO ENERGY CO., LTD.	Korea	Power generation	89.02	658,176	658,176
POSCO Processing&Service(*1)	Korea	Steel sales and trading	93.95	385,995	624,678
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	56.87	108,421	108,421
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780
POSCO CHEMTECH	Korea	Refractory manufacturing and sales	60.00	100,535	100,535
POSCO ES MATERIALS CO., LTD.	Korea	Secondary battery active material manufacturing and sales	75.32	83,309	83,000
POSMATE	Korea	Business facility maintenance	57.25	73,374	73,374
POSCO ICT	Korea	Computer hardware and software distribution	65.38	70,990	70,990
POSCO M-TECH(*2)	Korea	Packing materials manufacturing and sales	48.85	53,651	53,651
POSCO Family Strategy Fund(*3)	Korea	Investment in venture companies	69.91	32,457	45,273
Busan E&E Co., Ltd.(*4)	Korea	Municipal solid waste fuel and power generation	70.00	30,148	30,148
Others (10 companies)				164,755	159,755
				6,490,069	6,497,576
[Foreign]					
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	813,431	813,431
POSCO WAPTY LTD	Australia	Iron ore sales and mine development	100.00	628,845	626,996
POSCO Maharashtra Steel Private Limited(*6)	India	Steel manufacturing and sales	100.00	722,569	665,450
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	100.00	330,623	330,623
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	58.60	283,845	283,845
POSCO Thainox Public Company Limited(*5)	Thailand	Stainless steel manufacturing and sales	84.93	472,846	246,986
POSCO SS VINA Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	241,426	241,426
POSCO-China Holding Corp.	China	Investment management	100.00	240,430	240,430
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99	184,815	184,815
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	84.84	180,072	180,072
POSCO America Corporation	USA	Steel trading	99.45	192,156	192,156
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	160,572	160,572
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65	144,573	144,573
POSCO(Guangdong) Automotive Steel Co., Ltd.	China	Plate steel manufacturing and sales	83.64	130,751	130,751
POSCO COATED STEEL (THAILAND) CO., LTD.	Thailand	Plate steel manufacturing and sales	100.00	121,592	121,592
POSCO Asia Co., Ltd.	Hong Kong	Steel and raw material trading	100.00	117,710	117,710
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00	92,800	92,800
POSCO JAPAN Co., Ltd.	Japan	Steel trading	100.00	68,436	68,436
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing	70.00	65,982	65,982
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	90.00	62,494	62,494
POSCO Electrical Steel India Private Limited(*6)	India	Electrical steel processing and sales	-	-	57,119
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	100.00	50,297	50,297
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79	45,479	45,479
POSCO(Guangdong) coated Steel Co., Ltd.	China	Plate steel sheet manufacturing and sales	87.04	31,299	31,299
Others (34 companies)(*7)				395,424	390,215
				5,778,467	5,545,549
			₩	12,268,536	12,043,125

(*1) During the six-month period ended June 30, 2017, POSCO Processing&Service spun-off its Steel distribution business and other businesses and the businesses were merged with POSCO DAEWOO Corporation.

(*2) POSCO M-Tech Co., Ltd. was classified as an investment in a subsidiary as the Company has more than half of the voting rights by virtue of an agreement with Pohang University of Science and Technology, which has 4.72% of ownership in POSCO M-TECH.

(*3) The Company has recognized ₩12,816 million of impairment loss on security of POSCO Family Strategy Fund due to its carrying amount that significantly exceeded its recoverable amount during the period ended June 30, 2017.

POSCO

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

- (*4) As of June 30, 2017, and December 31, 2016 the investment in a subsidiary amounting to ₩30,148 million was provided as collateral in relation to the loan agreements of Busan E&E Co., Ltd.
- (*5) As of June 30, 2017, the fair value of POSCO Thainox Public Company was increased significantly and the recoverable amount is estimated since there is an objective evidence of a decrease in impairment loss recognized in prior periods. Recoverable amount was determined based on fair value less cost to sell, which was calculated by the stock price as of March 31, 2017. As a result, the Company recognized ₩225,860 million as gain on reversal of impairment loss.
- (*6) During the six-month period ended June 30, 2017, POSCO Maharashtra Steel Private Ltd. merged with POSCO Electrical Steel India Private Limited.
- (*7) During the six-month period ended June 30, 2017, POSCO MPPC S.A. de C.V. merged with POSCO MAPC S.A. de C.V.

- (b) Details of associates and carrying values as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

(in millions of Won)

			June 30, 2017		December 31, 2016
	Country	Principal operations	Ownership (%)	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF SNNC	Korea	Mine investment	28.26	₩ 169,316	169,316
	Korea	STS material manufacturing and sales	49.00	100,655	100,655
Others (6 companies)				23,771	23,771
				293,742	293,742
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
7623704 Canada Inc.(*)	Canada	Mine investment	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (5 companies)				38,492	38,387
				363,033	362,928
				₩ 656,775	656,670

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

- (c) Details of joint ventures and carrying values as of June 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

	Country	Principal operations	June 30, 2017		December 31, 2016
			Ownership (%)	Book value	Book value
Roy Hill Holdings Pty Ltd(*)	Australia	Mine development	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem	Brazil	Steel manufacturing and sales	20.00	574,708	575,551
POSCO-NPS Niobium LLC	USA	Mine development	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
Others (3 companies)				67,004	67,004
				₩ 2,330,747	2,331,590

- (*1) As of June 30, 2017 and December 31, 2016, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to borrowings of the joint venture.

POSCO

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

10. 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

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	34,213	-	(1,853)	32,360
Buildings		46,437	(1,560)	(2,354)	42,523
Structures		5,646	(196)	(187)	5,263
	₩	<u>86,296</u>	<u>(1,756)</u>	<u>(4,394)</u>	<u>80,146</u>

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

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

(b) For the year ended December 31, 2016

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	35,557	-	(1,344)	34,213
Buildings		47,399	(2,961)	1,999	46,437
Structures		3,796	(283)	2,133	5,646
	₩	<u>86,752</u>	<u>(3,244)</u>	<u>2,788</u>	<u>86,296</u>

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

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

POSCO

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

11. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the six-month period ended June 30, 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	Impairment(*1)	Others(*2)	Ending
Land	₩	1,472,419	-	(3,199)	-	-	1,853	1,471,073
Buildings		2,451,009	1,123	(2,691)	(109,658)	-	88,823	2,428,606
Structures		2,464,391	2,264	(874)	(94,774)	(29)	55,125	2,426,103
Machinery and equipment		13,577,042	25,545	(30,611)	(815,638)	(5,530)	1,033,785	13,784,593
Vehicles		11,316	31	-	(3,931)	-	1,333	8,749
Tools		23,244	830	-	(5,724)	(3)	4,489	22,836
Furniture and fixtures		33,890	283	(11)	(4,610)	-	1,443	30,995
Finance lease assets		77,848	-	-	(2,871)	-	-	74,977
Construction-in-progress		2,146,250	771,598	-	-	-	(1,218,347)	1,699,501
	₩	<u>22,257,409</u>	<u>801,674</u>	<u>(37,386)</u>	<u>(1,037,206)</u>	<u>(5,562)</u>	<u>(31,496)</u>	<u>21,947,433</u>

(*1) The Company has recognized impairment losses since recoverable amount on Fe powder factory were less than its carrying amount for the six-month period ended June 30, 2017.

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

(b) For the year ended December 31, 2016

<i>(in millions of Won)</i>		Beginning	Acquisitions	Business combination	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,412,715	52	10,273	(248)	-	-	49,627	1,472,419
Buildings		2,566,168	2,100	70,641	(2,074)	(230,235)	(351)	44,760	2,451,009
Structures		2,519,866	3,346	8,630	(1,746)	(189,333)	(916)	124,544	2,464,391
Machinery and equipment		14,014,079	76,671	146,466	(22,768)	(1,607,171)	(57,110)	1,026,875	13,577,042
Vehicles		11,623	1,984	39	(11)	(7,545)	-	5,226	11,316
Tools		23,720	3,329	289	(94)	(10,517)	-	6,517	23,244
Furniture and fixtures		31,820	4,675	237	(32)	(8,897)	(11)	6,098	33,890
Finance lease assets		5,733	76,581	-	-	(4,466)	-	-	77,848
Construction-in-progress		928,426	1,503,749	1,025,516	-	-	-	(1,311,441)	2,146,250
	₩	<u>21,514,150</u>	<u>1,672,487</u>	<u>1,262,091</u>	<u>(26,973)</u>	<u>(2,058,164)</u>	<u>(58,388)</u>	<u>(47,794)</u>	<u>22,257,409</u>

(*1) The Company has recognized impairment losses since recoverable amounts on production facilities of automotive steel, electric furnace of high mill (2nd) and FINEX 1 plant were less than their carrying amounts for the year ended December 31, 2016.

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

POSCO

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

12. Intangible Assets, Net

Changes in the carrying amount of 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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩	22,671	-	(327)	(2,046)	-	2,558	22,856
Membership(*1)		48,512	-	(235)	-	-	-	48,277
Development expense		102,785	386	-	(29,642)	-	10,576	84,105
Port facilities usage rights		257,348	-	-	(9,272)	-	41,311	289,387
Construction-in-progress		52,925	26,333	-	-	-	(37,811)	41,447
Other intangible assets		24,649	-	(2)	(3,076)	(11,822)	6,314	16,063
	₩	<u>508,890</u>	<u>26,719</u>	<u>(564)</u>	<u>(44,036)</u>	<u>(11,822)</u>	<u>22,948</u>	<u>502,135</u>

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

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

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

(b) For the year ended December 31, 2016

<i>(in millions of Won)</i>		Beginning	Acquisitions	Business combination	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩	19,997	-	-	(752)	(3,609)	-	7,035	22,671
Membership(*1)		52,058	-	-	(2,170)	-	294	(1,670)	48,512
Development expense		98,038	2,793	23,033	(60)	(54,523)	-	33,504	102,785
Port facilities usage rights		265,575	-	-	-	(15,260)	-	7,033	257,348
Construction-in-progress		31,951	32,627	6,390	-	-	-	(18,043)	52,925
Other intangible assets		23,143	3,337	235	(488)	(6,263)	-	4,685	24,649
	₩	<u>490,762</u>	<u>38,757</u>	<u>29,658</u>	<u>(3,470)</u>	<u>(79,655)</u>	<u>294</u>	<u>32,544</u>	<u>508,890</u>

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

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

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

POSCO

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

13. Other Assets

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Current			
Advance payments	₩	9,234	6,692
Prepaid expenses		29,578	16,167
	₩	<u>38,812</u>	<u>22,859</u>
Non-current			
Long-term prepaid expenses	₩	5,460	5,654
Others(*1)		100,270	104,543
	₩	<u>105,730</u>	<u>110,197</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 result of the Company's appeal in connection with the additional income tax payment in prior years tax audits and claim for rectification are finalized.

14. Borrowings

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Short-term borrowings			
Short-term borrowings	₩	354,874	331,370
Current portion of long-term borrowings		5,145	33,470
	₩	<u>360,019</u>	<u>364,840</u>
Long-term borrowings			
Long-term borrowings	₩	5,789	28,997
Debentures		3,655,093	3,762,146
Less: Discount on debentures issued		(10,954)	(13,129)
	₩	<u>3,649,928</u>	<u>3,778,014</u>

(b) Short-term borrowings as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>		Issuance date	Maturity date	Annual interest rate (%)	June 30, 2017	December 31, 2016
Lenders						
Short-term borrowings	Korea Development Bank	2017.04.10	2017.12.11	1.87	₩ 300,000	300,000
Transfers of account receivables that do not qualify for derecognition	-	-	-	-	54,874	31,370
					<u>₩ 354,874</u>	<u>331,370</u>

POSCO

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

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

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	June 30, 2017	December 31, 2016
Borrowings	Woori Bank	2010.06.10~ 2011.04.28	2018.03.15~ 2019.03.15	1.75	₩ 5,145	12,471
Foreign borrowings	-	-	-	-	-	20,999
					₩ 5,145	33,470

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

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate (%)	June 30, 2017	December 31, 2016
Borrowings	Woori Bank	2011.04.28	2019.03.15	1.75	₩ 1,125	24,051
Foreign borrowings	Korea National Oil Corporation	2007.12.27~ 2009.12.29	2022.06.25~ 2024.12.29	3 year Government bond	4,664	4,946
Debentures	Domestic debentures 304-1 and others	2011.11.28~ 2016.05.03	2018.10.04~ 2023.10.04	1.76~4.12	1,497,506	1,497,022
Foreign debentures	Samurai Bond 13 and others	2010.10.28~ 2013.12.11	2018.12.10~ 2021.12.22	1.35~5.25	2,146,633	2,251,995
					₩ 3,649,928	3,778,014

15. Other Payables

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

(in millions of Won)

	June 30, 2017	December 31, 2016
Current		
Accounts payable	₩ 383,168	486,294
Accrued expenses	354,198	361,258
Dividend payable	4,408	4,793
Finance lease liabilities	5,954	5,905
Withholdings	8,933	7,824
	₩ 756,661	866,074
Non-current		
Long-term accounts payable	₩ 336	1,119
Long-term accrued expenses	8,744	36,707
Finance lease liabilities	68,571	71,657
Long-term withholdings	5,295	7,827
	₩ 82,946	117,310

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

16. Other Financial Liabilities

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Current			
Financial guarantee liabilities	₩	15,136	16,508
Non-current			
Derivative liabilities	₩	9,448	-
Financial guarantee liabilities		62,884	72,742
	₩	<u>72,332</u>	<u>72,742</u>

17. Provisions

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

<i>(in millions of Won)</i>		June 30, 2017		December 31, 2016	
		Current	Non-current	Current	Non-current
Provision for bonus payments(*1)	₩	5,838	-	3,985	-
Provision for restoration(*2)		10,230	23,228	10,169	27,009
Provision for litigation(*3)		-	2,463	-	2,497
	₩	<u>16,068</u>	<u>25,691</u>	<u>14,154</u>	<u>29,506</u>

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

(*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 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) The Company has recognized provisions for certain litigations as of June 30, 2017.

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Notes to the Condensed Separate 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)

	Beginning	Increase	Utilization	Ending
Provision for bonus payments	₩ 3,985	16,549	(14,696)	5,838
Provision for restoration	37,178	543	(4,263)	33,458
Provision for litigation	2,497	-	(34)	2,463
	<u>₩ 43,660</u>	<u>17,092</u>	<u>(18,993)</u>	<u>41,759</u>

2) For the year ended December 31, 2016

(in millions of Won)

	Beginning	Increase	Reversal	Utilization	Ending
Provision for bonus payments	₩ 7,271	8,365	-	(11,651)	3,985
Provision for restoration	37,112	25,909	(12,475)	(13,368)	37,178
Provision for litigation	411	2,086	-	-	2,497
	<u>₩ 44,794</u>	<u>36,360</u>	<u>(12,475)</u>	<u>(25,019)</u>	<u>43,660</u>

18. Employee Benefits

(a) Defined contribution plans

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

(in millions of Won)

		For the three-month ended June 30		For the six-month periods ended June 30	
		2017	2016	2017	2016
Expense related to post-employment benefit plans under defined contribution plans	₩	6,726	5,247	12,680	11,118

(b) Defined benefit plans

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

(in millions of Won)

		June 30, 2017	December 31, 2016
Present value of funded obligations	₩	1,068,819	1,065,255
Fair value of plan assets		<u>(1,104,703)</u>	<u>(1,146,876)</u>
Net defined benefit liabilities (assets)	₩	<u>(35,884)</u>	<u>(81,621)</u>

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

- 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>		June 30, 2017	December 31, 2016
Defined benefit obligation at the beginning of period	₩	1,065,255	1,023,071
Current service costs		56,156	113,209
Interest costs		9,734	24,136
Remeasurement		1,385	(3,816)
Business combination		-	1,133
Benefits paid		(63,711)	(92,478)
Defined benefit obligation at the end of period	₩	<u>1,068,819</u>	<u>1,065,255</u>

- 3) Changes in the 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>		June 30, 2017	December 31, 2016
Fair value of plan assets at the beginning of period	₩	1,146,876	1,012,599
Interest on plan assets		15,848	26,259
Remeasurement of plan assets		(4,503)	(4,829)
Contributions to plan assets		-	198,439
Business combination		-	244
Benefits paid		(53,518)	(85,836)
Fair value of plan assets at the end of period	₩	<u>1,104,703</u>	<u>1,146,876</u>

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

<i>(in millions of Won)</i>		For the three-month ended June 30		For the six-month periods ended June 30	
		2017	2016	2017	2016
Current service costs	₩	26,644	28,459	56,156	57,016
Net interest costs		(3,057)	(532)	(6,114)	(1,062)
	₩	<u>23,587</u>	<u>27,927</u>	<u>50,042</u>	<u>55,954</u>

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

19. Other Liabilities

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Current			
Advances received	₩	21,435	6,251
Withholdings		27,233	29,580
Unearned revenue		2,038	1,388
	₩	<u>50,706</u>	<u>37,219</u>
Non-current			
Advances received	₩	7,634	-
Unearned revenue		14,894	15,516
	₩	<u>22,528</u>	<u>15,516</u>

20. Financial Instruments

(a) Classification of financial instruments

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Financial assets at fair value through profit or loss			
Derivative assets held for trading	₩	14,055	80,959
Available-for-sale financial assets		2,206,053	2,064,578
Loans and receivables		8,115,706	7,706,575
	₩	<u>10,335,814</u>	<u>9,852,112</u>

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Financial liabilities at fair value through profit or loss			
Derivative liabilities held for trading	₩	9,448	-
Financial liabilities measured at amortized cost			
Trade accounts and notes payable		858,516	1,082,927
Borrowings		4,009,947	4,142,854
Financial guarantee liabilities(*1)		78,020	89,250
Others		800,970	976,574
	₩	<u>5,756,901</u>	<u>6,291,605</u>

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

(*1) Financial liabilities were recognized in connection with financial guarantee contracts as of June 30, 2017. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount	
		Foreign currency	Won equivalent	Foreign currency	Won equivalent
Zhangjiagang Pohang	BTMU	CNY	260,500,000		43,709
Stainless Steel Co., Ltd.	Credit Agricole	CNY	305,000,000		51,176
	SMBC	CNY	195,000,000		32,719
POSCO Maharashtra	Export-Import Bank of Korea	USD	193,000,000		219,943
Steel Private Limited	HSBC	USD	110,000,000		125,356
	DBS	USD	100,000,000		113,960
	SCB	USD	106,853,000		121,769
	Citi	USD	60,000,000		68,376
	ING	USD	80,000,000		91,168
POSCO ASSAN TST	SMBC	USD	62,527,500		71,256
STEEL INDUSTRY	ING	USD	60,000,000		68,376
	BNP	USD	24,000,000		27,350
POSCO Asia Co., Ltd.	BOC	USD	50,000,000		56,980
	NAB	USD	50,000,000		56,980
POSCO MEXICO S.A. DE C.V	BOA	USD	30,000,000		34,188
	BTMU	USD	30,000,000		34,188
	CITI BANAMEX	USD	40,000,000		45,584
	ING	USD	20,000,000		22,792
	SMBC	USD	40,000,000		45,584
POSCO SS VINA Co., Ltd.	Export-Import Bank of Korea	USD	249,951,050		284,844
	BOA	USD	40,000,000		45,584
	BTMU	USD	40,000,000		45,584
	DBS	USD	24,400,000		27,806
POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000		223,362
POSCO VST CO., LTD.	ANZ	USD	25,000,000		28,490
	HSBC	USD	20,000,000		22,792
	MIZUHO	USD	20,000,000		22,792
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	567,000,000		646,153
	SMBC	USD	140,000,000		159,544
	BTMU	USD	119,000,000		135,612
	SCB	USD	107,800,000		122,849
	MIZUHO	USD	105,000,000		119,658
	Credit Suisse AG	USD	91,000,000		103,704
	HSBC	USD	91,000,000		103,704
	ANZ	USD	73,500,000		83,761
	BOA	USD	35,000,000		39,886
	The Tokyo Star Bank, Ltd	USD	21,000,000		23,932
POSCO COATED STEEL					
(THAILAND) CO., LTD.	The Great & Co.	THB	5,501,000,000		184,394
LLP POSUK Titanium	SMBC	USD	15,000,000		17,094
CSP - Compania	Export-Import Bank of Korea	USD	182,000,000		207,407
Siderurgica do Pecem	Santander	USD	47,600,000		54,245
	BNP	USD	47,600,000		54,245
	MIZUHO	USD	47,600,000		54,245
	Credit Agricole	USD	20,000,000		22,792
	SOCIETE GENERALE	USD	20,000,000		22,792
	KfW	USD	20,000,000		22,792
	BBVA Seoul	USD	17,600,000		20,057
	ING	USD	17,600,000		20,057
	BNDES	BRL	464,060,000		160,050
		USD	3,457,031,550		3,939,633
		CNY	760,500,000		127,604
		THB	5,501,000,000		184,394
		BRL	464,060,000		160,050

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

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

(in millions of Won)

	Finance income and costs						Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment losses	Others	
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	(66,905)	(66,905)
Available-for-sale financial assets	28	27,950	-	96,083	(52,799)	-	71,262
Loans and receivables	37,957	-	(63,652)	-	-	(396)	(26,091)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(9,447)	(9,447)
Financial liabilities measured at amortized cost	(54,492)	-	159,365	-	-	4,800	109,673
	₩ (16,507)	27,950	96,713	96,083	(52,799)	(71,948)	78,492
							225,185

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩ 110,007 million for the six-month period ended June 30, 2017.

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

(in millions of Won)

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

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

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 (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment losses	Others	
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	8,066	8,066
Available-for-sale financial assets	14	11,202	-	96,902	(52,079)	-	56,039
Loans and receivables	18,386	-	43,287	-	-	(191)	61,482
Financial liabilities at fair value through profit or loss	-	-	-	-	-	22,644	22,644
Financial liabilities measured at amortized cost	(26,511)	-	(53,354)	-	-	2,438	(77,427)
	₩ (8,111)	11,202	(10,067)	96,902	(52,079)	32,957	70,804
							185,159

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩ 38,545 million for the three-month period ended June 30, 2017.

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

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

(in millions of Won)

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

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

(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)	₩	2,142,318	2,142,318	1,950,447	1,950,447
Derivative assets(*1,2)		14,055	14,055	80,959	80,959
		<u>2,156,373</u>	<u>2,156,373</u>	<u>2,031,406</u>	<u>2,031,406</u>
Assets measured at amortized cost(*3)					
Cash and cash equivalents		418,273	418,273	120,529	120,529
Trade accounts and note receivable, net		3,589,413	3,589,413	3,230,249	3,230,249
Loans and other receivables, net		<u>4,108,020</u>	<u>4,108,020</u>	<u>4,355,797</u>	<u>4,355,797</u>
		<u>8,115,706</u>	<u>8,115,706</u>	<u>7,706,575</u>	<u>7,706,575</u>
Liabilities measured at fair value					
Derivative liabilities(*2)		9,448	9,448	-	-
Liabilities measured at amortized cost(*3)					
Trade accounts and notes payable		858,516	858,516	1,082,927	1,082,927
Borrowings		4,009,947	4,232,928	4,142,854	4,354,129
Financial guarantee liabilities		78,020	78,020	89,250	89,250
Others		<u>800,970</u>	<u>800,970</u>	<u>976,574</u>	<u>976,574</u>
	₩	<u>5,747,453</u>	<u>5,970,434</u>	<u>6,291,605</u>	<u>6,502,880</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.

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

- (*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.

2) The fair value hierarchy

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

① June 30, 2017

(in millions of Won)		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,915,840	-	226,478	2,142,318
Derivative assets		-	9,790	4,265	14,055
	₩	<u>1,915,840</u>	<u>9,790</u>	<u>230,743</u>	<u>2,156,373</u>
Financial liabilities					
Derivative liabilities	₩	-	9,448	-	9,448

② December 31, 2016

(in millions of Won)		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,756,713	-	193,734	1,950,447
Derivative assets		-	70,613	10,346	80,959
	₩	<u>1,756,713</u>	<u>70,613</u>	<u>204,080</u>	<u>2,031,406</u>

3) Financial risk management

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

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

21. Share Capital and Capital Surplus

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

<i>(in Won, except per share information)</i>	June 30, 2017	December 31, 2016
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 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>	June 30, 2017	December 31, 2016
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,829	783,788
Loss from merger	(91,310)	(91,310)
	₩ 1,156,344	1,156,303

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

22. Hybrid Bonds

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

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		June 30, 2017	December 31, 2016
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>	Hybrid bond 1-1	Hybrid bond 1-2
Issue price	800,000	200,000
Maturity date	30 years (The Company has a right to extend the maturity date)	
Interest rate	Issue date ~ 2018-06-12 : 4.30% Reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.30% · After 10 years : additionally + 0.25% according to Step-up clauses · After 25 years : additionally + 0.75%	Issue date ~ 2023-06-12 : 4.60% Reset every 10 years as follows; · After 10 years : return on government bond (10 years) + 1.40% · After 10 years : additionally + 0.25% according to Step-up clauses · After 30 years : additionally + 0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to the Company)	
Others	The Company can call the hybrid bond at year 5 and interest payment date afterwards	The Company can call the hybrid bond at year 10 and interest payment date afterwards

The 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.

23. Reserves

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

<i>(in millions of Won)</i>		June 30, 2017	December 31, 2016
Accumulated changes in unrealized fair value			
of available-for-sale investments, net of tax	₩	509,425	284,240

24. 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.

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

25. Selling and Administrative Expenses

(a) Administrative expenses

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

(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	₩ 51,108	50,751	115,815	103,651
Expenses related to post-employment benefits	6,039	7,528	16,284	16,088
Other employee benefits	10,092	13,021	21,510	25,974
Travel	3,170	3,462	5,959	6,134
Depreciation	4,426	4,136	8,910	8,161
Amortization	14,577	13,666	28,666	26,875
Rental	10,606	13,760	22,281	29,654
Repairs	1,931	2,063	3,433	3,697
Advertising	30,252	16,670	51,416	31,322
Research & development	16,055	24,806	38,012	37,503
Service fees	39,983	38,735	76,525	75,036
Supplies	1,210	347	2,195	4,658
Vehicles maintenance	1,412	1,550	2,892	3,160
Industry association fee	1,217	1,701	2,950	3,314
Training	4,751	5,140	9,263	8,501
Conference	1,058	922	2,140	1,909
Bad debt expenses	2,435	18,717	1,608	20,669
Others	10,074	11,563	16,788	18,081
	₩ 210,396	228,538	426,647	424,387

(b) Selling expenses

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

(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	₩ 187,004	193,053	382,281	395,611
Operating expenses for distribution center	2,401	2,381	4,813	4,808
Sales commissions	12,871	18,688	23,991	34,551
Sales advertising	819	435	1,091	1,003
Sales promotion	1,357	1,336	2,481	2,595
Sample	399	256	527	606
Sales insurance premium	962	1,168	2,959	1,910
	₩ 205,813	217,317	418,143	441,084

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

26. 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	
(in millions of Won)	2017	2016	2017	2016
Finance income				
Interest income	₩ 18,400	18,514	37,985	43,666
Dividend income	49,747	38,674	137,957	132,537
Gain on foreign currency transactions	34,681	42,570	103,139	122,220
Gain on foreign currency translations	(32,649)	(2,438)	131,235	38,233
Gain on valuation of derivatives	-	(15,770)	-	25,287
Gain on disposals of available-for-sale investments	96,904	2,171	96,904	2,171
Gain on financial guarantee	2,451	2,568	4,829	5,135
	₩ 169,534	86,289	512,049	369,249
Finance costs				
Interest expenses	₩ 26,511	35,267	54,492	79,739
Loss on foreign currency transactions	54,079	72,114	118,672	130,721
Loss on foreign currency translations	(41,980)	42,089	19,989	136,912
Loss on valuation of derivatives	(30,711)	49,330	76,352	66,552
Impairment losses on available-for-sale investments	52,079	191,975	52,799	218,837
Others	207	152	1,246	350
	₩ 60,185	390,927	323,550	633,111

27. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 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)					
Other non-operating income					
Gain on disposals of property, plant and equipment	₩	11,385	5,688	15,928	16,281
Gain on disposals of intangible assets		15,480	483	21,976	483
Reversal of impairment loss on investment in subsidiaries, associates and joint ventures		-	-	225,860	-
Reversal of impairment losses on intangible assets		-	1,838	-	1,838
Gain on exemption of debts		-	9,665	-	9,665
Others		4,521	8,639	11,555	16,491
		31,386	26,313	275,319	44,758
Other non-operating expenses					
Loss on disposals of property, plant and equipment		47,016	31,161	70,375	55,646
Impairment losses on property, plant and equipment		-	-	5,562	-
Impairment losses on intangible assets		11,822	877	11,822	1,431
Donations		80	1,901	15,400	15,201
Impairment losses on investment in subsidiaries, associates and joint ventures		12,816	1,517	12,816	35,943
Others		3,229	3,579	6,839	10,846
	₩	74,963	39,035	122,814	119,067

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

28. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses and other non-operating expenses in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016 were as follows (excluding finance costs and income tax expense):

(in millions of Won)	For the three-month periods		For the six-month periods			
	ended June 30		ended June 30			
	2017	2016	2017	2016		
Changes in inventories(*1)	₩	(34,455)		200,556	(159,031)	317,264
Raw materials and consumables used		4,325,414		2,868,727	8,363,455	5,801,280
Employee benefits expenses		394,115		389,762	809,893	786,641
Outsourced processing cost		511,269		499,463	1,024,466	1,004,343
Depreciation(*2)		520,765		513,093	1,038,962	1,019,089
Amortization		22,741		18,772	44,036	37,111
Electricity and water expenses		148,606		186,296	317,360	388,914
Service fees		58,346		56,504	112,997	107,234
Rental		15,488		17,916	33,290	38,528
Advertising		30,252		16,670	51,416	31,322
Freight and custody expenses		187,004		193,053	382,281	395,611
Sales commissions		12,871		18,688	23,991	34,551
Loss on disposals of property, plant and equipment		47,016		31,161	70,375	55,646
Impairment losses on property, plant and equipment		-		-	5,562	-
Impairment losses on investments in subsidiaries, associates and joint ventures		12,816		1,517	12,816	35,943
Others		372,067		323,731	812,315	547,482
	₩	6,624,315		5,335,909	12,944,184	10,600,959

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

(*2) Includes depreciation of investment property.

29. Income Taxes

The effective tax rates of the Company for the six-month periods ended June 30, 2017 and 2016 were 21.65% and 20.93%, respectively.

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

30. 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 ended June 30		For the six-month periods ended June 30	
		2017	2016	2017	2016
Profit	₩	509,163,850,257	310,509,841,739	1,348,800,781,097	756,420,412,289
Interests of hybrid bonds, net of tax		(7,877,385,203)	(8,073,975,372)	(16,298,038,354)	(16,474,401,438)
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	₩	6,266	3,781	16,657	9,250

(*1) The weighted-average number of common shares used to calculate basic 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>(in 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	79,998,476	79,996,105	79,998,084	79,995,921

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.

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

31. Related Party Transactions

(a) Significant transactions with 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	Others
Subsidiaries(*3)						
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>
Associates and joint ventures(*3)						
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 - Companhia 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 are mainly consist of sales of steel products to subsidiaries, associates and joint ventures.

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

(*3) As of June 30, 2017, the Company provided guarantees to related companies (Note 20).

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

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

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

(in millions of Won)

(in millions of Won)

		Sales and others		Purchase and others			
		Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	₩	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
		5,435,657	91,062	1,010,282	277,140	291,444	165,548
Associates and joint ventures							
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	-	-	-
		39,070	34,629	236,896	92,003	8,687	4,869
₩		5,474,727	125,691	1,247,178	369,143	300,131	170,417

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

(b) Significant transactions with 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
Subsidiaries						
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
	3,276,171	16,726	684,044	161,819	150,559	78,686
Associates and joint ventures						
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 - Companhia Siderurgica do Pecem	-	-	73,156	-	-	-
Others	3,058	27,402	20,895	-	-	-
	15,281	27,540	425,798	108,239	5,299	6,249
₩	3,291,452	44,266	1,109,842	270,058	155,858	84,935

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
Subsidiaries						
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
	2,713,829	10,557	564,224	123,244	151,827	82,283
Associates and joint ventures						
SeAH Changwon Integrated Special Steel	15	-	435	-	379	-
POSCO PLANTEC Co., Ltd.	758	5	980	48,694	4,153	2,134
SNNC	1,175	531	98,109	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	8,714	-	-	-	-	-
KOBRASCO	-	29,297	-	-	-	-
Others	14,581	1,540	15,483	-	-	-
	25,243	31,373	115,007	48,694	4,532	2,134
₩	2,739,072	41,930	679,231	171,938	156,359	84,417

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

(c) The related account balances of significant transactions with 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
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 14	1,454	1,468	-	17,279	358
POSCO COATED & COLOR STEEL Co., Ltd.	50,384	81	50,465	-	5	1,577
POSCO ICT	-	56	56	806	81,112	2,130
eNtoB Corporation	-	-	-	10,610	18,128	15
POSCO CHEMTECH	31,715	3,315	35,030	58,473	12,825	17,409
POSCO ENERGY CO., LTD.	14,448	492	14,940	-	-	1,425
POSCO DAEWOO Corporation	385,408	1	385,409	2,203	1,953	4,489
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
	1,844,614	9,328	1,853,942	110,714	149,135	53,590
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	19	3	22	3,914	19,548	-
SNNC	240	52	292	31,513	-	-
Others	689	22,184	22,873	17,906	-	-
	948	22,239	23,187	53,333	19,548	-
₩	1,845,562	31,567	1,877,129	164,047	168,683	53,590

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
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 3	3,359	3,362	-	9,825	515
POSCO Processing&Service	207,744	178	207,922	1,085	5,367	5,184
POSCO COATED & COLOR STEEL Co., Ltd.	48,716	324	49,040	-	5	1,600
POSCO ICT	-	128	128	1,062	89,382	6,074
eNtoB Corporation	-	-	-	9,948	29,310	15
POSCO CHEMTECH	27,253	3,868	31,121	54,702	11,870	19,282
POSCO ENERGY CO., LTD.	18,701	2,012	20,713	-	-	1,425
POSCO DAEWOO Corporation	182,700	11,184	193,884	460	183	49
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
	1,614,302	26,041	1,640,343	109,732	192,626	61,118
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	30	9	39	2,125	39,647	-
SNNC	223	26	249	40,201	-	-
Others	800	1	801	991	17,685	-
	1,053	36	1,089	43,317	57,332	-
₩	1,615,355	26,077	1,641,432	153,049	249,958	61,118

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

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

<i>(in millions of Won)</i>	June 30, 2017	June 30, 2016
Short-term benefits	₩ 27,764	14,538
Long-term benefits	3,508	5,831
Retirement benefits	5,897	3,877
	<u>₩ 37,169</u>	<u>24,246</u>

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

32. Commitments and Contingencies

(a) Commitments

The Company entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of June 30, 2017, 130 million tons of iron ore and 20 million tons of coal remained to be purchased under such long-term contracts.

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

As of June 30, 2017, the Company entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 8.25 million and USD 6.49 million. The borrowings are related to the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chinabad, respectively. The repayment of the borrowings depends on the success of the projects. The Company is not liable for the repayment of full or part of the money borrowed if the respective projects fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of June 30, 2017, the balances of the borrowing are USD 4.09 million.

- (b) As of June 30, 2017, the Company has provided three blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for long-term foreign currency borrowings.

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

(c) Litigation in progress

The Company is involved in 15 litigations for alleged damages aggregating to ₩55 billion as of June 30, 2017 which arose in the ordinary course of business. The Company has recognized provisions for 2 of 15 litigations amounting to ₩2.5 billion by estimating the outcome of such litigations reasonably. Except 2 litigations, the Company has not recognized any provisions since the Company believes that it does not have a present obligation on other litigations as of June 30, 2017.

(d) The Company has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to the construction of new power plant by POSCO ENERGY CO., LTD.

33. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the six-month periods ended June 30, 2017 and 2016 were as follows:

<i>(in millions of Won)</i>	June 30, 2017	June 30, 2016
Trade accounts and notes receivable, net	₩ (352,875)	(59,730)
Other accounts receivable	(126,948)	43,245
Inventories	(307,372)	425,467
Prepaid expenses	(13,218)	1,368
Other current assets	(3,134)	(1,693)
Long-term guarantee deposits	(92)	57
Other non-current assets	-	(60)
Trade accounts and notes payable	(224,356)	142,044
Other accounts payable	(68,556)	(75,825)
Accrued expenses	(33,301)	(7,838)
Advances received	22,819	1,605
Withholdings	(2,347)	3,332
Unearned revenue	28	(145)
Other current liabilities	(2,411)	(7,092)
Payments of severance benefits	(63,711)	(46,655)
Plan assets	53,518	(56,370)
Other non-current liabilities	11	-
	<u>₩ (1,121,945)</u>	<u>361,710</u>