

POSCO

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

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of POSCO (the "Company"), which comprise the condensed separate interim statement of financial position as of September 30, 2017, the condensed separate interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2017, and 2016, the condensed separate interim statements of changes in equity and cash flows for the nine-month periods ended September 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
November 14, 2017

This report is effective as of November 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 September 30, 2017 and December 31, 2016 (Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Assets			
Cash and cash equivalents	20	₩ 443,725	120,529
Trade accounts and notes receivable, net	4,14,20,31	4,069,438	3,216,209
Other receivables, net	5,20,31	209,330	246,061
Other short-term financial assets	6,20	4,826,525	4,130,963
Inventories	7,28	4,125,047	3,995,291
Assets held for sale	8	47,148	764
Other current assets	13	54,465	22,859
Total current assets		<u>13,775,678</u>	<u>11,732,676</u>
Long-term trade accounts and notes receivable, net	4,20	14,514	14,040
Other receivables, net	5,20	87,577	87,669
Other long-term financial assets	6,20	1,628,933	2,145,570
Investments in subsidiaries, associates and joint ventures	9	15,163,336	15,031,385
Investment property, net	10	82,243	86,296
Property, plant and equipment, net	11	21,706,836	22,257,409
Intangible assets, net	12	527,353	508,890
Defined benefit assets, net	18	1,456	81,621
Other non-current assets	13	105,665	110,197
Total non-current assets		<u>39,317,913</u>	<u>40,323,077</u>
Total assets		<u>₩ 53,093,591</u>	<u>52,055,753</u>

See accompanying notes to the condensed separate interim financial statements.

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

(in millions of Won)

	Notes	September 30, 2017	December 31, 2016
Liabilities			
Trade accounts and notes payable	20,31	₩ 996,992	1,082,927
Short-term borrowings and current installments of long-term borrowings	4,14,20	338,244	364,840
Other payables	15,20,31	691,728	866,074
Other short-term financial liabilities	16,20	15,191	16,508
Current income tax liabilities		307,930	315,530
Provisions	17	14,384	14,154
Other current liabilities	19	61,508	37,219
Total current liabilities		<u>2,425,977</u>	<u>2,697,252</u>
Long-term borrowings, excluding current installments	14,20	3,661,902	3,778,014
Other payables	15,20	80,167	117,310
Other long-term financial liabilities	16,20	66,773	72,742
Deferred tax liabilities		1,161,355	1,015,966
Long-term provisions	17,32	22,635	29,506
Other non-current liabilities	19	19,874	15,516
Total non-current liabilities		<u>5,012,706</u>	<u>5,029,054</u>
Total liabilities		<u>7,438,683</u>	<u>7,726,306</u>
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,156,356	1,156,303
Hybrid bonds	22	996,919	996,919
Reserves	23	271,154	284,240
Treasury shares	24	(1,533,220)	(1,533,468)
Retained earnings		44,281,296	42,943,050
Total equity		<u>45,654,908</u>	<u>44,329,447</u>
Total liabilities and equity	₩	<u>53,093,591</u>	<u>52,055,753</u>

See accompanying notes to the condensed separate interim financial statements.

POSCO

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

(in millions of Won, except per share information)

	Notes	For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2017	2016	2017	2016
Revenue	31	₩ 7,255,041	6,106,520	21,456,837	17,883,260
Cost of sales	7,28,31	(6,082,556)	(4,816,309)	(18,059,136)	(14,432,730)
Gross profit		1,172,485	1,290,211	3,397,701	3,450,530
Selling and administrative expenses	25,28,31				
Administrative expenses		(214,978)	(216,542)	(641,626)	(640,929)
Selling expenses		(235,745)	(221,247)	(653,887)	(662,330)
Operating profit		721,762	852,422	2,102,188	2,147,271
Finance income and costs	20,26				
Finance income		363,412	176,007	875,461	545,256
Finance costs		(112,210)	(169,222)	(435,760)	(802,333)
Other non-operating income and expenses	27,31				
Other non-operating income		10,710	13,412	286,029	58,170
Other non-operating expenses	28	(64,762)	(107,216)	(187,576)	(226,283)
Profit before income tax		918,912	765,403	2,640,342	1,722,081
Income tax expense	29	(188,990)	(186,407)	(561,619)	(386,665)
Profit		729,922	578,996	2,078,723	1,335,416
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans, net of tax	18	(3,542)	11,113	(8,005)	(37,530)
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	(238,271)	96,579	(13,086)	225,924
Total comprehensive income		₩ 488,109	686,688	2,057,632	1,523,810
Basic and diluted earnings per share (in Won)	30	₩ 9,020	7,134	25,677	16,383

See accompanying notes to the condensed separate interim financial statements.

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

(in millions of Won)

		<u>Share capital</u>	<u>Capital surplus</u>	<u>Hybrid bonds</u>	<u>Reserves</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of January 1, 2016	₩	482,403	1,247,581	996,919	(30,018)	(1,533,898)	41,862,570	43,025,557
Comprehensive income:								
Profit		-	-	-	-	-	1,335,416	1,335,416
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(37,530)	(37,530)
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	225,924	-	-	225,924
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(479,974)	(479,974)
Interim dividends		-	-	-	-	-	(119,994)	(119,994)
Business combination		-	(91,310)	-	-	-	-	(91,310)
Interest of hybrid bonds		-	-	-	-	-	(32,724)	(32,724)
Disposal of treasury shares		-	6	-	-	150	-	156
Balance as of September 30, 2016	₩	<u>482,403</u>	<u>1,156,277</u>	<u>996,919</u>	<u>195,906</u>	<u>(1,533,748)</u>	<u>42,527,764</u>	<u>43,825,521</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		-	-	-	-	-	2,078,723	2,078,723
Other comprehensive income (loss)								
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(8,005)	(8,005)
Net changes in unrealized fair value of available-for-sale investments, net of tax		-	-	-	(13,086)	-	-	(13,086)
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends		-	-	-	-	-	(459,987)	(459,987)
Interim dividends		-	-	-	-	-	(239,995)	(239,995)
Interest of hybrid bonds		-	-	-	-	-	(32,490)	(32,490)
Disposal of treasury shares		-	53	-	-	248	-	301
Balance as of September 30, 2017	₩	<u>482,403</u>	<u>1,156,356</u>	<u>996,919</u>	<u>271,154</u>	<u>(1,533,220)</u>	<u>44,281,296</u>	<u>45,654,908</u>

See accompanying notes to the condensed separate interim financial statements.

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

(in millions of Won)

	<u>Notes</u>	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
Cash flows from operating activities			
Profit	₩	2,078,723	1,335,416
Adjustments for :			
Costs for defined benefit plans		79,032	83,681
Depreciation		1,565,533	1,540,520
Amortization		67,515	58,443
Finance income		(721,823)	(356,799)
Finance costs		275,963	575,085
Loss on valuation of inventories		1,552	2,418
Gain on disposal of property, plant and equipment		(21,957)	(17,601)
Loss on disposal of property, plant and equipment		106,806	69,774
Impairment losses on property, plant and equipment		5,562	34,056
Gain on disposal of intangible assets		(23,199)	(483)
Impairment losses on intangible assets		11,822	1,431
Impairment losses on investments in subsidiaries, associates and joint ventures		13,643	75,347
Reversal of impairment loss on investments in subsidiaries, associates and joint ventures		(225,860)	-
Gain on disposal of assets held-for-sale		(85)	(6,814)
Impairment loss on assets held-for sale		9,363	-
Increase to provisions		509	37,202
Income tax expense		561,619	386,664
Others		1,448	19,672
Changes in operating assets and liabilities	33	(1,178,943)	273,506
Interest received		65,555	64,776
Interest paid		(84,018)	(135,308)
Dividends received		128,582	130,053
Income taxes paid		(412,840)	(374,114)
Net cash provided by operating activities	₩	<u>2,304,502</u>	<u>3,796,925</u>

See accompanying notes to the condensed separate interim financial statements.

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

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩	14,295,649	13,159,783
Proceeds from disposal of long-term financial instruments		1	-
Proceeds from disposal of available-for-sale investments		766,846	4,214
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		-	1,690
Proceeds from disposal of intangible assets		23,431	2,536
Proceeds from disposal of assets held for sale		450	166,791
Proceeds from business combination		-	24,250
Acquisition of short-term financial investments		(14,988,587)	(13,714,796)
Acquisition of available-for-sale investments		(13,821)	-
Increase in short-term loans		-	(23,630)
Increase in long-term loans		(43)	(66)
Acquisition of investments in subsidiaries, associates and joint ventures		(13,654)	(235,431)
Acquisition of property, plant and equipment		(1,204,707)	(1,387,937)
Disposal of property, plant and equipment		(4,050)	(14,485)
Acquisition of intangible assets		(53,489)	(14,482)
Net cash used in investing activities	₩	<u>(1,191,974)</u>	<u>(2,031,563)</u>
Cash flows from financing activities			
Proceeds from borrowings		302,944	985,373
Increase in long-term financial liabilities		854	3,554
Repayment of borrowings		(352,841)	(2,642,762)
Decrease in long-term financial liabilities		(7,422)	(5,233)
Payment of cash dividends		(700,137)	(600,020)
Payment of interest of hybrid bonds		(32,730)	(32,849)
Net cash used in financing activities	₩	<u>(789,332)</u>	<u>(2,291,937)</u>
Changes in cash due to foreign currency translation		-	(9,213)
Net increase (decrease) in cash and cash equivalents		323,196	(535,788)
Cash and cash equivalents			
Cash and cash equivalents at beginning of the period		<u>120,529</u>	<u>1,634,106</u>
Cash and cash equivalents at end of the period	₩	<u><u>443,725</u></u>	<u><u>1,098,318</u></u>

See accompanying notes to the condensed separate interim financial statements.

POSCO
Notes to the Condensed Separate Interim Financial Statements
As of September 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 September 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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of September 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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of September 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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of September 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.

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Notes to the Condensed Separate Interim Financial Statements, Continued As of September 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, applying retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

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.

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

4. Trade Accounts and Notes Receivable

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

<i>(in millions of Won)</i>		September 30, 2017	December 31, 2016
Current			
Trade accounts and notes receivable	₩	4,085,789	3,231,461
Less: Allowance for doubtful accounts		(16,351)	(15,252)
	₩	<u>4,069,438</u>	<u>3,216,209</u>
Non-current			
Trade accounts and notes receivable	₩	20,316	21,671
Less: Present value discount		(5,535)	(7,364)
Less: Allowance for doubtful accounts		(267)	(267)
	₩	<u>14,514</u>	<u>14,040</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩34,314 million and ₩31,370 million as of September 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 September 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>		September 30, 2017	December 31, 2016
Current			
Other accounts receivable	₩	198,890	231,535
Others		16,179	20,235
Less: Allowance for doubtful accounts		(5,739)	(5,709)
	₩	<u>209,330</u>	<u>246,061</u>
Non-current			
Long-term loans	₩	23,766	23,183
Long-term other accounts receivable		60,992	61,728
Others		2,819	2,758
	₩	<u>87,577</u>	<u>87,669</u>

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

6. Other Financial Assets

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current			
Current portion of long-term derivative assets	₩	2,173	-
Available-for-sale securities (debt instruments)		450	-
Short-term financial assets(*1)		4,813,823	4,124,150
Cash deposits(*2)		10,079	6,813
	₩	<u>4,826,525</u>	<u>4,130,963</u>
Non-current			
Long-term derivative assets	₩	12,699	80,959
Available-for-sale securities (equity instruments)		1,607,003	2,058,240
Available-for-sale securities (others)		9,199	6,338
Cash deposits(*3)		32	33
	₩	<u>1,628,933</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 ₩10,079 million and ₩6,813 million as of September 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.

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

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

(in millions of Won)

	September 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	628,357	99,990	(191,255)	628,357	644,257
KB Financial group Inc.	3,863,520	0.92	178,839	216,744	93,691	(55,786)	216,744	496,076
Woori Bank	20,280,000	3.00	244,447	361,998	117,551	-	361,998	267,787
Hyundai Heavy Industries Co., Ltd.(*1)	-	-	-	-	-	-	-	214,904
Hyundai Electric & Energy Systems Co., Ltd.(*1)	72,103	1.94	16,769	16,584	10,253	(10,438)	16,584	-
DONGKUK STEEL MILL CO., LTD	1,786,827	1.87	10,471	19,119	8,648	-	19,119	19,744
SAMWONSTEEL Co., Ltd.	5,700,000	14.25	8,930	19,380	16,853	(6,403)	19,380	20,064
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82	11,911	10,526	(1,385)	-	10,526	19,355
Others (9 companies)(*2, 3)			80,981	54,293	18,344	(45,032)	54,293	74,526
			1,271,970	1,327,001	363,945	(308,914)	1,327,001	1,756,713
Non-marketable equity securities (*5)								
Congonhas Minerios S.A.(*3,4)	3,658,394	2.02	221,535	134,218	-	(87,317)	134,218	190,884
Poongsan 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 (43 companies)(*2,3)			280,244	125,149	(6,221)	(148,874)	125,149	90,008
			522,414	280,002	(6,221)	(236,191)	280,002	301,527
			₩ 1,794,384	1,607,003	357,724	(545,105)	1,607,003	2,058,240

(*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 nine-month period ended September 30, 2017. After the split-off, the Company sold its share of Hyundai Heavy Industries Co., Ltd., Hyundai Robotics Co., Ltd., and Hyundai Construction Equipment Co., Ltd. during the nine-month period ended September 30, 2017.

(*2) The Company has recognized ₩994 million and ₩661 million of impairment losses on security of Steel Flower Co., Ltd., and Trioka Natural Resources PEF respectively, due to additional decline in the fair value of the security during the nine-month period ended September 30, 2017.

(*3) The Company has recognized ₩87,317 million, ₩3,920 million and ₩1,458 million of impairment losses on security of Congonhas Minerios S.A., Asian Clean Energy PEF and Fine Besteel Co., Ltd. respectively, due to prolonged or significant decline in the fair value of the security during the nine-month period ended September 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.

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

7. Inventories

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Finished goods	₩	703,830	696,192
Semi-finished goods		1,178,240	1,092,864
By-products		6,259	4,303
Raw materials		834,368	814,993
Fuel and materials		544,809	535,036
Materials-in-transit		858,621	863,226
Others		472	520
		<u>4,126,599</u>	<u>4,007,134</u>
Less: Allowance for inventories valuation		<u>(1,552)</u>	<u>(11,843)</u>
	₩	<u>4,125,047</u>	<u>3,995,291</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the nine-month period ended September 30, 2017 and the year ended December 31, 2016 were ₩1,552 million and ₩11,843 million, respectively.

8. Assets Held for Sale

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Investments in subsidiaries (*1)	₩	46,756	-
Property, plant and equipment		<u>392</u>	<u>764</u>
	₩	<u>47,148</u>	<u>764</u>

(*1) During the period ended September 30, 2017, the Company determined to dispose part of the interest of POSCO Thainox Public Company Limited, subsidiary of the Company, and classified investments in subsidiaries amounting ₩56,234 million as assets held for sale. The Company recognized ₩9,363 million of impairment loss from the difference between book value and net fair value of the interest, and finished disposal for part of it.

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

9. Investments in Subsidiaries, Associates and Joint ventures

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

(in millions of Won)

	Country	Principal operations	September 30, 2017		December 31,
			Ownership (%)	Book value	2016
					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
				<u>6,490,069</u>	<u>6,497,576</u>
[Foreign]					
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	813,431	813,431
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	100.00	630,132	626,996
POSCO Maharashtra Steel Private Limited(*5)	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(*6)	Thailand	Stainless steel manufacturing and sales	84.90	416,612	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 and sales	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(*5)	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 (31 companies)				371,742	390,215
				<u>5,699,838</u>	<u>5,545,549</u>
				<u>₩ 12,189,907</u>	<u>12,043,125</u>

(*1) During the nine-month period ended September 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 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.

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

- (*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 September 30, 2017.
- (*4) As of September 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) During the nine-month period ended September 30, 2017, POSCO Maharashtra Steel Private Limited merged with POSCO Electrical Steel India Private Limited.
- (*6) As of September 30, 2017, the fair value of POSCO Thainox Public Company Limited 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. Meanwhile, the Company classified part of the interest of POSCO Thainox Public Company Limited as assets held for sale. (Note 8)

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

(in millions of Won)

	Country	Principal operations	September 30, 2017		December 31,
			Ownership (%)	Book value	2016
					Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF	Korea	Mine investment	29.50	₩ 169,316	169,316
SNNC	Korea	STS material manufacturing and sales	49.00	100,655	100,655
Others (6 companies)				22,944	23,771
				<u>292,915</u>	<u>293,742</u>
[Foreign]					
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00	189,197	189,197
7623704 Canada Inc.(*1)	Canada	Mine investment	10.40	124,341	124,341
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00	11,003	11,003
Others (4 companies)				25,665	38,387
				<u>350,206</u>	<u>362,928</u>
				₩ 643,121	656,670

- (*1) As of September 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.

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

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

(in millions of Won)

	Country	Principal operations	September 30, 2017		December 31,
			Ownership (%)	Book value	2016
Roy Hill Holdings Pty Ltd(*1)	Australia	Mine development	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem	Brazil	Steel manufacturing and sales	20.00	574,269	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
				₩ 2,330,308	2,331,590

(*1) As of September 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.

10. Investment Property, Net

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

(a) For the nine-month period ended September 30, 2017

(in millions of Won)		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	34,213	-	(579)	33,634
Buildings		46,437	(2,344)	(776)	43,317
Structures		5,646	(295)	(59)	5,292
	₩	86,296	(2,639)	(1,414)	82,243

(*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

(in millions of Won)		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
	₩	86,752	(3,244)	2,788	86,296

(*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.

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

11. Property, Plant and Equipment, Net

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

(a) For the nine-month period ended September 30, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,472,419	-	(4,596)	-	-	579	1,468,402
Buildings		2,451,009	1,205	(3,773)	(163,760)	-	96,101	2,380,782
Structures		2,464,391	2,392	(1,522)	(141,838)	(29)	65,195	2,388,589
Machinery and equipment		13,577,042	31,878	(56,201)	(1,232,067)	(5,530)	1,205,360	13,520,482
Vehicles		11,316	63	-	(5,570)	-	2,306	8,115
Tools		23,244	1,629	(5)	(8,495)	(3)	4,448	20,818
Furniture and fixtures		33,890	982	(25)	(6,857)	-	2,105	30,095
Finance lease assets		77,848	-	-	(4,307)	-	-	73,541
Construction-in-progress		2,146,250	1,119,916	-	-	-	(1,450,154)	1,816,012
	₩	<u>22,257,409</u>	<u>1,158,065</u>	<u>(66,122)</u>	<u>(1,562,894)</u>	<u>(5,562)</u>	<u>(74,060)</u>	<u>21,706,836</u>

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

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

12. Intangible Assets, Net

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

(a) For the nine-month period ended September 30, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩	22,671	-	(415)	(3,159)	-	4,234	23,331
Membership(*1)		48,512	-	(235)	-	-	-	48,277
Development expense		102,785	584	-	(45,034)	-	18,641	76,976
Port facilities usage rights		257,348	-	-	(14,572)	-	72,681	315,457
Construction-in-progress		52,925	42,281	-	-	-	(46,516)	48,690
Other intangible assets		24,649	233	(2)	(4,750)	(11,822)	6,314	14,622
	₩	<u>508,890</u>	<u>43,098</u>	<u>(652)</u>	<u>(67,515)</u>	<u>(11,822)</u>	<u>55,354</u>	<u>527,353</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.

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

13. Other Assets

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

<i>(in millions of Won)</i>		September 30, 2017	December 31, 2016
Current			
Advance payments	₩	6,294	6,692
Prepaid expenses		48,171	16,167
	₩	<u>54,465</u>	<u>22,859</u>
Non-current			
Long-term prepaid expenses	₩	5,395	5,654
Others(*1)		100,270	104,543
	₩	<u>105,665</u>	<u>110,197</u>

(*1) As of September 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.

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Notes to the Condensed Separate Interim Financial Statements, Continued
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14. Borrowings

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

(in millions of Won)

		September 30, 2017	December 31, 2016
Short-term borrowings			
Short-term borrowings	₩	334,314	331,370
Current portion of long-term borrowings		3,930	33,470
	₩	<u>338,244</u>	<u>364,840</u>
Long-term borrowings			
Long-term borrowings	₩	5,443	28,997
Debentures		3,666,611	3,762,146
Less: Discount on debentures issued		(10,152)	(13,129)
	₩	<u>3,661,902</u>	<u>3,778,014</u>

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

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate		September 30, 2017	December 31, 2016
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	-	-	-	-		34,314	31,370
					₩	<u>334,314</u>	<u>331,370</u>

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

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate		September 30, 2017	December 31, 2016
Borrowings	Woori Bank	2010.06.10~ 2011.04.28	2018.03.15~ 2019.03.15	1.75	₩	3,930	12,471
Foreign borrowings	-	-	-	-		-	20,999
					₩	<u>3,930</u>	<u>33,470</u>

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

(in millions of Won)

	Lenders	Issuance date	Maturity date	Annual interest rate		September 30, 2017	December 31, 2016
Borrowings	Woori Bank	2011.04.28	2019.03.15	1.75	₩	750	24,051
Foreign borrowings	Korea National Oil Corporation	2007.12.27~ 2009.12.29	2022.06.25~ 2024.12.29	3 year Government bond		4,693	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		1,497,750	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		2,158,709	2,251,995
					₩	<u>3,661,902</u>	<u>3,778,014</u>

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

15. Other Payables

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current			
Accounts payable	₩	338,153	486,294
Accrued expenses		333,617	361,258
Dividend payable		4,399	4,793
Finance lease liabilities		6,024	5,905
Withholdings		9,535	7,824
	₩	<u>691,728</u>	<u>866,074</u>
Non-current			
Long-term accounts payable	₩	-	1,119
Long-term accrued expenses		9,121	36,707
Finance lease liabilities		67,046	71,657
Long-term withholdings		4,000	7,827
	₩	<u>80,167</u>	<u>117,310</u>

16. Other Financial Liabilities

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current			
Financial guarantee liabilities	₩	15,191	16,508
Non-current			
Derivative liabilities	₩	5,210	-
Financial guarantee liabilities		61,563	72,742
	₩	<u>66,773</u>	<u>72,742</u>

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

17. Provisions

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

(in millions of Won)

	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Provision for bonus payments(*1)	₩ 3,017	-	3,985	-
Provision for restoration(*2)	11,367	20,172	10,169	27,009
Provision for litigation(*3)	-	2,463	-	2,497
	₩ 14,384	22,635	14,154	29,506

(*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 from recovery as provisions for restoration as of September 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 September 30, 2017.

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

1) For the nine-month period ended September 30, 2017

(in millions of Won)

	Beginning	Increase	Reversal	Utilization	Ending
Provision for bonus payments	₩ 3,985	19,424	-	(20,392)	3,017
Provision for restoration	37,178	517	-	(6,156)	31,539
Provision for litigation	2,497	-	(8)	(26)	2,463
	₩ 43,660	19,941	(8)	(26,574)	37,019

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
	₩ 44,794	36,360	(12,475)	(25,019)	43,660

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

18. Employee Benefits

(a) Defined contribution plans

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

<i>(in millions of Won)</i>	For the three-month ended September 30		For the nine-month ended September 30	
	2017	2016	2017	2016
Expense related to post-employment benefit plans under defined contribution plans	₩ 6,355	5,251	19,035	16,369

(b) Defined benefit plans

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Present value of funded obligations	₩ 1,080,294	1,065,255
Fair value of plan assets	(1,081,750)	(1,146,876)
Net defined benefit liabilities (assets)	₩ (1,456)	(81,621)

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Defined benefit obligation at the beginning of period	₩ 1,065,255	1,023,071
Current service costs	88,204	113,209
Interest costs	14,601	24,136
Remeasurement	1,385	(3,816)
Business combination	-	1,133
Benefits paid	(89,151)	(92,478)
Defined benefit obligation at the end of period	₩ 1,080,294	1,065,255

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

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Fair value of plan assets at the beginning of period	₩	1,146,876	1,012,599
Interest on plan assets		23,773	26,259
Remeasurement of plan assets		(9,176)	(4,829)
Contributions to plan assets		-	198,439
Business combination		-	244
Benefits paid		(79,723)	(85,836)
Fair value of plan assets at the end of period	₩	<u>1,081,750</u>	<u>1,146,876</u>

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

<i>(in millions of Won)</i>		<u>For the three-month ended September 30</u>		<u>For the nine-month ended September 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current service costs	₩	32,047	28,258	88,204	85,274
Net interest costs		(3,058)	(531)	(9,172)	(1,593)
	₩	<u>28,989</u>	<u>27,727</u>	<u>79,032</u>	<u>83,681</u>

19. Other Liabilities

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current			
Advances received	₩	33,292	6,251
Withholdings		26,506	29,580
Unearned revenue		1,710	1,388
	₩	<u>61,508</u>	<u>37,219</u>
Non-current			
Advances received	₩	5,267	-
Unearned revenue		14,607	15,516
	₩	<u>19,874</u>	<u>15,516</u>

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

20. Financial Instruments

(a) Classification of financial instruments

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

<i>(in millions of Won)</i>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Financial assets at fair value through profit or loss		
Derivative assets held for trading	₩ 14,872	80,959
Available-for-sale financial assets	1,616,652	2,064,578
Loans and receivables	9,576,962	7,706,575
	₩ <u>11,208,486</u>	<u>9,852,112</u>

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

<i>(in millions of Won)</i>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Financial liabilities at fair value through profit or loss		
Derivative liabilities held for trading	₩ 5,210	-
Financial liabilities measured at amortized cost		
Trade accounts and notes payable	996,992	1,082,927
Borrowings	4,000,146	4,142,854
Financial guarantee liabilities(*1)	76,754	89,250
Others	751,325	976,574
	₩ <u>5,830,427</u>	<u>6,291,605</u>

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

(*1) Financial liabilities were recognized in connection with financial guarantee contracts as of September 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 Stainless Steel Co., Ltd.	BTMU	CNY	260,500,000	44,897	260,500,000	44,897
	Credit Agricole	CNY	305,000,000	52,567	305,000,000	52,567
	SMBC	CNY	195,000,000	33,608	195,000,000	33,608
POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea	USD	193,000,000	221,313	110,600,000	126,825
	HSBC	USD	110,000,000	126,137	54,000,000	61,922
	DBS	USD	100,000,000	114,670	60,000,000	68,802
	SCB	USD	106,853,000	122,528	61,625,400	70,666
	Citi	USD	60,000,000	68,802	24,000,000	27,521
	ING	USD	80,000,000	91,736	56,000,000	64,215
POSCO ASSAN TST STEEL INDUSTRY	SMBC	USD	62,527,500	71,700	56,274,750	64,530
	ING	USD	60,000,000	68,802	54,000,000	61,922
	BNP	USD	24,000,000	27,521	21,600,000	24,769
POSCO Asia Co., Ltd.	BOC	USD	50,000,000	57,335	50,000,000	57,335
	NAB	USD	50,000,000	57,335	50,000,000	57,335
POSCO MEXICO S.A. DE C.V	BOA	USD	30,000,000	34,401	30,000,000	34,401
	BTMU	USD	30,000,000	34,401	30,000,000	34,401
	CITI BANAMEX	USD	40,000,000	45,868	40,000,000	45,868
	ING	USD	20,000,000	22,934	20,000,000	22,934
	SMBC	USD	40,000,000	45,868	40,000,000	45,868
POSCO SS VINA Co., Ltd.	Export-Import Bank of Korea	USD	249,951,050	286,619	232,466,359	266,569
	BOA	USD	40,000,000	45,868	37,180,000	42,634
	BTMU	USD	40,000,000	45,868	37,180,000	42,634
	DBS	USD	24,400,000	27,979	22,679,800	26,007
POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	224,753	196,000,000	224,753
POSCO VST CO., LTD.	ANZ	USD	25,000,000	28,668	3,125,000	3,583
	HSBC	USD	20,000,000	22,934	2,500,000	2,867
	MIZUHO	USD	20,000,000	22,934	2,500,000	2,867
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	567,000,000	650,179	505,268,826	579,392
	SMBC	USD	140,000,000	160,538	124,946,044	143,276
	BTMU	USD	119,000,000	136,457	104,513,044	119,845
	SCB	USD	107,800,000	123,614	96,666,044	110,847
	MIZUHO	USD	105,000,000	120,404	92,217,391	105,746
	Credit Suisse AG	USD	91,000,000	104,350	79,921,739	91,646
	HSBC	USD	91,000,000	104,350	79,921,739	91,646
	ANZ	USD	73,500,000	84,282	66,541,696	76,303
	BOA	USD	35,000,000	40,135	30,739,130	35,249
	The Tokyo Star Bank, Ltd	USD	21,000,000	24,081	18,443,478	21,149
POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & Co.	THB	5,501,000,000	188,904	5,501,000,000	188,904
LLP POSUK Titanium	SMBC	USD	15,000,000	17,201	15,000,000	17,201
CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea	USD	182,000,000	208,699	182,000,000	208,699
	Santander	USD	47,600,000	54,583	47,600,000	54,583
	BNP	USD	47,600,000	54,583	47,600,000	54,583
	MIZUHO	USD	47,600,000	54,583	47,600,000	54,583
	Credit Agricole	USD	20,000,000	22,934	20,000,000	22,934
	SOCIETE GENERALE	USD	20,000,000	22,934	20,000,000	22,934
	KfW	USD	20,000,000	22,934	20,000,000	22,934
	BBVA Seoul	USD	17,600,000	20,182	17,600,000	20,182
	ING	USD	17,600,000	20,182	17,600,000	20,182
	BNDES	BRL	464,060,000	167,219	464,060,000	167,219
Nickel Mining Company SAS	SMBC	EUR	46,000,000	62,140	31,000,000	41,877
		USD	3,457,031,550	3,964,179	2,925,910,440	3,355,142
		CNY	760,500,000	131,072	760,500,000	131,072
		EUR	46,000,000	62,140	31,000,000	41,877
		THB	5,501,000,000	188,904	5,501,000,000	188,904
		BRL	464,060,000	167,219	464,060,000	167,219

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

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

① For the nine-month period ended September 30, 2017

(in millions of Won)

	Finance income and costs						Total	Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others		
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	(66,088)	(66,088)	-
Available-for-sale financial assets	42	27,976	-	380,205	(94,350)	-	313,873	(13,086)
Loans and receivables	63,186	-	(42,807)	-	-	(1,120)	19,259	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(5,210)	(5,210)	-
Financial liabilities measured at amortized cost	(90,871)	-	138,852	-	-	7,202	55,183	-
	₩ (27,643)	27,976	96,045	380,205	(94,350)	(65,216)	317,017	(13,086)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩122,684 million for the nine-month period ended September 30, 2017.

② For the nine-month period ended September 30, 2016

(in millions of Won)

	Finance income and costs						Total	Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others		
Financial assets at fair value through profit or loss	₩ -	-	-	(16,917)	-	(60,843)	(77,760)	-
Available-for-sale financial assets	225	26,574	-	1,346	(221,561)	-	(193,416)	225,924
Loans and receivables	68,285	-	(105,585)	-	-	(526)	(37,826)	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(30,898)	(30,898)	-
Financial liabilities measured at amortized cost	(114,874)	-	73,929	-	-	6,341	(34,604)	-
	₩ (46,364)	26,574	(31,656)	(15,571)	(221,561)	(85,926)	(374,504)	225,924

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩117,427 million for the nine-month period ended September 30, 2016.

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

① For the three-month period ended September 30, 2017

(in millions of Won)

	Finance income and costs						Total	Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others		
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	817	817	-
Available-for-sale financial assets	14	26	-	284,122	(41,551)	-	242,611	(238,271)
Loans and receivables	25,229	-	20,845	-	-	(724)	45,351	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	4,237	4,237	-
Financial liabilities measured at amortized cost	(36,379)	-	(20,513)	-	-	2,402	(54,491)	-
	₩ (11,136)	26	332	284,122	(41,551)	6,732	238,525	(238,271)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩12,677 million for the three-month period ended September 30, 2017.

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

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

(in millions of Won)

	Finance income and costs						Total	Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others		
Financial assets at fair value through profit or loss	₩ -	-	-	(16,917)	-	(14,713)	(31,630)	-
Available-for-sale financial assets	13	3,365	-	(825)	(2,724)	-	(171)	96,579
Loans and receivables	24,832	-	(108,924)	-	-	(213)	(84,305)	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(35,764)	(35,764)	-
Financial liabilities measured at amortized cost	(35,136)	-	184,448	-	-	1,244	150,556	-
	₩ (10,291)	3,365	75,524	(17,742)	(2,724)	(49,446)	(1,314)	96,579

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩8,099 million for the three-month period ended September 30, 2016.

(b) Fair value

1) Fair value and book value

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

(in millions of Won)

	September 30, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Financial assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 1,513,897	1,513,897	1,950,447	1,950,447
Derivative assets(*1,2)	14,872	14,872	80,959	80,959
	<u>1,528,769</u>	<u>1,528,769</u>	<u>2,031,406</u>	<u>2,031,406</u>
Financial assets measured at amortized cost(*3)				
Cash and cash equivalents	443,725	443,725	120,529	120,529
Trade accounts and note receivable, net	4,083,952	4,083,952	3,230,249	3,230,249
Loans and other receivables, net	5,049,285	5,049,285	4,355,797	4,355,797
	<u>9,576,962</u>	<u>9,576,962</u>	<u>7,706,575</u>	<u>7,706,575</u>
Financial liabilities measured at fair value				
Derivative liabilities(*2)	5,210	5,210	-	-
Financial liabilities measured at amortized cost(*3)				
Trade accounts and notes payable	996,992	996,992	1,082,927	1,082,927
Borrowings	4,000,146	4,215,579	4,142,854	4,354,129
Financial guarantee liabilities	76,754	76,754	89,250	89,250
Others	751,325	751,325	976,574	976,574
	₩ <u>5,825,217</u>	<u>6,040,650</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 discounted cash flow method 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 September 30, 2017 (Unaudited)

- (*2) The fair value of derivatives which are classified as fair value hierarchy level 2 is measured using valuation models such as discounted cash flow method and others. Principal input variables of valuation model are forward exchange rate, interest rate and others.
- (*3) The fair value of financial assets and liabilities measured at amortized cost is measured using discounted cash flow method, and 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 September 30, 2017 and December 31, 2016 are as follows:

① September 30, 2017

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,327,001	-	186,896	1,513,897
Derivative assets		-	12,699	2,173	14,872
	₩	<u>1,327,001</u>	<u>12,699</u>	<u>189,069</u>	<u>1,528,769</u>
Financial liabilities					
Derivative liabilities	₩	-	5,210	-	5,210

② December 31, 2016

<i>(in millions of Won)</i>		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 September 30, 2017 (Unaudited)

21. Share Capital and Capital Surplus

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

<i>(in Won, except per share information)</i>	September 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 September 30, 2017, total shares of ADRs of 36,961,932 are equivalent to 9,240,483 shares of common stock.

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,841	783,788
Loss from merger	(91,310)	(91,310)
	₩ 1,156,356	1,156,303

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

22. Hybrid Bonds

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

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

<i>(in millions of</i>	<u>Hybrid bond 1-1</u>	<u>Hybrid bond 1-2</u>
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 interest accumulated but not paid on the hybrid bonds as of September 30, 2017 amounts to ₩2,150 million.

23. Reserves

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

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Accumulated changes in unrealized fair value of available-for-sale investments, net of tax	₩	271,154	284,240

24. Treasury Shares

As of September 30, 2017, the Company holds 7,188,006 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 September 30, 2017 (Unaudited)

25. Selling and Administrative Expenses

(a) Administrative expenses

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

<i>(in millions of Won)</i>	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2017	2016	2017	2016
Wages and salaries	₩ 51,031	50,303	166,846	153,954
Expenses related to defined benefit plan	10,904	7,805	27,188	23,893
Other employee benefits	10,489	11,671	31,999	37,645
Travel	3,171	2,768	9,130	8,902
Depreciation	3,930	4,942	12,840	13,103
Amortization	15,038	14,533	43,704	41,408
Rental	11,439	13,943	33,720	43,597
Repairs	1,511	1,706	4,944	5,403
Advertising	22,616	24,841	74,032	56,163
Research & development	27,511	21,665	65,523	59,168
Service fees	42,906	44,264	119,431	119,300
Supplies expense	1,181	241	3,376	4,899
Vehicles maintenance	1,533	1,599	4,425	4,759
Industry association fee	1,163	3,719	4,113	7,033
Training	5,150	3,955	14,413	12,456
Conference	1,234	910	3,374	2,819
Bad debt expenses	(1,041)	1,166	567	21,835
Others	5,212	6,511	22,001	24,592
	₩ <u>214,978</u>	<u>216,542</u>	<u>641,626</u>	<u>640,929</u>

(b) Selling expenses

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

<i>(in millions of Won)</i>	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2017	2016	2017	2016
Freight and custody expenses	₩ 207,235	191,653	589,516	587,264
Operating expenses for distribution center	2,471	2,428	7,284	7,236
Sales commissions	22,148	23,004	46,139	57,555
Sales advertising	895	1,184	1,986	2,187
Sales promotion	1,340	1,290	3,821	3,885
Sample	234	154	760	759
Sales insurance premium	1,422	1,534	4,381	3,444
	₩ <u>235,745</u>	<u>221,247</u>	<u>653,887</u>	<u>662,330</u>

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

26. Finance Income and Costs

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

<i>(in millions of Won)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
Finance income				
Interest income	₩ 25,243	24,844	63,228	68,510
Dividend income	12,703	11,464	150,660	144,001
Gain on foreign currency transactions	50,499	66,120	153,638	188,340
Gain on foreign currency translations	(11,557)	85,622	119,678	123,855
Gain on valuation of derivatives	-	(14,712)	-	10,575
Gains on derivatives transactions	-	117	-	117
Gain on disposals of available-for-sale investment	284,122	-	381,026	2,171
Gain on financial guarantee	2,402	2,552	7,231	7,687
	₩ <u>363,412</u>	<u>176,007</u>	<u>875,461</u>	<u>545,256</u>
Finance costs				
Interest expenses	₩ 36,379	35,135	90,871	114,874
Loss on foreign currency transactions	39,976	77,621	158,648	208,342
Loss on foreign currency translations	(1,366)	(1,403)	18,623	135,509
Loss on valuation of derivatives	(5,054)	35,765	71,298	102,317
Loss on derivatives transactions	-	17,034	-	17,034
Impairment loss on available-for-sale investment	41,551	2,724	94,350	221,561
Others	724	2,346	1,970	2,696
	₩ <u>112,210</u>	<u>169,222</u>	<u>435,760</u>	<u>802,333</u>

27. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and nine-month periods ended September 30, 2017 and 2016 were as follows:

<i>(in millions of Won)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
Other non-operating income				
Gain on disposals of property, plant and equipment	₩ 6,029	1,321	21,957	17,601
Gain on disposals of intangible assets	1,223	-	23,199	483
Gain on disposals of assets held for sale	7	6,814	85	6,814
Premium income	2,549	3,888	3,888	5,863
Gain on exemption of debts	-	-	-	9,665
Reversal of impairment losses on investment in subsidiaries, associates and joint ventures	-	-	225,860	-
Others	902	1,389	11,040	17,744
	<u>10,710</u>	<u>13,412</u>	<u>286,029</u>	<u>58,170</u>
Other non-operating expenses				
Loss on disposals of property, plant and equipment	36,431	14,128	106,806	69,774
Impairment losses on property, plant and equipment	-	34,056	5,562	34,056
Impairment losses on intangible assets	-	-	11,822	1,431
Donations	7,348	4,641	22,748	19,842
Impairment loss on asset held for sale	9,363	-	9,363	-
Impairment losses on investment in subsidiaries, associates and joint ventures	827	39,404	13,643	75,347
Others	10,793	14,987	17,632	25,833
	₩ <u>64,762</u>	<u>107,216</u>	<u>187,576</u>	<u>226,283</u>

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Notes to the Condensed Separate Interim Financial Statements, Continued As of September 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 nine-month periods ended September 30, 2017 and 2016 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2017	2016	2017	2016
Changes in inventories(*1)	₩ 53,770	(190,323)	(105,261)	126,941
Raw materials and consumables used	4,253,918	3,191,979	12,617,373	8,993,259
Employee benefits expenses	394,430	406,961	1,204,323	1,193,602
Outsourced processing cost	543,278	494,523	1,567,744	1,498,866
Depreciation(*2)	526,571	521,431	1,565,533	1,540,520
Amortization	23,479	21,332	67,515	58,443
Electricity and water expenses	161,920	175,229	479,280	564,143
Service fees	60,461	64,279	173,458	171,513
Rental	16,256	19,482	49,546	58,010
Advertising	22,616	24,841	74,032	56,163
Freight and custody expenses	207,235	191,653	589,516	587,264
Sales commissions	22,148	23,004	46,139	57,555
Loss on disposals of property, plant and equipment	36,431	14,128	106,806	69,774
Impairment losses on property, plant and equipment	-	34,056	5,562	34,056
Impairment losses on investments in subsidiaries, associates and joint ventures	827	39,404	13,643	75,347
Others	274,700	329,335	1,087,015	876,816
	₩ <u>6,598,040</u>	<u>5,361,314</u>	<u>19,542,224</u>	<u>15,962,272</u>

(*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 nine-month periods ended September 30, 2017 and 2016 were 21.3% and 22.5%, respectively.

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

30. Earnings per Share

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

<i>(in Won except per share information)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
Profit	₩ 729,921,746,510	578,995,935,125	2,078,722,527,607	1,335,416,347,414
Interests of hybrid bonds, net of tax	(8,330,108,492)	(8,330,108,492)	(24,628,146,846)	(24,804,509,930)
Weighted-average number of common shares outstanding(*1)	79,998,798	79,996,318	79,998,325	79,996,052
Basic and diluted earnings per share	9,020	7,134	25,677	16,383

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

<i>(in share)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,188,037)	(7,190,517)	(7,188,510)	(7,190,783)
Weighted-average number of common shares outstanding	<u>79,998,798</u>	<u>79,996,318</u>	<u>79,998,325</u>	<u>79,996,052</u>

Since there were no potential shares of common stock which had dilutive effects as of September 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 September 30, 2017 (Unaudited)

31. Related Party Transactions

(a) Significant transactions with related companies for the nine-month periods ended September 30, 2017 and 2016 were as follows:

1) For the nine-month period ended September 30, 2017

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	processing cost	Others
Subsidiaries(*3)						
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	₩ 2,551	55	-	117,040	2	9,835
POSCO Processing&Service	298,781	1	113,628	4,595	8,309	404
POSCO COATED & COLOR STEEL Co., Ltd.	305,823	3,533	-	-	7,166	47
POSCO ICT(*4)	1,122	5,087	-	225,629	21,203	129,147
eNtoB Corporation	1	30	233,816	4,265	32	19,292
POSCO CHEMTECH	266,494	27,736	362,422	15,721	214,862	6,646
POSCO ENERGY CO., LTD.	133,124	1,068	-	-	-	-
POSCO DAEWOO Corporation	3,868,409	35,155	375,159	221	29,974	1,355
POSCO Thainox Public Company Limited	160,079	9,780	8,068	-	-	-
POSCO America Corporation	296,609	-	90	-	-	1,283
POSCO Canada Ltd.	218	666	206,071	-	-	-
POSCO Asia Co., Ltd.	1,517,004	887	311,610	194	1,257	3,053
Qingdao Pohang Stainless Steel Co., Ltd.	119,797	-	-	-	-	160
POSCO JAPAN Co., Ltd.	1,105,655	2	20,104	311	-	2,397
POSCO MEXICO S.A. DE C.V.	231,152	-	-	-	-	665
POSCO Maharashtra Steel Private Limited	349,800	-	-	-	-	51
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	147,370	-	-	-	-	-
Others	835,030	7,681	208,938	21,508	174,123	84,427
	<u>9,639,019</u>	<u>91,681</u>	<u>1,839,906</u>	<u>389,484</u>	<u>456,928</u>	<u>258,762</u>
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.	1,097	71	4,366	255,140	14,905	17,591
SNNC	3,833	426	390,983	-	-	1
POSCO-SAMSUNG-Slovakia Processing Center	40,994	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	547,506	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	159,501	-	-	-
Others	10,737	52,519	59,652	-	-	3
	<u>56,661</u>	<u>53,016</u>	<u>1,162,008</u>	<u>255,140</u>	<u>14,905</u>	<u>17,595</u>
₩	<u>9,695,680</u>	<u>144,697</u>	<u>3,001,914</u>	<u>644,624</u>	<u>471,833</u>	<u>276,357</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 September 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 September 30, 2017 (Unaudited)

2) For the nine-month period ended September 30, 2016

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	28,110	16,642	8	180,712	-	18,236
POSCO Processing&Service	814,370	5,777	375,111	-	10,503	1,333
POSCO COATED & COLOR STEEL Co., Ltd.	232,828	2,560	-	-	9,390	121
POSCO ICT	987	523	-	132,485	24,974	124,867
eNtoB Corporation	-	5	186,764	4,924	80	13,231
POSCO CHEMTECH	238,837	23,813	374,993	10,269	216,581	4,503
POSCO ENERGY CO., LTD.	138,359	1,023	-	-	-	22
POSCO TMC Co., Ltd.	204,163	-	2	-	1,024	733
POSCO AST	152,108	1	-	-	19,695	922
POSCO DAEWOO Corporation	2,368,416	34,341	62,308	-	-	132
POSCO Thainox Public Company Limited	175,429	2,915	6,891	-	-	176
POSCO America Corporation	404,184	-	-	-	-	641
POSCO Canada Ltd.	-	-	83,005	-	-	-
POSCO Asia Co., Ltd.	1,304,048	221	307,166	102	735	1,657
Qingdao Pohang Stainless Steel Co., Ltd.	97,707	-	-	-	-	513
POSCO JAPAN Co., Ltd.	806,338	-	16,672	2,406	322	2,017
POSCO MEXICO S.A. DE C.V.	172,017	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	268,152	106	-	-	-	57
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	102,823	-	-	-	-	-
Others	720,889	10,201	156,233	41,955	159,168	82,790
	<u>8,229,765</u>	<u>98,128</u>	<u>1,569,153</u>	<u>372,853</u>	<u>442,472</u>	<u>251,951</u>
Associates and joint ventures						
SeAH Changwon Integrated Special Steel	28	-	1,095	-	627	-
POSCO PLANTEC Co., Ltd.	2,193	31	2,533	143,946	12,248	6,825
SNNC	4,661	863	334,208	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	31,456	-	-	-	-	-
KOBRASCO	-	29,297	-	-	-	-
Others	21,996	12,923	57,106	-	-	-
	<u>60,334</u>	<u>43,114</u>	<u>394,942</u>	<u>143,946</u>	<u>12,875</u>	<u>6,825</u>
₩	<u>8,290,099</u>	<u>141,242</u>	<u>1,964,095</u>	<u>516,799</u>	<u>455,347</u>	<u>258,776</u>

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

(b) Significant transactions with related companies for the three-month periods ended September 30, 2017 and 2016 were as follows:

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

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	₩ 773	11	-	36,265	2	5,307
POSCO COATED & COLOR STEEL Co., Ltd.	100,020	-	-	-	2,001	25
POSCO ICT	331	10	-	79,713	7,309	42,734
eNtoB Corporation	-	-	78,695	2,763	15	6,154
POSCO CHEMTECH	93,332	6,672	130,813	-	73,666	387
POSCO ENERGY CO., LTD.	49,814	370	-	-	-	-
POSCO DAEWOO Corporation	1,410,115	-	163,305	-	13,219	106
POSCO Thainox Public Company Limited	51,024	-	1,938	-	-	-
POSCO America Corporation	93,596	-	-	-	-	1,208
POSCO Canada Ltd.	-	317	63,505	-	-	-
POSCO Asia Co., Ltd.	516,351	277	79,460	-	493	1,478
Qingdao Pohang Stainless Steel Co., Ltd.	38,112	-	-	-	-	132
POSCO JAPAN Co., Ltd.	351,593	2	6,623	311	-	1,658
POSCO MEXICO S.A. DE C.V.	54,215	-	-	-	-	665
POSCO Maharashtra Steel Private Limited	129,911	-	-	-	-	19
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	46,754	-	-	-	-	-
Others	271,107	642	71,362	4,778	58,933	34,823
	<u>3,207,048</u>	<u>8,301</u>	<u>595,701</u>	<u>123,830</u>	<u>155,638</u>	<u>94,696</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	644	25	624	52,235	4,572	1,626
SNNC	1,176	142	146,867	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	17,535	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	184,772	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	9,404	-	-	-
Others	3,866	12,673	15,026	-	-	2
	<u>23,221</u>	<u>12,840</u>	<u>356,693</u>	<u>52,235</u>	<u>4,572</u>	<u>1,628</u>
₩	<u>3,230,269</u>	<u>21,141</u>	<u>952,394</u>	<u>176,065</u>	<u>160,210</u>	<u>96,324</u>

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

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	₩ 750	13	8	27,381	-	2,190
POSCO Processing&Service	335,743	-	123,031	-	10,503	461
POSCO COATED & COLOR STEEL Co., Ltd.	79,499	-	-	-	2,899	65
POSCO ICT	301	231	-	51,045	7,191	43,332
eNtoB Corporation	-	5	64,335	760	24	4,308
POSCO CHEMTECH	79,401	5,801	128,287	3,666	75,368	1,169
POSCO ENERGY CO., LTD.	45,256	371	-	-	-	22
POSCO TMC Co., Ltd.	57,402	-	1	-	-	56
POSCO DAEWOO Corporation	807,385	-	25,136	-	-	-
POSCO Thainox Public Company Limited	60,482	58	2,654	-	-	153
POSCO America Corporation	118,816	-	-	-	-	641
POSCO Canada Ltd.	-	-	19,524	-	-	-
POSCO Asia Co., Ltd.	403,657	98	142,877	53	444	935
Qingdao Pohang Stainless Steel Co., Ltd.	36,783	-	-	-	-	94
POSCO JAPAN Co., Ltd.	291,532	-	4,461	2,038	268	1,023
POSCO MEXICO S.A. DE C.V.	60,836	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	75,568	106	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	38,436	-	-	-	-	-
Others	302,261	383	48,557	10,770	54,331	31,954
	<u>2,794,108</u>	<u>7,066</u>	<u>558,871</u>	<u>95,713</u>	<u>151,028</u>	<u>86,403</u>
Associates and joint ventures						
SeAH Changwon Integrated Special Steel	8	-	208	-	110	-
POSCO PLANTEC Co., Ltd.	339	6	721	51,943	4,078	1,956
SNNC	2,261	166	128,309	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	14,887	-	-	-	-	-
Others	3,769	8,313	28,808	-	-	-
	<u>21,264</u>	<u>8,485</u>	<u>158,046</u>	<u>51,943</u>	<u>4,188</u>	<u>1,956</u>
₩	<u>2,815,372</u>	<u>15,551</u>	<u>716,917</u>	<u>147,656</u>	<u>155,216</u>	<u>88,359</u>

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

(c) The related account balances of significant transactions with related companies as of September 30, 2017 and December 31, 2016 are as follows:

1) September 30, 2017

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	2	2,179	2,181	-	14,340	199	14,539
POSCO COATED & COLOR STEEL Co., Ltd.	55,272	243	55,515	-	5	1,003	1,008
POSCO ICT	-	160	160	816	57,672	6,666	65,154
eNtoB Corporation	-	-	-	9,798	23,357	15	33,170
POSCO CHEMTECH	62,995	3,394	66,389	64,161	8,049	17,155	89,365
POSCO ENERGY CO., LTD.	35,734	1,277	37,011	-	-	1,425	1,425
POSCO DAEWOO Corporation	520,655	-	520,655	5,463	1,983	5,664	13,110
POSCO Thainox Public Company Limited	51,003	-	51,003	-	-	-	-
POSCO America Corporation	10,826	-	10,826	-	-	-	-
POSCO Asia Co., Ltd.	455,115	1,266	456,381	8,450	-	-	8,450
Qingdao Pohang Stainless Steel Co., Ltd.	26,556	-	26,556	-	54	-	54
POSCO MEXICO S.A. DE C.V.	78,290	1,005	79,295	-	-	-	-
POSCO Maharashtra Steel Private Limited	395,229	6,628	401,857	-	-	-	-
Others	365,501	64,129	429,630	52,930	21,925	13,878	88,733
	<u>2,057,178</u>	<u>80,281</u>	<u>2,137,459</u>	<u>141,618</u>	<u>127,385</u>	<u>46,005</u>	<u>315,008</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	674	2	676	1,669	20,080	-	21,749
SNNC	231	50	281	29,382	-	-	29,382
Others	721	23,005	23,726	25,230	-	-	25,230
	<u>1,626</u>	<u>23,057</u>	<u>24,683</u>	<u>56,281</u>	<u>20,080</u>	-	<u>76,361</u>
₩	<u>2,058,804</u>	<u>103,338</u>	<u>2,162,142</u>	<u>197,899</u>	<u>147,465</u>	<u>46,005</u>	<u>391,369</u>

2) December 31, 2016

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	3	3,359	3,362	-	9,825	515	10,340
POSCO Processing&Service	207,744	178	207,922	1,085	5,367	5,184	11,636
POSCO COATED & COLOR STEEL Co., Ltd.	48,716	324	49,040	-	5	1,600	1,605
POSCO ICT	-	128	128	1,062	89,382	6,074	96,518
eNtoB Corporation	-	-	-	9,948	29,310	15	39,273
POSCO CHEMTECH	27,253	3,868	31,121	54,702	11,870	19,282	85,854
POSCO ENERGY CO., LTD.	18,701	2,012	20,713	-	-	1,425	1,425
POSCO DAEWOO Corporation	182,700	11,184	193,884	460	183	49	692
POSCO Thainox Public Company Limited	62,034	8	62,042	-	224	-	224
POSCO America Corporation	10,008	-	10,008	-	-	-	-
POSCO Asia Co., Ltd.	375,823	458	376,281	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	1,024	115,190	-	-	-	-
POSCO Maharashtra Steel Private Limited	208,737	9,923	218,660	-	-	-	-
Others	333,031	64,526	397,557	17,374	46,455	26,974	90,803
	<u>1,614,302</u>	<u>96,992</u>	<u>1,711,294</u>	<u>109,732</u>	<u>192,626</u>	<u>61,118</u>	<u>363,476</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	30	9	39	2,125	39,647	-	41,772
SNNC	223	26	249	40,201	-	-	40,201
Others	800	1	801	991	17,685	-	18,676
	<u>1,053</u>	<u>36</u>	<u>1,089</u>	<u>43,317</u>	<u>57,332</u>	-	<u>100,649</u>
₩	<u>1,615,355</u>	<u>97,028</u>	<u>1,712,383</u>	<u>153,049</u>	<u>249,958</u>	<u>61,118</u>	<u>464,125</u>

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

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

<i>(in millions of Won)</i>		September 30, 2017	September 30, 2016
Short-term benefits	₩	36,742	20,428
Long-term benefits		3,938	8,893
Retirement benefits		12,814	5,594
	₩	<u>53,494</u>	<u>34,915</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 September 30, 2017, 124 million tons of iron ore and 19 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 September 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 project. 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 September 30, 2017, the balances of the borrowing are USD 4.09 million.

- (b) As of September 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 September 30, 2017 (Unaudited)

(c) Litigation in progress

The Company is involved in 14 litigations for alleged damages aggregating to ₩51.6 billion as of September 30, 2017 which arose in the ordinary course of business. The Company has recognized provisions for 2 of 14 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 September 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 nine-month periods ended September 30, 2017 and 2016 were as follows:

<i>(in millions of Won)</i>		<u>September 30, 2017</u>	<u>September 30, 2016</u>
Trade accounts and notes receivable, net	₩	(838,879)	(3,837)
Other accounts receivable		50,307	60,236
Inventories		(125,757)	163,179
Prepaid expenses		(31,746)	(18,324)
Other current assets		11	130
Long-term guarantee deposits		(49)	138
Other non-current assets		-	(60)
Trade accounts and notes payable		(92,773)	181,776
Other accounts payable		(76,790)	15,885
Accrued expenses		(75,379)	(11,459)
Advances received		32,309	(1,629)
Withholdings		(3,074)	4,482
Unearned revenue		(588)	(842)
Other current liabilities		(7,125)	(12,817)
Payments of severance benefits		(89,151)	(67,093)
Plan assets		79,723	(36,259)
Other non-current liabilities		18	-
	₩	<u>(1,178,943)</u>	<u>273,506</u>