

# **POSCO and Subsidiaries**

**Condensed Consolidated Interim Financial Statements  
(Unaudited)  
March 31, 2018**

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

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## **Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
POSCO:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of March 31, 2018, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2018 and 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

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

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

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

### **Conclusion**

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

**Other matters**

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

The consolidated statement of financial position of the Company as of December 31, 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 28, 2018, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2017, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
May 15, 2018

This report is effective as of May 15, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Financial Position**  
**As of March 31, 2018 and December 31, 2017**  
**(Unaudited)**

(in millions of Won)

	Notes	March 31, 2018	December 31, 2017
<b>Assets</b>			
Cash and cash equivalents	21	₩ 2,838,389	2,612,530
Trade accounts and notes receivable, net	4,21,26,27,34	9,284,246	8,950,548
Other receivables, net	5,21,34	1,646,933	1,636,006
Other short-term financial assets	6,21	7,912,402	7,045,880
Inventories	7	10,302,958	9,950,955
Current income tax assets		42,315	38,489
Assets held for sale	8	71,571	71,768
Other current assets	14	809,307	821,242
<b>Total current assets</b>		<b>32,908,121</b>	<b>31,127,418</b>
Long-term trade accounts and notes receivable, net	4,21	714,858	731,570
Other receivables, net	5,21	871,520	879,176
Other long-term financial assets	6,21	1,892,021	1,911,684
Investments in associates and joint ventures	9	3,609,294	3,557,932
Investment property, net	11	1,035,699	1,064,914
Property, plant and equipment, net	12	31,594,559	31,883,535
Intangible assets, net	13	5,859,644	5,952,269
Defined benefit assets, net	19	11,475	8,224
Deferred tax assets		1,479,977	1,419,226
Other non-current assets	14	504,979	489,011
<b>Total non-current assets</b>		<b>47,574,026</b>	<b>47,897,541</b>
<b>Total assets</b>		<b>₩ 80,482,147</b>	<b>79,024,959</b>

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Financial Position, Continued**  
**As of March 31, 2018 and December 31, 2017**  
**(Unaudited)**

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<b>Liabilities</b>			
Trade accounts and notes payable	21,34 ₩	3,591,913	3,465,146
Short-term borrowings and current installments of long-term borrowings	4,15,21	11,084,833	11,274,516
Other payables	16,21,34	2,102,575	1,753,461
Other short-term financial liabilities	17,21	103,981	129,812
Current income tax liabilities		757,270	515,538
Provisions	18,35	144,125	110,946
Other current liabilities	20,26,27	1,802,281	1,696,597
<b>Total current liabilities</b>		<u>19,586,978</u>	<u>18,946,016</u>
Long-term trade accounts and notes payable	21	12,358	12,532
Long-term borrowings, excluding current installments	15,21	9,997,327	9,789,141
Other payables	16,21	139,493	147,750
Other long-term financial liabilities	17,21	135,837	114,105
Defined benefit liabilities, net	19	206,461	137,193
Deferred tax liabilities		1,906,995	1,904,242
Long-term provisions	18,35	504,627	477,172
Other non-current liabilities	20,26	40,809	32,800
<b>Total non-current liabilities</b>		<u>12,943,907</u>	<u>12,614,935</u>
<b>Total liabilities</b>		<u>32,530,885</u>	<u>31,560,951</u>
<b>Equity</b>			
Share capital	22	482,403	482,403
Capital surplus	22	1,411,337	1,412,565
Hybrid bonds	23	996,919	996,919
Reserves	24	(1,142,537)	(682,556)
Treasury shares	25	(1,533,039)	(1,533,054)
Retained earnings		44,044,947	43,056,600
<b>Equity attributable to owners of the controlling company</b>		<u>44,260,030</u>	<u>43,732,877</u>
<b>Non-controlling interests</b>	23	<u>3,691,232</u>	<u>3,731,131</u>
<b>Total equity</b>		<u>47,951,262</u>	<u>47,464,008</u>
<b>Total liabilities and equity</b>	₩	<u>80,482,147</u>	<u>79,024,959</u>

See accompanying notes to the condensed consolidated interim financial statements.

# POSCO and Subsidiaries

## Condensed Consolidated Interim Statements of Comprehensive Income

### For the three-month periods ended March 31, 2018 and 2017

#### (Unaudited)

(in millions of Won, except per share information)

	Notes	March 31, 2018	March 31, 2017
<b>Revenue</b>	26,27,34,37 ₩	15,862,284	15,077,184
<b>Cost of sales</b>	7,27,31,34	(13,476,127)	(12,819,122)
<b>Gross profit</b>		2,386,157	2,258,062
Selling and administrative expenses	31,34		
Impairment loss on trade accounts and notes receivable		(13,554)	(25,971)
Other administrative expenses	28	(518,091)	(506,165)
Selling expenses	28	(366,808)	(360,957)
<b>Operating profit</b>		1,487,704	1,364,969
Share of profit of equity-accounted investees, net	9	87,387	72,010
Finance income and costs	21,29		
Finance income		456,488	880,204
Finance costs		(519,290)	(947,080)
Other non-operating income and expenses	34		
Reversal of (impairment loss) on other receivables		4,655	(23,127)
Other non-operating income	30	60,956	78,436
Other non-operating expenses	30,31	(94,887)	(100,021)
<b>Profit before income tax</b>	37	1,483,013	1,325,391
Income tax expense	32,37	(399,471)	(348,503)
<b>Profit</b>		1,083,542	976,888
<b>Other comprehensive income (loss)</b>			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	19	(26,556)	(5,713)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	(44,756)	-
Items that are or may be reclassified subsequently to profit or loss:			
Capital adjustment arising from investments in equity-accounted investees		(11,126)	(213,973)
Net changes in unrealized fair value of available-for-sale investments	21	-	37,010
Foreign currency translation differences		21,819	(250,922)
Gains or losses on valuation of derivatives	21	(159)	-
<b>Other comprehensive loss, net of tax</b>		(60,778)	(433,598)
<b>Total comprehensive income</b>	₩	1,022,764	543,290
<b>Profit attributable to:</b>			
Owners of the controlling company	₩	993,516	850,928
Non-controlling interests		90,026	125,960
<b>Profit</b>	₩	1,083,542	976,888
<b>Total comprehensive income attributable to:</b>			
Owners of the controlling company	₩	932,193	470,367
Non-controlling interests		90,571	72,923
<b>Total comprehensive income</b>	₩	1,022,764	543,290
<b>Basic and diluted earnings per share (in Won)</b>	33	12,323	10,532

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**For the three-month periods ended March 31, 2018 and 2017**  
**(Unaudited)**

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
<b>Balance as of January 1, 2017</b>	₩ 482,403	1,397,791	996,919	(143,985)	(1,533,468)	41,173,778	42,373,438	3,464,956	45,838,394
<b>Comprehensive income:</b>									
Profit	-	-	-	-	-	850,928	850,928	125,960	976,888
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(5,413)	(5,413)	(300)	(5,713)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(188,342)	-	-	(188,342)	(25,631)	(213,973)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	37,689	-	-	37,689	(679)	37,010
Foreign currency translation differences, net of tax	-	-	-	(224,495)	-	-	(224,495)	(26,427)	(250,922)
<b>Total comprehensive income</b>	-	-	-	(375,148)	-	845,515	470,367	72,923	543,290
<b>Transactions with owners of the controlling company, recognized directly in equity:</b>									
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)	(38,023)	(498,010)
Changes in subsidiaries	-	-	-	-	-	-	-	(24,026)	(24,026)
Changes in ownership interest in subsidiaries	-	6,329	-	-	-	-	6,329	267,204	273,533
Interest of hybrid bonds	-	-	-	-	-	(11,109)	(11,109)	(5,964)	(17,073)
Disposal of treasury shares	-	1	-	-	6	-	7	-	7
Others	-	(587)	-	(1,527)	-	(2,534)	(4,648)	1,353	(3,295)
<b>Total transactions with owners of the controlling company</b>	-	5,743	-	(1,527)	6	(473,630)	(469,408)	200,544	(268,864)
<b>Balance as of March 31, 2017</b>	₩ 482,403	1,403,534	996,919	(520,660)	(1,533,462)	41,545,663	42,374,397	3,738,423	46,112,820

See accompanying notes to the condensed consolidated interim financial statements.



## POSCO and Subsidiaries

### Condensed Consolidated Interim Statements of Changes in Equity, Continued For the three-month periods ended March 31, 2018 and 2017 (Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
<b>Balance as of January 1, 2018</b>	₩ 482,403	1,412,565	996,919	(682,556)	(1,533,054)	43,056,600	43,732,877	3,731,131	47,464,008
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(76,359)	(76,359)	(63,792)	(140,151)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(412,102)	-	379,370	(32,732)	(19,544)	(52,276)
<b>Adjusted balance as of January 1, 2018</b>	482,403	1,412,565	996,919	(1,094,658)	(1,533,054)	43,359,611	43,623,786	3,647,795	47,271,581
<b>Comprehensive income:</b>									
Profit	-	-	-	-	-	993,516	993,516	90,026	1,083,542
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(14,599)	(14,599)	(11,957)	(26,556)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(15,555)	-	-	(15,555)	4,429	(11,126)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(50,621)	-	1,628	(48,993)	4,237	(44,756)
Foreign currency translation differences, net of tax	-	-	-	17,990	-	-	17,990	3,829	21,819
Gains or losses on valuation of derivatives, net of tax	-	-	-	(166)	-	-	(166)	7	(159)
<b>Total comprehensive income</b>	-	-	-	(48,352)	-	980,545	932,193	90,571	1,022,764
<b>Transactions with owners of the controlling company, recognized directly in equity:</b>									
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)	(42,655)	(322,654)
Changes in subsidiaries	-	-	-	-	-	-	-	(31)	(31)
Changes in ownership interest in subsidiaries	-	(814)	-	-	-	-	(814)	200	(614)
Interest of hybrid bonds	-	-	-	-	-	(10,631)	(10,631)	(5,964)	(16,595)
Disposal of treasury shares	-	9	-	-	15	-	24	-	24
Others	-	(423)	-	473	-	(4,579)	(4,529)	1,316	(3,213)
<b>Total transactions with owners of the controlling company</b>	-	(1,228)	-	473	15	(295,209)	(295,949)	(47,134)	(343,083)
<b>Balance as of March 31, 2018</b>	₩ 482,403	1,411,337	996,919	(1,142,537)	(1,533,039)	44,044,947	44,260,030	3,691,232	47,951,262

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the three-month periods ended March 31, 2018 and 2017**  
**(Unaudited)**

<i>(in millions of Won)</i>	<u>Notes</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
<b>Cash flows from operating activities</b>			
Profit	₩	1,083,542	976,888
Adjustments for:			
Depreciation		713,382	731,245
Amortization		108,855	102,581
Finance income		(252,310)	(601,667)
Finance costs		331,842	659,473
Income tax expense		399,471	348,503
Impairment losses on property, plant and equipment		18,222	6,941
Gain on disposal of property, plant and equipment		(3,805)	(5,171)
Loss on disposal of property, plant and equipment		12,210	31,259
Impairment losses on goodwill and intangible assets		1,726	22
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		435	19,488
Share of profit of equity-accounted investees, net		(87,387)	(72,010)
Gain on disposal of assets held for sale		-	(106)
Expenses related to post-employment benefit		54,834	48,774
Impairment loss on trade and other receivables		8,899	49,098
Loss on valuation of inventories		60,848	82,671
Increase to provisions		41,605	40,515
Others, net		(21,788)	(48,403)
		<u>1,387,039</u>	<u>1,393,213</u>
Changes in operating assets and liabilities	36	(880,133)	(1,306,116)
Interest received		50,660	37,640
Interest paid		(115,532)	(133,744)
Dividends received		56,828	53,005
Income taxes paid		(81,795)	(190,570)
		<u>(81,795)</u>	<u>(190,570)</u>
Net cash provided by operating activities	₩	<u>1,500,609</u>	<u>830,316</u>

*See accompanying notes to the condensed consolidated interim financial statements.*

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Cash Flows, Continued**  
**For the three-month periods ended March 31, 2018 and 2017**  
**(Unaudited)**

(in millions of Won)

	<b>Notes</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>Cash flows from investing activities</b>			
Acquisitions of short-term financial instruments	₩	(7,268,757)	(4,167,926)
Proceeds from disposal of short-term financial instruments		6,455,032	4,415,422
Increase in loans		(155,944)	(235,891)
Collection of loans		169,818	203,505
Acquisitions of securities		(86,250)	-
Acquisitions of available-for-sale investments		-	(12,646)
Proceeds from disposal of securities		24,885	-
Proceeds from disposal of available-for-sale investments		-	13,812
Acquisitions of investments in associates and joint ventures		(7,830)	(7,143)
Proceeds from disposal of investments in associates and joint ventures		3,670	32,926
Acquisitions of investment property		(2,278)	(974)
Acquisitions of property, plant and equipment		(404,066)	(543,323)
Proceeds from disposal of property, plant and equipment		12,750	9,027
Acquisitions of intangible assets		(31,043)	(69,849)
Proceeds from disposal of intangible assets		66,630	7,390
Proceeds from disposal of assets held for sale		9,036	203,224
Decrease in cash from disposal of business, net of cash transferred		(13)	(10,568)
Others, net		(550)	(1,117)
Net cash used in investing activities		(1,214,910)	(164,131)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		444,665	125,831
Repayment of borrowings		(440,269)	(1,006,749)
Proceeds from (repayment of) short-term borrowings, net		(25,282)	332,553
Capital contribution from non-controlling interests		808	249,935
Payment of cash dividends		(5,499)	(5,052)
Payment of interest of hybrid bonds		(16,781)	(16,777)
Others, net		(33,224)	(13,554)
Net cash used in financing activities		(75,582)	(333,813)
<b>Effect of exchange rate fluctuation on cash held</b>		15,742	(52,256)
<b>Net increase in cash and cash equivalents</b>		225,859	280,116
<b>Cash and cash equivalents at beginning of the period</b>		2,612,530	2,447,619
<b>Cash and cash equivalents at end of the period</b>	₩	2,838,389	2,727,735

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As of March 31, 2018**  
**(Unaudited)**

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**1. General Information**

General information about POSCO, its 39 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 136 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 110 associates and joint ventures are as follows:

(a) The controlling company

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

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

As of March 31, 2018, the shares of the POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

(b) Consolidated subsidiary included for the first time during the three-month period ended March 31, 2018 was as follows:

<b>Company</b>	<b>Date of inclusion</b>	<b>Ownership (%)</b>	<b>Reason</b>
POS-LT PTY LTD	March 2018	100.00	New establishment

(c) Subsidiaries excluded from consolidation during the three-month period ended March 31, 2018 were as follows:

<b>Company</b>	<b>Date of exclusion</b>	<b>Reason</b>
KIS Devonian Canada Corporation	February 2018	Merged into POSCO DAEWOO E&P CANADA CORPORATION
POSCO-CDSFC	February 2018	Merged into POSCO China Dalian Plate Processing Center Co., Ltd.
POCA STEM Co., Ltd.	March 2018	Liquidation
POSCO E&C VENEZUELA C.A	March 2018	Liquidation
PT PEN INDONESIA	March 2018	Merged into PT. POSCO E&C INDONESIA

# **POSCO and Subsidiaries**

## **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)**

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

#### **Statement of compliance**

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

These condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No. 1034 "Interim Financial Reporting" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as of and for the year ended December 31, 2017. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

This is the first set of the Company's financial statements where K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments" have been applied. Changes to significant accounting policies are described in Note 3.

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

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

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 described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments", which are described in Note 3.

##### **(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.

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)**

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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 21.

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

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2017.

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

The Company has initially adopted K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments" from January 1, 2018. The Company also expects to apply the accounting policies set out below for their annual reporting period ending December 31, 2018.

The effect of initially applying these standards is mainly attributed to the following:

- identify the shipping services included in certain sales contracts as a separate performance obligation
- determine separate construction contracts such as design, purchase and construction services which are highly dependent or correlated as a single performance obligation

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

- estimate variable consideration such as sales discount and price adjustments based on performance
- change in the method of revenue recognition from certain construction contracts and service contracts without enforceable right to payment for performance completed
- change in percentage of completion due to excessive use of materials
- recognize as an expense immediately of prepaid contract cost unless those costs are explicitly chargeable to the customers regardless of whether the contract is obtained
- change in classification and subsequent measurement of financial assets
- increase in impairment loss on financial assets

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

K-IFRS No. 1115 "Revenue from Contracts with Customers" provides a unified five-step model for determining the timing, measurement and recognition of revenue. It replaced previous 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 applied the modified retrospective approach by recognizing the cumulative impact of initially applying the revenue standard as of January 1, 2018, the date of initial application, and the Company also decided to apply the practical expedients as allowed by K-IFRS No. 1115 by applying the new standard only to those contracts that are not considered as completed contracts at the date of initial application. Accordingly, the Company did not restate the financial statements for comparative periods.

The following table summarizes the impact, net of tax, of transition to K-IFRS No. 1115 on retained earnings and non-controlling interests as of January 1, 2018.

(in millions of Won)

	<b>Retained earnings</b>	<b>Non-controlling interests</b>
Shipping services included in the sales contract	₩ (949)	(156)
Separate construction contract		
determined to be a single performance obligation	452	628
Variable consideration for sales discounts		
and price adjustments based on performance	(2,773)	88
Change in revenue recognition method for		
contracts without enforceable right to payment	(6,481)	(5,847)
Change in percentage of completion		
due to excessive use of materials	(2,855)	(1,512)
Recognize as an expense the prepaid contract cost	(63,753)	(56,993)
	₩ <u>(76,359)</u>	<u>(63,792)</u>

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)**

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The details of new significant accounting policies and impacts of the adoption of K-IFRS No. 1115 are as follows:

#### **1) Identification of performance obligations**

The Company holds certain contracts for sales of manufactured product and merchandise which include transport service. When applying K-IFRS No. 1115, sales of manufactured products or merchandise and delivery of products (i.e. shipping service) are identified as separate performance obligations in the contracts with customers. For transactions for which the shipping terms are on shipment basis and the customer pays shipping costs, the two performance obligations are separately accounted for because delivery of products is performed after the control over the products is transferred to the customer. The transaction price allocated to the performance obligation of delivery service will be recognized when the obligation of delivery of the product is completed.

The Company identified shipping service included in the sales contract as a separate performance obligation that will be satisfied over the promised service period. This change in relevant accounting policy resulted in decreases in revenue, cost of sales and selling and administrative expenses, increases in other current assets and contract liabilities and decrease in other payables as of and for the three-month period ended March 31, 2018.

Certain construction contracts of the Company includes design, purchase and construction services through separate service contracts. According to K-IFRS No. 1115, if service or goods provided by the Company are highly dependent or correlated, the Company should identify them as a single performance obligation regardless of the number of contracts made.

The Company considered each service contract as a combined single obligation and identified as a single performance obligation. This change in relevant accounting policy resulted in increases in revenue and contract assets as of and for the three-month period ended March 31, 2018.

#### **2) Variable consideration**

Under K-IFRS No. 1115, the Company estimates the amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed.



## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)**

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In certain sales arrangements, unit price is subject to adjustment due to quality of products. A certain percentage of sales discount is also provided in case customers make payment before the settlement due date. In addition, certain service contracts are subject to compensation payment if the Company fails to achieve a promised level of obligation.

The Company changed its accounting treatment in accordance with K-IFRS No. 1115. This change in relevant accounting policy resulted in decrease in revenue and increase in contract liabilities as of and for the three-month period ended March 31, 2018.

#### **3) Performance obligation satisfied over time**

In accordance with K-IFRS No. 1115, revenue is recognized over time by measuring progress only if the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company has determined that it has no enforceable right to payment for completed to date for certain service contracts including construction service of which the Company provides. This change in relevant accounting policy resulted in decreases in revenue and cost of sales, decrease in contract assets and increases inventories and contract liabilities as of and for the three-month period ended March 31, 2018.

According to K-IFRS No. 1115, the effects of any inputs that do not depict the transfer of control of goods or services to the customer such as the costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract should be excluded from calculating percentage of completion. This change in relevant accounting policy resulted in increase in revenue and decreases in contract assets and liabilities as of and for the three-month period ended March 31, 2018.

#### **4) Incremental costs of obtaining a contract**

In accordance with K-IFRS No. 1115, the Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs, and costs that are recognized as assets are amortized over the period that the related goods or services are transferred to the customer.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

Certain costs incurred in construction segment such as costs to obtain a contract that would have been incurred regardless of whether the contract was obtained should be recognized as an expense immediately, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. Such costs have been previously capitalized if it is probable the related contracts will be entered into. This change in relevant accounting policy resulted in decreases in revenue and cost of sales, increase in selling and administrative expenses, decreases in contract assets, other current assets and provisions and increase in contract liabilities as of and for the three-month period ended March 31, 2018.

#### 5) Impacts of changes in accounting policies

The effects of adoption of K-IFRS No. 1115 to the Company's condensed consolidated interim statements of financial position and condensed consolidated interim statements of comprehensive income as of and for the three-month period ended March 31, 2018 are as follows. There were no material impact on the Company's condensed consolidated interim statements of cash flows for the three-month period ended March 31, 2018.

(in millions of Won)

		<b>As reported</b>	<b>Adjustments of K-IFRS No. 1115</b>	<b>Amounts without adoption of K-IFRS No. 1115</b>
<b>Condensed interim statements of financial position</b>				
Current assets	₩	32,908,121	180,923	33,089,044
Trade accounts and notes receivable		9,284,246	159,575	9,443,821
Inventories		10,302,958	(67,368)	10,235,590
Other current assets		809,307	88,716	898,023
Non-current assets		47,574,026	(43,974)	47,530,052
Deferred tax assets		1,479,977	(43,974)	1,436,003
Current liabilities		19,586,978	1,089	19,588,067
Others payables		2,102,575	19,311	2,121,886
Current income tax liabilities		757,270	1,926	759,196
Provisions		144,125	(54,258)	89,867
Other current liabilities		1,802,281	34,110	1,836,391
Non-current liabilities		12,943,907	109	12,944,016
Provisions		504,627	109	504,736
Retained earnings		44,044,947	71,010	44,115,957
Non-controlling interests		3,691,232	64,741	3,755,973
<b>Condensed interim statements of comprehensive income</b>				
Revenue	₩	15,862,284	21,315	15,883,599
Cost of sales		(13,476,127)	9,515	(13,466,612)
Selling and administrative expenses		(898,453)	(34,975)	(933,428)
Profit before income tax		1,483,013	(4,145)	1,478,868
Income tax expense		(399,471)	(255)	(399,726)
Profit		1,083,542	(4,400)	1,079,142

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

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

K-IFRS No. 1109 “Financial Instruments” regulates requirements for measurement and recognition of certain contracts in relation to trading financial assets and liabilities or nonfinancial items. It replaced existing guidance in K-IFRS No. 1039 “Financial Instruments: Recognition and Measurement”.

The Company applied retrospectively application with exemptions where an entity is not required to restate the comparative information for prior periods in relation to classification and measurement (including impairment) changes. The Company recognized the accumulated effect resulting from initial application of K-IFRS No. 1109 as reserves, retained earnings and non-controlling interests of the Company at the date of initial application.

The following table summarizes the impact, net of tax, of transition to K-IFRS No. 1109 on reserves, retained earnings and non-controlling interests as of January 1, 2018.

(in millions of Won)

	<u>Reserves</u>	<u>Retained earnings</u>	<u>Non-controlling interests</u>
Classification to fair value through profit or loss in securities and select to fair value through other comprehensive income in equity securities	₩ (412,102)	412,102	-
Recognition of expected credit losses	-	(32,732)	(19,544)
	<u>₩ (412,102)</u>	<u>379,370</u>	<u>(19,544)</u>

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### 1) Classification and measurement of financial assets and financial liabilities

When applying K-IFRS No. 1109, the classification of financial assets will be driven by the Company’s business model for managing the financial assets and contractual terms of cash flow.

The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

<b>Business model</b>	<b>Contractual cash flows are solely payments of principal and interests</b>	<b>All other cases</b>
To collect contractual cash flows	Amortized cost(*1)	
Both to collect contractual cash flows and sell financial assets	Fair value through other comprehensive income(*1)	Fair value through profit or loss(*2)
For trading, and others	Fair value through profit or loss	

(\*1) The Company may irrevocably designate as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

(\*2) The Company may irrevocably designate equity investments that is not held for trading as at fair value through other comprehensive income.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, gains and losses on foreign currency translation and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, gains and losses on foreign currency translation and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other accumulated comprehensive income are reclassified to profit or loss.

Equity instruments measured at fair value through other comprehensive income are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and never reclassified to profit or loss.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

As of January 1, 2018, the date of initial application, the measurement categories and carrying amounts of financial assets in accordance with K-IFRS No. 1039 "Financial Instruments: Recognition and Measurement" and K-IFRS No. 1109 "Financial Instruments" are as follows:

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

<i>(in millions of Won)</i>	<b>Original classification under K-IFRS No. 1039</b>	<b>Original carrying amounts under K-IFRS No. 1039</b>	<b>New classification under K-IFRS No. 1109</b>	<b>New carrying amounts under K-IFRS No. 1109</b>
Derivative assets	Financial assets at fair value through profit or loss	₩ 65,051	Fair value through profit or loss	₩ 65,051
	Hedging instrument	3,239	Hedging instrument	3,239
Cash and cash equivalents	Loans and receivables	2,612,530	Amortized cost	2,612,530
Trade accounts and notes receivable(*1)	Loans and receivables	8,901,867	Amortized cost	8,839,978
Other receivables(*1)	Loans and receivables	2,195,466	Fair value through profit or loss	1,898
			Amortized cost	2,188,820
Equity securities(*2)	Available-for-sale financial assets	1,421,295	Fair value through profit or loss	17,812
			Fair value through other comprehensive income	1,403,483
Debt securities(*2)	Available-for-sale financial assets	190,579	Fair value through profit or loss	188,276
			Fair value through other comprehensive income	2,303
	Held-to-maturity financial assets	5,211	Amortized cost	5,211
Other securities(*2)	Available-for-sale financial assets	366,241	Fair value through profit or loss	366,241
Deposit instruments	Loans and receivables	1,358,311	Amortized cost	1,358,311
Short-term financial instruments	Financial assets at fair value through profit or loss	1,970	Fair value through profit or loss	
	Loans and receivables	5,545,667		5,547,637

(\*1) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, loss allowance was increased by ₩66,637 million, retained earnings and non-controlling interests were decreased by ₩32,732 million and ₩19,544 million, respectively.

(\*2) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, with respect to securities classified as fair value through profit or loss and equity securities determined fair value through other comprehensive income, reserves were decreased by ₩412,102 million and retained earnings were increased by ₩412,102 million.

K-IFRS No. 1109 "Financial Instruments" retains most of the existing requirements of K-IFRS 1039 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. Accordingly, the application of K-IFRS No. 1109 "Financial Instruments" has no significant effect on the Company's accounting policies related to financial liabilities.

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)**

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#### 2) Impairment of financial assets

K-IFRS No. 1109 replaces the incurred loss model in the existing standard with a forward-looking expected credit loss model for debt instruments, lease receivables, contractual assets, loan commitments, and financial guarantee contracts.

Under K-IFRS No. 1109, impairment losses are likely to be recognized earlier than using the incurred loss model under the existing guidance in K-IFRS No. 1039 as loss allowances will be measured either 12-month or lifetime expected credit loss based on the extent of increase in credit risk.

If credit risk has increased significantly since the initial recognition, a loss allowance for lifetime expected credit loss is required to be measured at the end of every reporting period. If credit risk has not increased significantly since the initial recognition, a loss allowance is measured based on 12-month expected credit loss.

If the financial instrument has low credit risk at the end of the reporting period, the Company may assume that the credit risk has not increased significantly since initial recognition. However, a loss allowance for lifetime expected credit losses is required for contract assets or trade receivables that do not contain a significant financing component.

As of January 1, 2018, the date of initial application, the Company recognized an increase in loss allowances of ₩66,637 million and decreases in retained earnings and non-controlling interests of ₩32,732 million and ₩19,544 million, respectively.

#### 3) Hedge Accounting

Regarding the initial application of K-IFRS No. 1109, the Company determined to consistently apply hedge accounting requirements of K-IFRS No. 1039.

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)**

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#### **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 after January 1, 2018, and the Company has not early adopted them.

##### **(a) K-IFRS No. 1116 "Leases"**

K-IFRS No. 1116 "Leases" will replace K-IFRS No. 1017 "Leases" and K-IFRS No. 2104 "Determining whether an Arrangement contains a Lease". It is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for a Company which has adopted to K-IFRS No. 1115.

As a lessee, 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 as of the beginning of 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.

K-IFRS No. 1116 suggests a single accounting model that requires a lessee to recognize lease related asset and liability in the financial statements. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease of which has a term of 12 months or less at the commencement date and low value assets. Accounting treatment for lessor is similar to the existing standard which classifies lease into finance and operating lease.

Application of K-IFRS No. 1116 will change current operating lease expense which has been recognized in straight-line method into depreciation expense of right-of-use asset and interest expense of lease liability, and therefore, nature of expense recognized in relation to lease will change. However, it is expected that there will be no significant impact on finance lease.

The Company has not yet initiated to prepare for the application of K-IFRS No. 1116 and the Company has not performed an assessment of the impact resulting from the application of K-IFRS No. 1116. The Company will complete the analysis of financial impacts arising from applying this standard in 2018.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Current</b>			
Trade accounts and notes receivable	₩	9,039,543	8,583,311
Finance lease receivables		7,851	10,469
Due from customers for contract work		752,824	850,301
Less: Allowance for doubtful accounts		(515,972)	(493,533)
	₩	<u>9,284,246</u>	<u>8,950,548</u>
<b>Non-current</b>			
Trade accounts and notes receivable	₩	894,436	871,432
Finance lease receivables		25	734
Less: Allowance for doubtful accounts		(179,603)	(140,596)
	₩	<u>714,858</u>	<u>731,570</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩514,765 million and ₩309,964 million as of March 31, 2018 and December 31, 2017, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and trade accounts and notes receivable are included in short-term borrowings from financial institutions (Note 15).

#### 5. Other Receivables

Other receivables as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Current</b>			
Loans	₩	568,328	617,696
Other accounts receivable		965,924	960,543
Accrued income		217,285	179,971
Deposits		105,934	107,137
Others		38,594	18,925
Less: Allowance for doubtful accounts		(249,132)	(248,266)
	₩	<u>1,646,933</u>	<u>1,636,006</u>
<b>Non-current</b>			
Loans	₩	859,827	874,158
Other accounts receivable		93,129	92,939
Accrued income		1,891	1,663
Deposits		130,167	122,485
Less: Allowance for doubtful accounts		(213,494)	(212,069)
	₩	<u>871,520</u>	<u>879,176</u>



## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 6. Other Financial Assets

Other financial assets as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Current</b>			
Derivatives assets	₩	75,055	63,912
Debt securities		135,685	-
Financial assets held for trading		-	1,970
Available-for-sale securities (bonds)		-	136,141
Current portion of held-to-maturity securities		-	421
Deposit instruments(*1,2)		1,560,933	1,297,769
Short-term financial instruments(*2)		6,140,729	5,545,667
	₩	<u>7,912,402</u>	<u>7,045,880</u>
<b>Non-current</b>			
Derivatives assets	₩	3,981	4,378
Equity securities(*3)		1,380,943	-
Debt securities		47,943	-
Other securities(*3)		395,951	-
Available-for-sale securities (equity instruments)(*3)		-	1,730,753
Available-for-sale securities (bonds)		-	54,439
Available-for-sale securities (others)		-	56,782
Held-to-maturity securities		-	4,790
Deposit instruments(*2)		63,203	60,542
	₩	<u>1,892,021</u>	<u>1,911,684</u>

(\*1) As of March 31, 2018 and December 31, 2017, ₩6,881 million and ₩10,080 million, respectively, are restricted for the use in a government project.

(\*2) As of March 31, 2018 and December 31, 2017, financial instruments amounting to ₩88,668 million and ₩78,477 million, respectively, are restricted for use in financial arrangements, pledge and others.

(\*3) As of March 31, 2018 and December 31, 2017, ₩136,347 million and ₩136,099 million of equity and other securities, respectively, have been provided as collateral for borrowings, construction projects and others.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 7. Inventories

Inventories as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>December 31, 2017</b>
Finished goods	₩	1,362,682	1,526,628
Merchandise		957,988	930,558
Semi-finished goods		1,748,804	1,721,130
Raw materials		2,623,703	2,329,268
Fuel and materials		827,564	808,016
Construction inventories		909,456	849,266
Materials-in-transit		1,919,990	1,818,576
Others		86,892	103,144
		<u>10,437,079</u>	<u>10,086,586</u>
Less: Allowance for inventories valuation		<u>(134,121)</u>	<u>(135,631)</u>
	₩	<u>10,302,958</u>	<u>9,950,955</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the three-month period ended March 31, 2018 and the year ended December 31, 2017 were ₩60,848 million and ₩78,560 million, respectively.

#### 8. Assets Held for Sale

Details of assets held for sale as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>			<b>December 31, 2017</b>		
		<b>The controlling company</b>	<b>Subsidiaries(*1)</b>	<b>Total</b>	<b>The controlling company</b>	<b>Subsidiaries(*1)</b>	<b>Total</b>
Property, plant and equipment	₩	231	71,340	71,571	392	71,340	71,732
Others		-	-	-	-	36	36
	₩	<u>231</u>	<u>71,340</u>	<u>71,571</u>	<u>392</u>	<u>71,376</u>	<u>71,768</u>

(\*1) During the year ended December 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD., a subsidiary of the Company, determined to dispose of the office building, Seomyeon Fiesta, in Busan and classified the related property, plant and equipment amounting to ₩71,340 million as assets held for sale.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

Company	March 31, 2018			December 31, 2017	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
<b>[Domestic]</b>					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,713,975,892	31.14	₩ 178,787	₩ 175,202	175,553
SNNC	18,130,000	49.00	90,650	110,572	110,424
QSONE Co., Ltd.	200,000	50.00	84,395	84,550	85,049
Chun-cheon Energy Co., Ltd.(*1)	16,098,143	45.67	80,491	78,919	74,378
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.26	45,163	22,717	31,660
BLUE OCEAN Private Equity Fund	333	27.52	33,300	18,091	19,620
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	2,008,000	29.53	10,040	17,868	17,252
UITrans LRT Co., Ltd.(*1)	7,714,380	38.19	38,572	15,000	15,841
Daesung Steel(*3)	108,038	17.54	14,000	15,430	15,500
Keystone NO. 1. Private Equity Fund	13,800,000	40.45	13,800	11,479	12,379
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*3)	6,485	12.50	6,485	5,990	6,828
KONES, Corp.	3,250,000	41.67	6,893	2,624	2,827
Others (34 companies)(*1)				70,297	67,325
				<u>628,739</u>	<u>634,636</u>
<b>[Foreign]</b>					
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	192,380	197,069
AES-VCM Mong Duong Power Company Limited(*2)	-	30.00	164,303	208,202	142,348
7623704 Canada Inc.(*3)	114,452,000	10.40	124,341	121,838	121,702
Eureka Moly LLC	-	20.00	240,123	79,035	79,398
AMCI (WA) PTY LTD	49	49.00	209,664	61,380	63,378
Nickel Mining Company SAS	3,234,698	49.00	157,585	47,603	45,905
NCR LLC	-	29.41	37,939	33,929	33,738
KOREA LNG LTD.	2,400	20.00	135,205	34,668	33,422
PT. Batutua Tembaga Raya	128,285	22.00	21,824	21,988	21,823
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,929	15,617
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	12,875	13,391
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	7,004	6,517
Others (26 companies)(*1)				109,208	111,497
				<u>946,039</u>	<u>885,805</u>
			₩	<u>1,574,778</u>	<u>1,520,441</u>

(\*1) As of March 31, 2018 and December 31, 2017, investments in associates amounting to ₩153,405 million and ₩158,370 million, respectively, are provided as collateral in relation to the associates' borrowings.

(\*2) As of March 31, 2018 and December 31, 2017, shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, are provided as collateral in relation to the associates' borrowings.

(\*3) As of March 31, 2018, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(b) Details of investments in joint ventures as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i> Company	March 31, 2018				December 31, 2017
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
<b>[Domestic]</b>					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 128,006	110,760
Others (5 companies)				7,528	6,094
				<u>135,534</u>	<u>116,854</u>
<b>[Foreign]</b>					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,102,326	1,125,133
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	346,733	348,836
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	126,364	146,427
KOBRASCO	2,010,719,185	50.00	32,950	124,101	108,485
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	91,352	88,305
DMSA/AMSA(*1)	-	4.00	314,231	61,058	56,735
Others (14 companies)				47,048	46,716
				<u>1,898,982</u>	<u>1,920,637</u>
				<u>₩ 2,034,516</u>	<u>2,037,491</u>

(\*1) As of March 31, 2018 and December 31, 2017, the investments in joint ventures are provided as collateral in relation to the joint ventures' borrowings.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(c) The movements of investments in associates and joint ventures for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

### 1) For the three-month period ended March 31, 2018

(in millions of Won)

Company	December 31, 2017 Book value	Acquisition	Dividends	Share of profit (loss)	Other increase (decrease)(*1)	March 31, 2018 Book value
<b>[Domestic]</b>						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,553	-	-	(351)	-	175,202
SNNC	110,424	-	-	148	-	110,572
QSONE Co., Ltd.	85,049	-	(550)	51	-	84,550
Chun-cheon Energy Co., Ltd.	74,378	-	-	4,541	-	78,919
Incheon-Gimpo Expressway Co., Ltd.	31,660	-	-	(8,943)	-	22,717
BLUE OCEAN Private Equity Fund	19,620	-	-	(359)	(1,170)	18,091
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	17,252	-	-	616	-	17,868
UITrans LRT Co., Ltd.	15,841	-	-	(841)	-	15,000
Daesung Steel	15,500	-	-	(70)	-	15,430
Keystone NO. 1. Private Equity Fund	12,379	-	-	(1,000)	100	11,479
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	6,828	-	-	(838)	-	5,990
KONES, Corp.	2,827	-	-	(203)	-	2,624
POSCO MITSUBISHI CARBON TECHNOLOGY	110,760	-	-	17,246	-	128,006
Others (39 companies)	73,419	7,553	(120)	(2,784)	(243)	77,825
	751,490	7,553	(670)	7,213	(1,313)	764,273
<b>[Foreign]</b>						
South-East Asia Gas Pipeline Company Ltd.	197,069	-	(17,354)	13,575	(910)	192,380
AES-VCM Mong Duong Power Company Limited	142,348	-	-	8,457	57,397	208,202
7623704 Canada Inc.	121,702	-	(2,478)	3,201	(587)	121,838
Eureka Moly LLC	79,398	-	-	(11)	(352)	79,035
AMCI (WA) PTY LTD	63,378	-	-	(4)	(1,994)	61,380
Nickel Mining Company SAS	45,905	-	-	453	1,245	47,603
NCR LLC	33,738	277	-	(812)	726	33,929
KOREA LNG LTD.	33,422	-	(2,355)	2,417	1,184	34,668
PT. Batutua Tembaga Raya	21,823	-	-	233	(68)	21,988
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	15,617	-	-	(362)	674	15,929
PT. Wampu Electric Power	13,391	-	-	(457)	(59)	12,875
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,517	-	-	87	400	7,004
Roy Hill Holdings Pty Ltd	1,125,133	-	-	47,023	(69,830)	1,102,326
POSCO-NPS Niobium LLC	348,836	-	(7,196)	6,624	(1,531)	346,733
CSP - Companhia Siderurgica do Pecem	146,427	-	-	(19,493)	(570)	126,364
KOBRASCO	108,485	-	-	16,242	(626)	124,101
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,305	-	-	48	2,999	91,352
DMSA/AMSA	56,735	9,608	-	(5,066)	(219)	61,058
Others (40 companies)	158,213	322	(4,386)	8,019	(5,912)	156,256
	2,806,442	10,207	(33,769)	80,174	(18,033)	2,845,021
₩	3,557,932	17,760	(34,439)	87,387	(19,346)	3,609,294

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 2) For the year ended December 31, 2017

(in millions of Won)

Company	December 31, 2016 Book value	Acquisition	Dividends	Share of profit (loss)	Other increase (decrease)(*1)	December 31, 2017 Book value
<b>[Domestic]</b>						
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 175,690	-	-	418	(555)	175,553
SNNC	107,859	-	-	2,370	195	110,424
QSONE Co., Ltd.	84,799	-	(368)	618	-	85,049
Chun-cheon Energy Co., Ltd	45,077	27,791	-	1,510	-	74,378
Incheon-Gimpo Expressway Co., Ltd.	37,372	-	-	(6,463)	751	31,660
BLUE OCEAN Private Equity Fund	35,752	-	-	(8,154)	(7,978)	19,620
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	12,551	-	-	4,701	-	17,252
UITrans LRT Co., Ltd.	17,851	-	-	(2,010)	-	15,841
Daesung Steel	12,302	-	-	3,198	-	15,500
Keystone NO. 1. Private Equity Fund	13,314	-	-	(886)	(49)	12,379
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	11,890	-	-	(197)	(4,865)	6,828
KONES, Corp.	5,641	-	-	(2,774)	(40)	2,827
POSCO MITSUBISHI CARBON TECHNOLOGY	83,113	-	-	27,582	65	110,760
Others (40 companies)	55,061	28,348	(137)	(7,995)	(1,858)	73,419
	<u>698,272</u>	<u>56,139</u>	<u>(505)</u>	<u>11,918</u>	<u>(14,334)</u>	<u>751,490</u>
<b>[Foreign]</b>						
South-East Asia Gas Pipeline Company Ltd.	215,996	-	(37,016)	42,896	(24,807)	197,069
AES-VCN Mong Duong Power Company Limited	167,141	-	(30,798)	19,644	(13,639)	142,348
7623704 Canada Inc.	137,512	-	(7,563)	7,468	(15,715)	121,702
Eureka Moly LLC	89,601	-	-	(35)	(10,168)	79,398
AMCI (WA) PTY LTD	70,501	-	-	(4,299)	(2,824)	63,378
Nickel Mining Company SAS	45,138	-	-	424	343	45,905
NCR LLC	36,738	276	-	(60)	(3,216)	33,738
KOREA LNG LTD.	63,058	-	(6,466)	(70,180)	47,010	33,422
PT. Batutua Tembaga Raya	22,723	-	-	260	(1,160)	21,823
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	18,008	-	-	(1,268)	(1,123)	15,617
PT. Wampu Electric Power	8,706	-	-	5,927	(1,242)	13,391
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,840	-	-	303	(626)	6,517
Roy Hill Holdings Pty Ltd	1,186,859	-	-	46,020	(107,746)	1,125,133
POSCO-NPS Niobium LLC	393,570	-	(17,277)	17,173	(44,630)	348,836
CSP - Companhia Siderurgica do Pecem	330,463	-	-	(147,847)	(36,189)	146,427
KOBRASCO	88,308	-	(22,135)	56,445	(14,133)	108,485
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	97,369	-	(5,542)	1,555	(5,077)	88,305
DMSA/AMSA	74,935	13,712	-	(22,339)	(9,573)	56,735
Others (40 companies)	130,651	22,209	(4,408)	46,535	(36,774)	158,213
	<u>3,184,117</u>	<u>36,197</u>	<u>(131,205)</u>	<u>(1,378)</u>	<u>(281,289)</u>	<u>2,806,442</u>
₩	<u>3,882,389</u>	<u>92,336</u>	<u>(131,710)</u>	<u>10,540</u>	<u>(295,623)</u>	<u>3,557,932</u>

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the three-month period ended March 31, 2018 and the year ended December 31, 2017 are as follows:

### 1) March 31, 2018

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
<b>[Domestic]</b>					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 561,451	747	560,704	-	(1,128)
SNNC	644,123	397,733	246,390	142,370	(66)
QSONE Co., Ltd.	248,508	79,409	169,099	3,622	101
Chun-cheon Energy Co., Ltd	702,110	531,283	170,827	97,387	9,885
Incheon-Gimpo Expressway Co., Ltd.	1,082,337	921,242	161,095	-	(48,799)
BLUE OCEAN Private Equity Fund	306,727	172,960	133,767	104,828	(400)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	69,077	38,878	30,199	11,420	2,087
UITrans LRT Co., Ltd.	460,874	383,203	77,671	3,170	(2,202)
Daesung Steel	172,208	115,626	56,582	16,826	(397)
Keystone NO. 1. Private Equity Fund	180,246	146,679	33,567	1,887	(2,471)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	48,899	983	47,916	523	(6,705)
KONES, Corp.	2,130	1,467	663	984	(487)
POSCO MITSUBISHI CARBON TECHNOLOGY	454,450	241,868	212,582	71,087	28,787
<b>[Foreign]</b>					
South-East Asia Gas Pipeline Company Ltd.	1,880,024	1,108,589	771,435	129,129	54,213
7623704 Canada Inc.	1,185,121	1,448	1,183,673	-	30,781
Nickel Mining Company SAS	467,239	324,278	142,961	24,559	(1,586)
KOREA LNG LTD.	185,731	84	185,647	12,534	12,087
PT. Batutua Tembaga Raya	341,980	277,642	64,338	33,657	1,091
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	74,007	21,452	52,555	29,301	(1,058)
PT. Wampu Electric Power	205,705	144,351	61,354	4,304	(2,286)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	74,736	46,263	28,473	22,764	358
Roy Hill Holdings Pty Ltd	9,791,544	6,230,793	3,560,751	464,269	76,788
POSCO-NPS Niobium LLC	693,263	-	693,263	-	13,247
CSP - Companhia Siderurgica do Pecem	4,689,841	4,199,454	490,387	374,978	(92,356)
KOBRASCO	267,745	19,543	248,202	49,297	32,484
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	755,399	417,606	337,793	237,926	193
DMSA/AMSA	5,562,854	4,037,179	1,525,675	127,114	(126,795)

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

2) December 31, 2017

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
<b>[Domestic]</b>					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 562,698	866	561,832	-	1,261
SNNC	705,975	459,519	246,456	576,023	2,417
QSONE Co., Ltd.	248,779	78,680	170,099	15,297	1,236
Chun-cheon Energy Co., Ltd	700,079	539,137	160,942	164,294	(8,250)
Incheon-Gimpo Expressway Co., Ltd.	1,132,233	922,338	209,895	-	(23,221)
BLUE OCEAN Private Equity Fund	311,129	188,512	122,617	445,238	(3,345)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	76,184	48,072	28,112	77,093	15,921
UITrans LRT Co., Ltd.	464,074	384,202	79,872	3,689	(13,263)
Daesung Steel	169,774	112,795	56,979	70,434	18,230
Keystone NO. 1. Private Equity Fund	170,155	133,033	37,122	5,391	(2,070)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	55,936	1,315	54,621	10,212	(1,578)
KONES, Corp.	2,766	1,616	1,150	5,379	139
POSCO MITSUBISHI CARBON TECHNOLOGY	478,847	295,052	183,795	154,312	46,138
<b>[Foreign]</b>					
South-East Asia Gas Pipeline Company Ltd.	1,911,942	1,121,783	790,159	445,682	171,303
7623704 Canada Inc.	1,182,376	9	1,182,367	-	82,344
Nickel Mining Company SAS	465,700	324,687	141,013	179,683	(4,450)
KOREA LNG LTD.	179,269	86	179,183	34,640	32,446
PT. Batutua Tembaga Raya	336,085	272,542	63,543	195,520	49,091
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	70,437	18,722	51,715	85,850	(3,736)
PT. Wampu Electric Power	212,095	148,177	63,918	779	29,634
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	70,701	43,588	27,113	84,973	1,210
Roy Hill Holdings Pty Ltd	10,148,416	6,600,900	3,547,516	2,988,372	797,008
POSCO-NPS Niobium LLC	697,470	-	697,470	-	32,481
CSP - Companhia Siderurgica do Pecem	4,805,353	4,223,392	581,961	1,290,767	(740,591)
KOBRASCO	252,813	35,843	216,970	179,453	112,890
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	717,472	391,871	325,601	1,245,178	5,978
DMSA/AMSA	5,586,171	4,167,906	1,418,265	630,229	(475,958)



# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of March 31, 2018 are as follows:

Joint operations	Operation	Ownership (%)	Location
Myanmar A-1/A-3 mine	Mine development and gas production	51.00	Myanmar
Offshore midstream	Gas transportation facility	51.00	Myanmar
Greenhills mine	Mine development	20.00	Canada
Arctos Anthracite coal project	Mine development	50.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
RUM J/V	Mine development	10.00	Australia
Hanam-Gamil package public housing project	Construction	7.70	Korea
Sejong 2-1 P3 Block public housing project	Construction	37.00	Korea
Yongin-Giheung Station			
area city development project	Construction	61.00	Korea
Korean wave world complex land			
multi-purpose building development project	Construction	33.30	Korea
Sejong 4-1 P3 Block public housing project	Construction	60.00	Korea

### 11. Investment Property, Net

Changes in the carrying amount of investment property for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

(a) For the three-month period ended March 31, 2018

(in millions of Won)	Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩ 360,402	-	(94)	-	(22,708)	337,600
Buildings	634,040	-	(239)	(5,355)	(905)	627,541
Structures	6,281	-	-	(156)	(4,280)	1,845
Construction-in-progress	64,191	2,278	-	-	2,244	68,713
	₩ 1,064,914	2,278	(333)	(5,511)	(25,649)	1,035,699

(\*1) Includes reclassification resulting from changing purpose of use, adjustment of foreign currency translation difference and others.

(b) For the year ended December 31, 2017

(in millions of Won)	Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩ 392,723	20,941	(37,725)	-	(15,537)	360,402
Buildings	671,539	38,831	(9,506)	(23,450)	(43,374)	634,040
Structures	2,147	-	-	(591)	4,725	6,281
Construction-in-progress	51,311	17,648	-	-	(4,768)	64,191
	₩ 1,117,720	77,420	(47,231)	(24,041)	(58,954)	1,064,914

(\*1) Includes reclassification resulting from changing purpose of use, adjustment of foreign currency translation difference and others.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

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

Changes in the carrying amount of property, plant and equipment for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

(a) For the three-month period ended March 31, 2018

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,527,650	307	(4,108)	-	6,831	2,530,680
Buildings		4,877,018	4,855	(666)	(84,915)	38,717	4,835,009
Structures		2,765,852	1,609	(134)	(52,563)	13,865	2,728,629
Machinery and equipment		19,367,957	18,980	(4,909)	(559,374)	262,495	19,085,149
Vehicles		32,861	2,676	(165)	(4,119)	344	31,597
Tools		63,640	3,108	(65)	(6,867)	2,418	62,234
Furniture and fixtures		145,439	7,869	(95)	(13,253)	(729)	139,231
Finance lease assets		145,257	47	(558)	(4,232)	(435)	140,079
Bearer plants		65,515	-	-	(770)	(815)	63,930
Construction-in-progress		1,892,346	399,195	(8,601)	-	(304,919)	1,978,021
	₩	31,883,535	438,646	(19,301)	(726,093)	17,772	31,594,559

(\*1) Impairment losses on property, plant and equipment amounting to ₩18,222 million are included.

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

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,601,208	3,477	(18,226)	-	(58,809)	2,527,650
Buildings		4,995,631	53,961	(5,782)	(361,531)	194,739	4,877,018
Structures		2,908,480	18,943	(2,558)	(246,229)	87,216	2,765,852
Machinery and equipment		20,318,390	194,653	(93,210)	(2,217,435)	1,165,559	19,367,957
Vehicles		46,699	9,982	(1,623)	(22,340)	143	32,861
Tools		71,380	16,424	(976)	(28,539)	5,351	63,640
Furniture and fixtures		132,406	61,597	(1,296)	(48,416)	1,148	145,439
Finance lease assets		159,013	4,760	(453)	(14,810)	(3,253)	145,257
Bearer plants		-	-	-	(4,830)	70,345	65,515
Construction-in-progress		2,537,132	1,894,067	(817)	(36,706)	(2,501,330)	1,892,346
	₩	33,770,339	2,257,864	(124,941)	(2,980,836)	(1,038,891)	31,883,535

(\*1) Includes impairment losses on property, plant and equipment amounting to ₩117,231 million. During the year ended December 31, 2017, due to the existence of indicators for impairment, such as continuing operating loss on Suncheon Bay Personal Rapid Transit business of the Suncheon Eco Trans Co., Ltd, a subsidiary of the Company, the Company performed impairment test and recognized impairment loss of ₩48,070 million. The impairment recorded in 2017 also included ₩17,651 million related to POSCO for individual assets due to a decline in economic result and others.

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

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

Changes in the carrying amount of goodwill and other intangible assets for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

(a) For the three-month period ended March 31, 2018

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,349,838	-	-	-	-	(153)	1,349,685
Intellectual property rights	2,449,193	4,057	(32,516)	(66,730)	(786)	(7,114)	2,346,104
Premium in rental(*1)	118,310	3,927	(3,710)	(38)	(2)	64	118,551
Development expense	80,218	335	-	(9,180)	(411)	8,007	78,969
Port facilities usage rights	309,373	-	-	(5,420)	-	13	303,966
Exploration and evaluation assets	205,944	1,094	-	-	-	276	207,314
Customer relationships	466,945	-	-	(13,300)	-	2,868	456,513
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	433,043	45,628	(63)	(14,187)	(527)	(4,757)	459,137
	₩ 5,952,269	55,041	(36,289)	(108,855)	(1,726)	(796)	5,859,644

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

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

(b) For the year ended December 31, 2017

(in millions of Won)

	Beginning	Acquisitions	Business combination	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,375,131	-	-	-	-	(21,750)	(3,543)	1,349,838
Intellectual property rights	2,521,171	167,580	47,625	(450)	(217,932)	(74,524)	5,723	2,449,193
Premium in rental(*1)	119,039	6,006	-	(3,666)	(611)	(1,661)	(797)	118,310
Development expense	117,012	3,479	-	(1,179)	(66,847)	(694)	28,447	80,218
Port facilities usage rights	256,617	-	-	-	(19,912)	-	72,668	309,373
Exploration and evaluation assets	162,268	91,548	-	-	-	(56,519)	8,647	205,944
Customer relationships	514,245	-	-	-	(46,508)	-	(792)	466,945
Power generation permit	539,405	-	-	-	-	-	-	539,405
Other intangible assets	483,841	84,502	-	(1,641)	(57,964)	(11,829)	(63,866)	433,043
	₩ 6,088,729	353,115	47,625	(6,936)	(409,774)	(166,977)	46,487	5,952,269

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

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 14. Other Assets

Other assets as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<u>March 31, 2018</u>	<u>December 31, 2017</u>
<b>Current</b>			
Advance payments	₩	569,907	661,779
Prepaid expenses		232,125	143,032
Firm commitment asset		5,836	15,115
Others		1,439	1,316
	₩	<u>809,307</u>	<u>821,242</u>
<b>Non-current</b>			
Long-term advance payments	₩	24,525	24,201
Long-term prepaid expenses		357,764	333,153
Others(*1)		122,690	131,657
	₩	<u>504,979</u>	<u>489,011</u>

(\*1) As of March 31, 2018 and December 31, 2017, the Company recognized tax assets amounting to ₩88,633 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 that were finalized and claim for rectification are finalized.

### 15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	<u>Lenders</u>	<u>Interest rate (%)</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<b>Short-term borrowings</b>				
Bank overdrafts	JP Morgan and others	0.8~9.0	₩ 179,500	217,879
Short-term borrowings	HSBC and others	0.3~10.5	7,963,440	7,956,939
			<u>8,142,940</u>	<u>8,174,818</u>
<b>Current portion of long-term liabilities</b>				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.5~8.5	1,219,088	1,407,123
Current portion of debentures	Korea Development Bank and others	1.4~6.1	1,723,934	1,693,974
Less: Current portion of discount on debentures issued			(1,129)	(1,399)
			<u>2,941,893</u>	<u>3,099,698</u>
			₩ <u>11,084,833</u>	<u>11,274,516</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(b) Long-term borrowings, excluding current portion as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<b>Lenders</b>	<b>Interest rate (%)</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Long-term borrowings	Export-Import Bank of Korea and others	0.4~8.4	₩ 4,960,631	4,839,199
Less: Present value discount			(33,342)	(36,459)
Debentures	Korea Development Bank and others	1.8~6.3	5,082,561	4,999,575
Less: Discount on debentures issued			(12,523)	(13,174)
			₩ <u>9,997,327</u>	<u>9,789,141</u>

(c) Assets pledged as collateral in regards to the borrowings as of March 31, 2018 are as follows:

<i>(in millions of Won)</i>	<b>Lenders</b>	<b>Book value</b>	<b>Pledged amount</b>
Property, plant and equipment and Investment property(*1)	Korea Development Bank and others	₩ 5,705,490	4,973,584
Trade accounts and notes receivable	Korea Development Bank and others	146,375	146,375
Inventories	Export-Import Bank of Korea and others	177,049	116,153
Financial instruments	Woori Bank and others	75,183	51,828
		₩ <u>6,104,097</u>	<u>5,287,940</u>

(\*1) Includes other assets(land-use right).

## 16. Other Payables

Other payables as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Current</b>		
Accounts payable	₩ 835,056	800,374
Accrued expenses	643,280	653,923
Dividend payable	343,181	7,213
Finance lease liabilities	14,331	17,763
Withholdings	266,727	274,188
	₩ <u>2,102,575</u>	<u>1,753,461</u>
<b>Non-current</b>		
Accounts payable	₩ 1,637	4,632
Accrued expenses	9,962	14,234
Finance lease liabilities	73,560	75,255
Long-term withholdings	54,334	53,629
	₩ <u>139,493</u>	<u>147,750</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 17. Other Financial Liabilities

Other financial liabilities as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Current</b>			
Derivative liabilities	₩	44,779	69,872
Financial guarantee liabilities		59,202	59,940
	₩	<u>103,981</u>	<u>129,812</u>
<b>Non-current</b>			
Derivative liabilities	₩	109,097	85,638
Financial guarantee liabilities		26,740	28,467
	₩	<u>135,837</u>	<u>114,105</u>

#### 18. Provisions

(a) Provisions as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		<b>March 31, 2018</b>		<b>December 31, 2017</b>	
		<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Provision for bonus payments	₩	25,679	-	49,171	-
Provision for construction warranties		10,923	113,876	11,804	106,232
Provision for legal contingencies and claims(*1)		495	49,526	495	36,269
Provision for restoration(*2)		12,940	84,864	12,273	121,917
Others(*3,4,5)		94,088	256,361	37,203	212,754
	₩	<u>144,125</u>	<u>504,627</u>	<u>110,946</u>	<u>477,172</u>

(\*1) The Company recognized probable outflow of resources amounting to ₩40,992 million and ₩27,963 million as provisions in relation to lawsuits against the Company as of March 31, 2018 and December 31, 2017, respectively.

(\*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩28,976 million as provisions for restoration as of March 31, 2018. 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 2.81% to measure present value of these costs.

(\*3) As of March 31, 2018 and December 31, 2017, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩167,888 million and ₩157,461 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(\*4) The Company has recognized ₩44,413 million of emission liabilities which is estimated amount to be submitted to government in excess of emission allowance as of March 31, 2018.

(\*5) As of March 31, 2018 and December 31, 2017, the amount includes a provision of ₩17,595 million and ₩23,600 million, respectively, for expected outflow of resources in connection with the performance guarantee for the Hwaseong-Dongtan complexes development project of POSCO ENGINEERING & CONSTRUCTION CO., LTD.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(b) Changes in provisions for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

1) For the three-month period ended March 31, 2018

<i>(in millions of Won)</i>		<b>Beginning</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Others(*1)</b>	<b>Ending</b>
Provision for bonus payments	₩	49,171	13,867	(36,944)	(425)	10	25,679
Provision for construction warranties		118,036	12,300	(5,171)	(272)	(94)	124,799
Provision for legal contingencies and claims		36,764	14,152	(691)	(193)	(11)	50,021
Provision for restoration		134,190	1,587	(688)	(36,029)	(1,256)	97,804
Others		249,957	69,637	(11,043)	(19,577)	61,475	350,449
	₩	<u>588,118</u>	<u>111,543</u>	<u>(54,537)</u>	<u>(56,496)</u>	<u>60,124</u>	<u>648,752</u>

(\*1) Includes ₩67,674 million of reclassification to provision for construction loss from due to (from) customer for contract work due to the initial application of K-IFRS No. 1115, adjustments of foreign currency translation differences and others.

2) For the year ended December 31, 2017

<i>(in millions of Won)</i>		<b>Beginning</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Others(*1)</b>	<b>Ending</b>
Provision for bonus payments	₩	42,986	74,728	(64,319)	(3,035)	(1,189)	49,171
Provision for construction warranties		96,709	40,916	(18,006)	(2,502)	919	118,036
Provision for legal contingencies and claims		84,846	27,459	(70,156)	(1,749)	(3,636)	36,764
Provision for restoration		62,594	63,438	(8,530)	-	16,688	134,190
Others		165,469	161,054	(64,850)	(20,199)	8,483	249,957
	₩	<u>452,604</u>	<u>367,595</u>	<u>(225,861)</u>	<u>(27,485)</u>	<u>21,265</u>	<u>588,118</u>

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

## 19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month periods ended March 31, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>March 31, 2017</b>
Expense related to post-employment benefit plans under defined contribution plans	₩	10,509	8,588

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### (b) Defined benefit plans

- 1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>December 31, 2017</b>
Present value of funded obligations	₩	1,846,119	1,826,907
Fair value of plan assets(*1)		(1,667,030)	(1,714,166)
Present value of non-funded obligations		15,897	16,228
Net defined benefit liabilities	₩	<u>194,986</u>	<u>128,969</u>

(\*1) As of March 31, 2018 and December 31, 2017, the Company recognized net defined benefit assets amounting to ₩11,475 million and ₩8,224 million, respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

- 2) Changes in present value of defined benefit obligations for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>December 31, 2017</b>
Defined benefit obligation			
at the beginning of period	₩	1,843,135	1,733,020
Current service costs		54,417	209,612
Interest costs		11,989	35,830
Remeasurements		35,434	51,994
Benefits paid		(84,076)	(185,220)
Others		1,117	(2,101)
Defined benefit obligation at the end of period	₩	<u>1,862,016</u>	<u>1,843,135</u>

- 3) Changes in fair value of plan assets for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>December 31, 2017</b>
Fair value of plan assets			
at the beginning of period	₩	1,714,166	1,693,118
Interest on plan assets		11,572	45,516
Remeasurement of plan assets		(3,613)	(17,190)
Contributions to plan assets		-	164,828
Benefits paid		(64,225)	(168,643)
Others		9,130	(3,463)
Fair value of plan assets at the end of period	₩	<u>1,667,030</u>	<u>1,714,166</u>



## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month periods ended March 31, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Current service costs	₩ 54,417	50,896
Net interest costs	417	(2,122)
	<u>₩ 54,834</u>	<u>48,774</u>

## 20. Other Liabilities

Other liabilities as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Current</b>		
Due to customers for contract work	₩ 748,795	821,875
Advances received	621,301	599,879
Unearned revenue	53,957	7,121
Withholdings	302,144	221,940
Firm commitment liability	19,680	12,192
Others	56,404	33,590
	<u>₩ 1,802,281</u>	<u>1,696,597</u>
<b>Non-current</b>		
Unearned revenue	₩ 21,457	18,440
Others	19,352	14,360
	<u>₩ 40,809</u>	<u>32,800</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 21. Financial Instruments

#### (a) Classification and fair value of financial instruments

- 1) The carrying amount and the fair values of financial assets and financial liabilities by fair value hierarchy as of March 31, 2018 and December 31, 2017 are as follows:

#### ① March 31, 2018

(in millions of Won)

(in millions of Won)

		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss(*1)					
Derivative assets	₩ 62,694	-	62,694	-	62,694
Short-term financial instruments	6,140,729	-	6,140,729	-	6,140,729
Debt securities	177,948	-	130,000	28,889	158,889
Other securities	395,951	2,189	-	190,940	193,129
Other receivables	1,942	-	-	-	-
Derivatives assets designated as hedging instruments	16,342	-	16,342	-	16,342
Fair value through other comprehensive income(*1)					
Equity securities	1,380,943	1,024,525	-	206,527	1,231,052
Debt securities	2,441	-	-	-	-
Financial assets measured at amortized cost(*2)					
Cash and cash Equivalents	2,838,389	-	-	-	-
Trade accounts and notes receivable	9,319,129	-	-	-	-
Other receivables	2,249,417	-	-	-	-
Debt securities	3,239	-	-	-	-
Deposit instruments	1,624,136	-	-	-	-
	₩ 24,213,300	1,026,714	6,349,765	426,356	7,802,835
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 142,268	-	142,268	-	142,268
Derivatives liabilities designated as hedging instruments	11,608	-	11,608	-	11,608
Financial liabilities measured at amortized cost(*2)					
Trade accounts and notes payable	3,604,271	-	-	-	-
Borrowings	21,082,160	-	21,235,154	-	21,235,154
Financial guarantee liabilities	85,942	-	-	-	-
Others	2,107,363	-	-	-	-
	₩ 27,033,612	-	21,389,030	-	21,389,030

(\*1) The Company has not performed fair value measurement for certain financial assets measured at fair value due to materiality considerations.

(\*2) The Company has not performed fair value measurement for financial assets and liabilities measured at amortized cost except borrowings since their fair value approximate carrying amounts.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

② December 31, 2017

(in millions of Won)

(in millions of Won)

		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at fair value through profit or loss					
Financial assets held for trading	₩ 1,970	-	1,970	-	1,970
Derivatives assets held for trading	65,051	-	65,051	-	65,051
Derivatives assets designated as hedging instruments	3,239	-	3,239	-	3,239
Available-for-sale financial assets(*1)	1,978,115	1,080,291	17,812	351,419	1,449,522
Held-to-maturity financial assets	5,211	-	-	-	-
Loans and receivables(*2)					
Cash and cash Equivalents	2,612,530	-	-	-	-
Trade accounts and notes receivable	8,901,867	-	-	-	-
Loans and other receivables	9,099,444	-	-	-	-
	₩ 22,667,427	1,080,291	88,072	351,419	1,519,782
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities held for trading	₩ 142,280	-	142,280	-	142,280
Derivatives liabilities designated as hedging instruments	13,230	-	13,230	-	13,230
Financial liabilities measured at amortized cost(*2)					
Trade accounts and notes payable	3,477,678	-	-	-	-
Borrowings	21,063,657	-	21,217,415	-	21,217,415
Financial guarantee liabilities	88,407	-	-	-	-
Others	1,865,683	-	-	-	-
	₩ 26,650,935	-	21,372,925	-	21,372,925

(\*1) The Company has not performed fair value measurement for certain financial assets measured at fair value due to materiality considerations.

(\*2) The Company has not performed fair value measurement for financial assets and liabilities measured at amortized cost except borrowings since their fair value approximate carrying amounts.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

2) Finance income and costs by category of financial instrument for the three-month periods ended March 31, 2018 and 2017 were as follows:

① For the three-month period ended March 31, 2018

(in millions of Won)

	Finance income and costs							Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total	
Financial assets at fair value through profit or loss	₩ 34,181	522	-	5,399	(2,705)	1,804	39,201	-
Derivatives assets	-	59,425	-	28,450	-	-	87,875	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	30,694	30,694	(44,756)
Financial assets measured at amortized cost	37,668	-	28,895	(10,855)	-	(92)	55,616	-
Derivatives liabilities	-	(48,960)	-	(47,726)	-	-	(96,686)	(159)
Financial liabilities measured at amortized cost	(161,860)	-	(17,532)	-	-	(110)	(179,502)	-
	₩ (90,011)	10,987	11,363	(24,732)	(2,705)	32,296	(62,802)	(44,915)

② For the three-month period ended March 31, 2017

(in millions of Won)

	Finance income and costs							Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total	
Derivatives assets	₩ -	12,117	-	57,863	-	-	69,980	-
Available-for-sale financial assets	14	-	-	(1,584)	(3,959)	42,013	36,484	37,010
Held-to-maturity financial assets	52	-	-	(3)	-	5	54	-
Loans and receivables	40,353	-	(461,814)	(10,077)	-	1	(431,537)	-
Financial liabilities at fair value through profit or loss	-	(101,393)	-	(54,031)	-	-	(155,424)	-
Financial liabilities measured at amortized cost	(168,609)	-	586,912	-	-	(4,736)	413,567	-
	₩ (128,190)	(89,276)	125,098	(7,832)	(3,959)	37,283	(66,876)	37,010

### (b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2017.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 22. Share Capital and Capital Surplus

(a) Share capital as of March 31, 2018 and December 31, 2017 are as follows:

<i>(Share, in Won)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares(*1)	87,186,835	87,186,835
Shared capital(*2)	₩ 482,403,125,000	482,403,125,000

(\*1) As of March 31, 2018, total shares of ADRs of 36,569,000, outstanding in overseas stock market, are equivalent to 9,142,250 shares of common stock.

(\*2) As of March 31, 2018, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,923	783,914
Other capital surplus	163,589	164,826
	₩ 1,411,337	1,412,565

(c) POSCO Energy Co., Ltd., a subsidiary of the company, issued redeemable convertible preferred shares which are classified as non-controlling interests. The details of redeemable convertible preferred shares as of March 31, 2018 are as follows:

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

Redeemable convertible preferred stocks are classified as non-controlling interests in the consolidated financial statements since the issuer has a redemption right and can control the circumstances in which the entity can settle a variable quantity of equity instruments.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<b>Date of issue</b>	<b>Date of maturity</b>	<b>Interest rate (%)</b>		<b>March 31, 2018</b>	<b>December 31, 2017</b>
Hybrid bond 1-1(*1)	2013-06-13	2043-06-13	4.30	₩	800,000	800,000
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60		200,000	200,000
Issuance cost					(3,081)	(3,081)
				₩	<u>996,919</u>	<u>996,919</u>

(\*1) Details of issuance of hybrid bonds as of March 31, 2018 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of March 31, 2018 amounts to ₩2,270 million.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(b) POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued hybrid bonds which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate (%)</u>		<u>March 31, 2018</u>	<u>December 31, 2017</u>
Hybrid bond 1-1(*1)	2013-08-29	2043-08-29	4.66	₩	165,000	165,000
Hybrid bond 1-2(*1)	2013-08-29	2043-08-29	4.72		165,000	165,000
Hybrid bond 1-3(*1)	2013-08-29	2043-08-29	4.72		30,000	30,000
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21		140,000	140,000
Issuance cost					(1,532)	(1,532)
				₩	<u>498,468</u>	<u>498,468</u>

(\*1) Details of hybrid bonds of POSCO ENERGY Co., Ltd. as of March 31, 2018 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of March 31, 2018 amounts to ₩1,938 million.

## 24. Reserves

Reserves as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in millions of Won)</i>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (532,083)	(516,528)
Changes in fair value of equity investments at fair value through other comprehensive income	(232,533)	-
Changes in unrealized fair value of available-for-sale investments	-	230,190
Foreign currency translation differences	(354,176)	(372,166)
Gains or losses on valuation of derivatives	(302)	(136)
Others	(23,443)	(23,916)
	₩ <u>(1,142,537)</u>	<u>(682,556)</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 25. Treasury Shares

As of March 31, 2018, the Company holds 7,187,161 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

### 26. Revenue

(a) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month periods ended March 31, 2018 and 2017 were as follows:

#### 1) March 31, 2018

(in millions of Won)

	Steel	Trading	Construction	Others	Total
<b>Types of revenue</b>					
Revenue from sales of goods	₩ 7,881,987	5,388,699	-	140,517	13,411,203
Revenue from services	144,955	132,159	25,819	568,360	871,293
Revenue from construction contract	-	-	1,451,148	15,927	1,467,075
Others	3,581	39,260	5,763	64,109	112,713
	₩ 8,030,523	5,560,118	1,482,730	788,913	15,862,284
<b>Timing of revenue recognition</b>					
Revenue recognized at a point in time	₩ 7,885,568	5,427,959	5,763	207,004	13,526,294
Revenue recognized over time	144,955	132,159	1,476,967	581,909	2,335,990
	₩ 8,030,523	5,560,118	1,482,730	788,913	15,862,284

#### 2) March 31, 2017

(in millions of Won)

	Steel	Trading	Construction	Others	Total
<b>Types of revenue</b>					
Revenue from sales of goods	₩ 7,602,632	5,017,348	1,121	111,302	12,732,403
Revenue from services	33,387	9,532	12,352	552,306	607,577
Revenue from construction contract	-	-	1,630,356	7,224	1,637,580
Others	11,848	24,296	19,872	43,608	99,624
	₩ 7,647,867	5,051,176	1,663,701	714,440	15,077,184
<b>Timing of revenue recognition</b>					
Revenue recognized at a point in time	₩ 7,614,372	5,041,460	20,993	156,875	12,833,700
Revenue recognized over time	33,495	9,716	1,642,708	557,565	2,243,484
	₩ 7,647,867	5,051,176	1,663,701	714,440	15,077,184

(b) Details of contract assets and liabilities from contracts with customers as of March 31, 2018 and January 1, 2018, initial application date of K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments", are as follows:

(in millions of Won)

		<b>March 31, 2018</b>	<b>The date of initial application (January 1, 2018)</b>
<b>Contract assets</b>			
Due from customers for contract work	₩	679,975	737,782
<b>Contract liabilities</b>			
Advances received		628,491	610,387
Due to customers for contract work		748,795	840,067
Unearned revenue		74,734	77,657



## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 27. Construction Contracts

(a) Details of in-progress construction contracts as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		March 31, 2018		December 31, 2017	
		Construction segment	Others	Construction segment	Others
Accumulated cost	₩	23,336,308	253,563	22,513,972	277,088
Accumulated construction profit		1,971,564	34,013	1,811,066	45,037
Accumulated construction loss		(765,531)	(12,420)	(704,234)	(14,359)
Accumulated construction revenue		24,542,341	275,156	23,620,804	307,766

(b) Details of due from customers for contract work and due to customers for contract work related to construction as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		March 31, 2018		December 31, 2017	
		Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩	703,447	49,377	800,359	49,942
Due to customers for contract work		(712,122)	(36,673)	(780,052)	(41,823)
	₩	<u>(8,675)</u>	<u>12,704</u>	<u>20,307</u>	<u>8,119</u>

(c) Details of the provisions of construction loss as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

		March 31, 2018	December 31, 2017
Construction segment	₩	53,305	66,442
Others		953	1,232
	₩	<u>54,258</u>	<u>67,674</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

- (d) Due to the factors causing the variation of costs for the three-month period ended March 31, 2018, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profits or loss for the three-month period ended March 31, 2018 and future periods are as follows:

(in millions of Won)

	Changes in estimated total contract costs	Changes in profit (loss) of construction contract		
		Net income (loss)	Future income (loss)	Total
Construction segment	₩ 29,466	21,208	81,682	102,890
Others	2,723	(152)	612	460
	₩ 32,189	21,056	82,294	103,350

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contracts as of March 31, 2018. The estimation is evaluated for the total contract cost and expected total contract revenue as of the end of the period. Also, it may change during future periods.

- (e) Uncertainty of estimates

### 1) Total contract revenues

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

### 2) Total contract costs

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

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

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

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 28. Selling and Administrative Expenses

##### (a) Other administrative expenses

Other administrative expenses for the three-month periods ended March 31, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>March 31, 2017</b>
Wages and salaries	₩	216,938	209,293
Expenses related to post-employment benefits		20,802	22,406
Other employee benefits		47,811	40,593
Travel		9,267	8,838
Depreciation		24,180	24,022
Amortization		27,650	36,272
Communication		2,625	2,812
Electricity expenses		2,241	1,169
Taxes and public dues		15,064	20,323
Rental		18,445	16,336
Repairs		4,123	1,822
Entertainment		2,948	2,826
Advertising		30,361	23,805
Research & development		24,477	25,559
Service fees		39,212	51,188
Vehicles maintenance		1,943	2,128
Industry association fee		3,404	3,413
Conference		3,548	3,177
Increase to provisions		12,663	3,213
Others		10,389	6,970
	₩	<u>518,091</u>	<u>506,165</u>

##### (b) Selling expenses

Selling expenses for the three-month periods ended March 31, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>March 31, 2017</b>
Freight and custody expenses	₩	333,254	328,927
Operating expenses for distribution center		2,544	2,606
Sales commissions		12,873	13,945
Sales promotion		3,137	2,499
Sales insurance premium		10,002	8,941
Others		4,998	4,039
	₩	<u>366,808</u>	<u>360,957</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 29. Finance Income and Costs

Details of finance income and costs for the three-month periods ended March 31, 2018 and 2017 were as follows:

(in millions of Won)

		<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>Finance income</b>			
Interest income(*1)	₩	71,849	40,419
Dividend income		32,498	42,013
Gain on foreign currency transactions		170,326	220,528
Gain on foreign currency translations		84,896	425,529
Gain on derivatives transactions		28,450	58,009
Gain on valuations of derivatives		59,425	89,132
Others		9,044	4,574
	₩	<u>456,488</u>	<u>880,204</u>
<b>Finance costs</b>			
Interest expenses	₩	161,860	168,609
Loss on foreign currency transactions		126,020	215,563
Loss on foreign currency translations		117,839	305,396
Loss on derivatives transactions		47,726	54,178
Loss on valuation of derivatives		48,960	178,408
Loss on disposal of trade accounts and notes receivables		10,855	10,077
Others		6,030	14,849
	₩	<u>519,290</u>	<u>947,080</u>

(\*1) Interest income calculated using the effective interest method for the three-month periods ended March 31, 2018 and 2017 were ₩37,744 million and ₩24,076 million, respectively.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 30. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month periods ended March 31, 2018 and 2017 were as follows:

(in millions of Won)

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>Other non-operating income</b>		
Gain on disposals of investments		
in subsidiaries, associates and joint ventures	₩ -	49,671
Gain on disposals of property, plant and equipment	3,805	5,171
Gain on disposals of intangible assets	30,572	6,510
Gain on valuation of firm commitment	4,194	-
Gain on insurance proceeds	185	793
Others	22,200	16,291
	₩ <u>60,956</u>	<u>78,436</u>
<b>Other non-operating expenses</b>		
Loss on disposals of investments		
in subsidiaries, associates and joint ventures	₩ 435	19,488
Loss on disposals of property, plant and equipment	12,210	31,259
Impairment losses on property, plant and equipment	18,222	6,941
Impairment losses on intangible assets	1,726	22
Loss on valuation of firm commitment	15,425	-
Increase to provisions	283	2,917
Donations	16,834	16,524
Others	29,752	22,870
	₩ <u>94,887</u>	<u>100,021</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 31. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other non-operating expenses in the statements of comprehensive income for the three-month periods ended March 31, 2018 and 2017 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>March 31, 2017</b>
Raw material used, changes in inventories and others	₩	9,260,784	8,654,249
Employee benefits expenses		934,964	826,255
Outsourced processing cost		1,627,629	1,592,581
Electricity expenses		231,129	246,134
Depreciation(*1)		713,382	731,245
Amortization		108,855	102,581
Freight and custody expenses		333,254	328,927
Sales commissions		12,873	13,945
Loss on disposals of property, plant and equipment		12,210	31,259
Donations		16,834	16,524
Increase to provisions		41,605	40,515
Others		1,178,604	1,251,148
	₩	<u>14,472,123</u>	<u>13,835,363</u>

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

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 32. Income Taxes

The effective tax rates of the Company for the three-month periods ended March 31, 2018 and 2017 were 26.9% and 26.3%, respectively.

#### 33. Earnings per Share

Basic and diluted earnings per share for the three-month periods ended March 31, 2018 and 2017 were as follows:

<i>(in Won, except per share information)</i>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Profit attribute to controlling interest	₩ 993,516,014,970	850,928,260,062
Interests of hybrid bonds	(7,707,643,835)	(8,420,653,151)
Weighted-average number of common shares outstanding(*1)	79,999,659	79,997,687
Basic and diluted earnings per share	₩ 12,323	10,532

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

<i>(Share)</i>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,187,176)	(7,189,148)
Weighted-average number of common shares outstanding	79,999,659	79,997,687

Since there were no potential shares of common stock which had dilutive effects as of March 31, 2018 and 2017, diluted earnings per share is equal to basic earnings per share.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

### 34. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the three-month periods ended March 31, 2018 and 2017 were as follows:

1) For the three-month period ended March 31, 2018

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
<b>Subsidiaries(*3)</b>						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 762	53	-	58,706	9	9,288
POSCO COATED & COLOR STEEL Co., Ltd.	110,752	2,560	-	-	1,592	189
POSCO ICT(*4)	648	7,474	-	70,821	8,087	48,847
eNtoB Corporation	1	60	85,857	3,346	45	5,813
POSCO CHEMTECH	98,233	17,675	132,591	5,687	77,282	148
POSCO ENERGY CO., LTD.	52,095	369	-	-	-	-
POSCO DAEWOO Corporation	1,462,604	38,852	188,278	-	13,895	322
POSCO Thainox Public Company Limited	65,975	-	3,197	-	-	-
POSCO America Corporation	63,366	-	-	-	-	886
POSCO Canada Ltd.	-	318	70,006	-	-	-
POSCO Asia Co., Ltd.	495,863	141	88,001	303	902	872
Qingdao Pohang Stainless Steel Co., Ltd.	44,031	7	-	-	-	5
POSCO JAPAN Co., Ltd.	349,756	-	5,974	725	-	994
POSCO-VIETNAM Co., Ltd.	88,286	13	-	-	-	8
POSCO MEXICO S.A. DE C.V.	65,090	17	-	-	-	-
POSCO Maharashtra Steel Private Limited	134,773	209	-	-	-	30
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	67,154	-	-	-	-	5
Others(*5)	299,845	7,928	59,368	5,171	65,268	27,671
	3,399,234	75,676	633,272	144,759	167,080	95,078
<b>Associates and joint ventures(*3)</b>						
POSCO PLANTEC Co., Ltd.	336	80	914	28,043	5,758	2,148
SNNC	1,208	422	133,613	-	-	5
POSCO-SAMSUNG-Slovakia Processing Center	18,238	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	191,457	-	-	-
Others	2,719	9,731	16,978	-	-	5
	22,501	10,233	342,962	28,043	5,758	2,158
₩	3,421,735	85,909	976,234	172,802	172,838	97,236

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

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

(\*3) As of March 31, 2018, the Company provided guarantees to related parties (Note 35).

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

(\*5) During the three-month period ended March 31, 2018, the Company made loans of ₩2,950 million to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company. As of March 31, 2018, corresponding amounts of those loans were recorded as allowance for doubtful accounts.



# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

2) For the three-month period ended March 31, 2017

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
<b>Subsidiaries</b>						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 771	28	-	37,954	-	4,386
POSCO Processing&Service	298,781	1	113,628	4,595	8,309	404
POSCO COATED & COLOR STEEL Co., Ltd.	105,189	3,414	-	-	2,463	22
POSCO ICT	301	5,070	-	45,278	6,900	44,380
eNtoB Corporation	-	30	79,524	1,319	10	5,165
POSCO CHEMTECH	82,587	15,600	115,543	3,154	71,048	5,631
POSCO ENERGY CO., LTD.	43,455	367	-	-	-	-
POSCO DAEWOO Corporation	1,033,238	35,155	70,473	29	4,370	602
POSCO Thainox Public Company Limited	52,167	-	3,216	-	-	-
POSCO America Corporation	99,845	-	-	-	-	36
POSCO Canada Ltd.	-	29	59,998	-	-	-
POSCO Asia Co., Ltd.	524,989	556	67,561	194	191	977
Qingdao Pohang Stainless Steel Co., Ltd.	36,852	-	-	-	-	26
POSCO JAPAN Co., Ltd.	355,598	-	6,364	-	-	240
POSCO-VIETNAM Co., Ltd.	52,979	-	-	-	-	-
POSCO MEXICO S.A. DE C.V.	80,550	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	96,384	-	-	-	-	21
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	55,869	-	-	-	-	-
Others	236,245	6,404	43,854	11,312	57,440	23,490
	<u>3,155,800</u>	<u>66,654</u>	<u>560,161</u>	<u>103,835</u>	<u>150,731</u>	<u>85,380</u>
<b>Associates and joint ventures</b>						
POSCO PLANTEC Co., Ltd.	103	41	787	94,666	5,034	9,716
SNNC	1,267	151	121,809	-	-	1
POSCO-SAMSUNG-Slovakia Processing Center	12,976	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	156,249	-	-	-
CSP - Compania Siderurgica do Pecem	-	-	76,941	-	-	-
Others	3,813	12,444	23,731	-	-	1
	<u>18,159</u>	<u>12,636</u>	<u>379,517</u>	<u>94,666</u>	<u>5,034</u>	<u>9,718</u>
₩	<u>3,173,959</u>	<u>79,290</u>	<u>939,678</u>	<u>198,501</u>	<u>155,765</u>	<u>95,098</u>

(b) The related account balances of significant transactions between the controlling company and related companies as of March 31, 2018 and December 31, 2017 are as follows:

1) March 31, 2018

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
<b>Subsidiaries</b>							
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 2	731	733	-	26,228	234	26,462
POSCO COATED & COLOR STEEL Co., Ltd.	62,942	82	63,024	-	5	891	896
POSCO ICT	-	7,508	7,508	1,156	56,438	8,397	65,991
eNtoB Corporation	-	60	60	8,244	32,944	20	41,208
POSCO CHEMTECH	33,140	15,921	49,061	50,300	24,471	17,977	92,748
POSCO ENERGY CO., LTD.	17,374	515	17,889	-	-	1,425	1,425
POSCO DAEWOO Corporation	514,453	38,803	553,256	17,460	2,381	5,463	25,304
POSCO Thainox Public Company Limited	65,989	-	65,989	792	-	-	792
POSCO America Corporation	14,287	-	14,287	-	58	-	58
POSCO Asia Co., Ltd.	504,175	593	504,768	15,366	-	-	15,366
Qingdao Pohang Stainless Steel Co., Ltd.	25,303	-	25,303	-	5	-	5
POSCO MEXICO S.A. DE C.V.	86,276	534	86,810	-	-	-	-
POSCO Maharashtra Steel Private Limited	408,185	3,726	411,911	-	-	-	-
Others	434,165	57,348	491,513	26,934	21,517	27,980	76,431
	<u>2,166,291</u>	<u>125,821</u>	<u>2,292,112</u>	<u>120,252</u>	<u>164,047</u>	<u>62,387</u>	<u>346,686</u>
<b>Associates and joint ventures</b>							
POSCO PLANTEC Co., Ltd.	109	4	113	2,567	11,776	19	14,362
SNNC	252	55	307	17,541	-	-	17,541
Roy Hill Holdings Pty Ltd	-	-	-	21,582	-	-	21,582
Others	8,186	941	9,127	77	483	-	560
	<u>8,547</u>	<u>1,000</u>	<u>9,547</u>	<u>41,767</u>	<u>12,259</u>	<u>19</u>	<u>54,045</u>
₩	<u>2,174,838</u>	<u>126,821</u>	<u>2,301,659</u>	<u>162,019</u>	<u>176,306</u>	<u>62,406</u>	<u>400,731</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

2) December 31, 2017

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
<b>Subsidiaries</b>							
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	2	2,908	2,910	-	21,965	674	22,639
POSCO COATED & COLOR STEEL Co., Ltd.	58,184	324	58,508	-	5	504	509
POSCO ICT	55	217	272	1,458	72,586	27,009	101,053
eNtoB Corporation	-	-	-	12,252	31,899	20	44,171
POSCO CHEMTECH	61,810	3,589	65,399	51,774	20,313	17,568	89,655
POSCO ENERGY CO., LTD.	33,239	1,673	34,912	-	-	1,425	1,425
POSCO DAEWOO Corporation	483,915	12,739	496,654	10,213	2,145	5,794	18,152
POSCO Thainox Public Company Limited	57,826	-	57,826	1,204	-	-	1,204
POSCO America Corporation	5,365	-	5,365	-	-	-	-
POSCO Asia Co., Ltd.	404,857	541	405,398	9,811	24	-	9,835
Qingdao Pohang Stainless Steel Co., Ltd.	31,693	-	31,693	-	-	-	-
POSCO MEXICO S.A. DE C.V.	55,695	530	56,225	-	-	-	-
POSCO Maharashtra Steel Private Limited	392,630	5,733	398,363	-	-	-	-
Others	384,385	49,403	433,788	15,038	59,575	31,118	105,731
	<u>1,969,656</u>	<u>77,657</u>	<u>2,047,313</u>	<u>101,750</u>	<u>208,512</u>	<u>84,112</u>	<u>394,374</u>
<b>Associates and joint ventures</b>							
POSCO PLANTEC Co., Ltd.	1,946	9	1,955	3,842	15,723	-	19,565
SNNC	648	61	709	49,506	3	-	49,509
Others	8,350	904	9,254	824	-	-	824
	<u>10,944</u>	<u>974</u>	<u>11,918</u>	<u>54,172</u>	<u>15,726</u>	<u>-</u>	<u>69,898</u>
₩	<u>1,980,600</u>	<u>78,631</u>	<u>2,059,231</u>	<u>155,922</u>	<u>224,238</u>	<u>84,112</u>	<u>464,272</u>

(c) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended March 31, 2018 and 2017 were as follows:

1) March 31, 2018

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
<b>Associates and joint ventures</b>				
POSCO PLANTEC Co., Ltd. ₩	4,087	-	32	1,230
New Songdo International City Development, LLC	23,431	9,594	-	5
SNNC	23,090	-	4,502	4,869
Chun-cheon Energy Co., Ltd	20,275	-	-	-
Noeul Green Energy	1,499	-	-	-
VSC POSCO Steel Corporation	6,667	-	1,179	-
USS-POSCO Industries	-	-	516	-
CSP - Companhia Siderurgica do Pecem	42,832	-	24,009	15,473
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	12,844	-	14,629	-
LLP POSUK Titanium	-	-	418	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	2,690	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	3,174	-	-	-
PT. Batutua Tembaga Raya	-	-	2,191	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	10,333	-	58	-
Sebang Steel	-	-	6,273	-
DMSA/AMSA	-	-	9,422	-
South-East Asia Gas Pipeline Company Ltd.	-	23,108	-	-
Others	61,736	7,652	3,232	1,733
₩	<u>209,968</u>	<u>40,354</u>	<u>69,151</u>	<u>23,310</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

2) March 31, 2017

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
<b>Associates and joint ventures</b>				
POSCO PLANTEC Co., Ltd.	₩ 7,075	-	9	1,073
New Songdo International City Development, LLC	57,357	-	-	11
SNNC	12,348	-	-	1,733
Chun-cheon Energy Co., Ltd	32,507	-	-	-
Noeul Green Energy	1,775	-	-	306
VSC POSCO Steel Corporation	11,177	-	82	-
USS-POSCO Industries	7,430	47	430	-
CSP - Companhia Siderurgica do Pecem	40,481	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	14,421	-	13,653	-
LLP POSUK Titanium	-	-	3,972	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	5,785	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	7,312	-	-	-
PT. Batutua Tembaga Raya	-	-	2,711	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	10,871	-	22	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	46	861
Sebang Steel	-	-	6,960	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	43,572	-	-	-
DMSA/AMSA	-	-	12,746	-
South-East Asia Gas Pipeline Company Ltd.	-	19,448	-	-
Others	22,722	3,666	3,780	871
	₩ 269,048	23,161	50,196	4,855

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(d) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of March 31, 2018 and December 31, 2017 are as follows:

### 1) March 31, 2018

(in millions of Won)

(in millions of Won)

		Receivables					Payables		
		Trade accounts and notes receivable	Loan	Others	Total	Trade accounts and notes payable	Others	Total	
Associates and joint ventures									
POSCO PLANTEC Co., Ltd.	₩	3,917	-	5	3,922	1,748	29	1,777	
New Songdo International City Development, LLC		507,482	279,212	8,776	795,470	-	5	5	
Chun-cheon Energy Co., Ltd		1,757	-	-	1,757	-	7,223	7,223	
VSC POSCO Steel Corporation		5,959	-	-	5,959	126	-	126	
USS-POSCO Industries		-	-	-	-	175	-	175	
Nickel Mining Company SAS		-	61,193	119	61,312	-	-	-	
CSP - Companhia Siderurgica do Pecem		393,792	-	14,247	408,039	10,643	31,993	42,636	
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		11,029	-	-	11,029	5,683	-	5,683	
PT. Batutua Tembaga Raya		-	29,511	-	29,511	-	-	-	
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		10,699	5,333	35	16,067	100	-	100	
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.		675	-	-	675	-	523	523	
DMSA/AMSA		-	64,808	3,538	68,346	277	-	277	
South-East Asia Gas Pipeline Company Ltd.		-	217,193	-	217,193	-	-	-	
Others		91,306	135,260	9,444	236,010	8,416	4,999	13,415	
	₩	1,026,616	792,510	36,164	1,855,290	27,168	44,772	71,940	

### 2) December 31, 2017

(in millions of Won)

(in millions of Won)		Receivables				Payables		
		Trade accounts and notes receivable	Loan	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures								
POSCO PLANTEC Co., Ltd.	₩	2,287	-	5	2,292	3,442	5,595	9,037
New Songdo International City Development, LLC		484,038	282,775	1,696	768,509	-	7,146	7,146
Chun-cheon Energy Co., Ltd		-	-	21	21	-	9,617	9,617
VSC POSCO Steel Corporation		16	-	-	16	17	-	17
USS-POSCO Industries		-	-	4	4	-	-	-
Nickel Mining Company SAS		-	59,668	118	59,786	-	-	-
CSP - Companhia Siderurgica do Pecem		380,180	-	13,443	393,623	-	29,700	29,700
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		2,108	5,357	6	7,471	2,449	-	2,449
PT. Batutua Tembaga Raya		24	29,048	-	29,072	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		8,067	5,357	32	13,456	107	-	107
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOOD IN'L TRADING CO., LTD.		715	-	-	715	-	526	526
DMSA/AMSA		-	69,713	4,443	74,156	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	229,880	-	229,880	-	-	-
Others		134,397	134,506	6,885	275,788	1,856	2,005	3,861
	₩	1,011,832	816,304	26,653	1,854,789	7,871	54,589	62,460

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

- (e) Significant financial transactions between the Company, excluding the controlling company, and related companies for the three-month period ended March 31, 2018 and the year ended December 31, 2017 were as follows:

### 1) March 31, 2018

(in millions of Won)

		<u>Beginning</u>	<u>Lend</u>	<u>Collect</u>	<u>Others(*2)</u>	<u>Ending</u>
<b>Associates and joint ventures</b>						
New Songdo International City Development, LLC	₩	282,775	150	(3,713)	-	279,212
Gail International Korea, LLC		2,000	1,000	-	-	3,000
DMSA/AMSA(*1)		69,713	5,036	-	(9,941)	64,808
South-East Asia Gas Pipeline Company Ltd.		229,880	-	(12,116)	(571)	217,193
PT. Batutua Tembaga Raya		29,048	-	-	463	29,511
PT. Tanggamus Electric Power		3,197	1,042	-	(20)	4,219
PT. Wampu Electric Power		5,107	-	-	(23)	5,084
PT. POSMI Steel Indonesia		4,286	-	-	(20)	4,266
Nickel Mining Company SAS		59,668	-	-	1,525	61,193
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		5,357	-	(5,357)	-	-
KRAKATAU POS-CHEM DONG-SUH CHEMICAL		6,428	-	-	(29)	6,399
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		5,357	-	-	(24)	5,333
POS-SeAH Steel Wire (Thailand) Co., Ltd.		6,428	-	-	(29)	6,399
AMCI (WA) PTY LTD		92,061	675	-	(1,774)	90,962
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD		5,357	-	-	(25)	5,332
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD		8,571	-	-	(39)	8,532
SAMHWAN VINA CO., LTD		1,071	-	-	(4)	1,067
	₩	<u>816,304</u>	<u>7,903</u>	<u>(21,186)</u>	<u>(10,511)</u>	<u>792,510</u>

(\*1) During the three-month period ended March 31, 2018, loans amounting to ₩9,820 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

(\*2) Includes adjustments of foreign currency translation differences and others.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

2) December 31, 2017

<i>(in millions of Won)</i>	<b>Beginning</b>	<b>Lend</b>	<b>Collect</b>	<b>Others(*4)</b>	<b>Ending</b>
<b>Associates and joint ventures</b>					
METAPOLIS Co., Ltd. (*1)	₩ 13,270	-	-	(13,270)	-
New Songdo International City Development, LLC	-	484,644	(201,869)	-	282,775
Gail International Korea, LLC	-	2,000	-	-	2,000
DMSA/AMSA(*2)	90,638	2,956	-	(23,881)	69,713
South-East Asia Gas Pipeline Company Ltd.	276,605	28,967	(46,252)	(29,440)	229,880
PT. Batutua Tembaga Raya	38,120	-	-	(9,072)	29,048
PT. Tanggamus Electric Power	3,606	-	-	(409)	3,197
PT. Wampu Electric Power	5,761	-	-	(654)	5,107
PT. POSMI Steel Indonesia	4,834	-	-	(548)	4,286
Nickel Mining Company SAS	60,425	-	-	(757)	59,668
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD. (*1)	60,425	-	-	(60,425)	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	6,647	-	(577)	(713)	5,357
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	7,251	-	-	(823)	6,428
Hamparan Mulya	3,626	-	(3,626)	-	-
POS-SEAHSTEELWIRE (TIANJIN) CO., Ltd	5,438	-	(5,438)	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,460	-	(2,262)	(841)	5,357
POS-SeAH Steel Wire (Thailand) Co., Ltd.	7,251	-	(1,142)	319	6,428
AMCI (WA) PTY LTD	91,775	4,327	-	(4,041)	92,061
POS-AUSTEM YANTAI AUTOMOTIVE CO., LTD(*3)	-	-	-	5,357	5,357
POS-AUSTEM WUHAN AUTOMOTIVE CO., LTD(*3)	-	-	-	8,571	8,571
SAMHWAN VINA CO., LTD(*3)	-	-	-	1,071	1,071
	₩ 684,132	522,894	(261,166)	(129,556)	816,304

(\*1) During the year ended December 31, 2017, it was excluded from associates.

(\*2) During the year ended December 31, 2017, loans amounting to ₩13,712 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

(\*3) During the year ended December 31, 2017, it was newly classified to associates and joint ventures.

(\*4) Includes adjustments of foreign currency translation differences and others.

(f) For the three-month periods ended March 31, 2018 and 2017, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Short-term benefits	₩ 31,707	41,315
Long-term benefits	2,586	3,166
Retirement benefits	8,401	4,222
	₩ 42,694	48,703

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

# POSCO and Subsidiaries

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

### As of March 31, 2018

#### (Unaudited)

## 35. Commitments and Contingencies

### (a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of March 31, 2018 are as follows:

(in millions of Won)			Guarantee limit		Guarantee amount			
Guarantors	Guarantee beneficiary	Financial institution	Foreign currency	Won equivalent	Foreign currency	Won equivalent		
[The Company]								
POSCO	POSCO Asia Co., Ltd.	BOC	USD	50,000,000	53,325	50,000,000	53,325	
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	156,272	131,874,750	140,644	
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	187,749	5,501,000,000	187,749	
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	649,853,000	693,069	309,618,500	330,209	
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	160,000,000	170,640	160,000,000	170,640	
	POSCO SS VINA Co., Ltd.	Export-Import Bank of Korea and others	USD	354,351,050	377,916	314,599,225	335,520	
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	209,034	196,000,000	209,034	
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,440,099	1,187,394,785	1,266,358	
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMU and others	CNY	760,500,000	129,042	684,450,000	116,137	
	POSCO DAEWOO Corporation	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea	USD	21,633,300	23,072	21,633,300	23,072
	Daewoo Power PNG Ltd.	Export-Import Bank of Korea	USD	54,400,000	58,018	54,400,000	58,018	
	Daewoo Textile LLC	Export-Import Bank of Korea	USD	4,000,000	4,266	4,000,000	4,266	
	POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	14,652,750	15,627	14,652,750	15,627	
	POSCO DAEWOO INDIA PVT., LTD.	Shinhan Bank and others	USD	112,400,000	119,875	61,651,448	65,751	
	PT. Bio Inti Agrindo	SC Bank and others	INR	4,350,000,000	71,253	3,371,326,647	55,222	
		Export-Import Bank of Korea and others	USD	130,875,000	139,578	120,875,000	128,913	
	Songdo Posco family Housing	SAMSUNG SECURITIES Co.,Ltd and others	KRW	70,000	70,000	49,500	49,500	
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	30,000,000	31,995	30,000,000	31,995	
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori bank and others	USD	148,000,000	157,842	138,000,000	147,177	
	POSCO ENGINEERING (THAILAND) CO., LTD.	POSCO Asia Co., Ltd.	USD	39,451,000	42,074	39,451,000	42,074	
	POSCO Engineering and Construction India Private Limited	Woori bank	USD	2,100,000	2,240	2,100,000	2,240	
	PT.POSCO E&C INDONESIA	POSCO Asia Co., Ltd.	USD	5,000,000	5,333	5,000,000	5,333	
		BNP Indonesia	IDR	79,000,000,000	6,123	79,000,000,000	6,123	
		SAMSUNG SECURITIES Co.,Ltd and others	KRW	70,000	70,000	49,500	49,500	
		Daewoo Global Development. Pte., Ltd	POSCO Asia Co., Ltd. and others	USD	68,719,200	73,289	59,088,100	63,017
	POSCO ICT	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	1,500,000	1,600	1,500,000	1,600
	POSCO CHEMTECH	PT.Krakatau Posco Chemtech Calcination	KEB Hana Bank	USD	33,600,000	35,834	19,764,706	21,079
POSCO COATED & COLOR STEEL Co., Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd. and others	USD	13,986,947	14,917	13,986,947	14,917	
POSCO ENERGY CO., LTD	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	206,794	137,396,174	146,533	
POSCO Asia Co., Ltd.	POSCO ASSAN TST STEEL INDUSTRY	SMBC	USD	25,000,000	26,663	25,000,000	26,663	
[Associates and joint ventures]								
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	447,928	420,000,000	447,928	
		BNDES	BRL	464,060,000	149,752	464,060,000	149,752	
	LLP POSUK Titanium	SMBC	USD	15,000,000	15,998	15,000,000	15,998	
	Nickel Mining Company SAS	SMBC	EUR	46,000,000	60,350	37,000,000	48,542	
POSCO DAEWOO Corporation	GLOBAL KOMSCO Daewoo LLC	ICBC	USD	8,225,000	8,772	8,225,000	8,772	
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	New Songdo International City Development, LLC	Others	KRW	340,000	340,000	319,800	319,800	
	UTrans LRT Co., Ltd.	Kookmin Bank and others	KRW	20,740	20,740	20,740	20,740	
	Chuncheon Energy Co., Ltd.	Kookmin Bank and others	KRW	11,600	11,600	11,600	11,600	
	Incheon-Gimpo Expressway Co. Ltd.	KDB Bank	KRW	100,000	100,000	100,000	100,000	
POSCO ICT	UTrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000	76,000	
	KRAKATAU POS-CHEM	KEB Hana Bank	USD	1,140,000	1,216	1,076,667	1,148	
POSCO CHEMTECH	DONG-SUH CHEMICAL	KEB Hana Bank	USD	1,140,000	1,216	1,076,667	1,148	
POSCO(Suzhou)								
Automotive Processing Center Co.,Ltd.	POS-InfraAuto (Suzhou) Co., Ltd	KDB Bank	USD	780,000	832	780,000	832	
[Others]								
POSCO DAEWOO Corporation	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	87,272,727	93,076	27,893,523	29,748	
	Ecocity CO.,LTD and others	Others	KRW	1,187,288	1,187,288	452,934	452,934	
	SMS Energy and others	KEB Hana Bank and others	KRW	104,880	104,880	73,676	73,676	
	POSCO ICT	Hyochun CO., LTD	Daegu Bank and others	KRW	39,575	39,575	39,575	39,575
	BLT Enterprise and others	Kyobo Life Insurance Co.,Ltd and others	KRW	1,163,585	1,163,585	1,163,585	1,163,585	
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government) and others	Woori Bank and others	AUD	25,260,721	20,694	25,260,721	20,694	
			USD	4,338,667,474	4,627,194	3,570,961,875	3,808,431	
			KRW	3,183,668	3,183,668	2,356,910	2,356,910	
			CNY	760,500,000	129,042	684,450,000	116,137	
			INR	4,350,000,000	71,253	3,371,326,647	55,222	
			IDR	79,000,000,000	6,123	79,000,000,000	6,123	
			THB	5,501,000,000	187,749	5,501,000,000	187,749	
			EUR	46,000,000	60,350	37,000,000	48,542	
			AUD	25,260,721	20,694	25,260,721	20,694	
			BRL	464,060,000	149,752	464,060,000	149,752	
			USD	4,338,667,474	4,627,194	3,570,961,875	3,808,431	
			KRW	3,183,668	3,183,668	2,356,910	2,356,910	
			CNY	760,500,000	129,042	684,450,000	116,137	
			INR	4,350,000,000	71,253	3,371,326,647	55,222	
			IDR	79,000,000,000	6,123	79,000,000,000	6,123	
			THB	5,501,000,000	187,749	5,501,000,000	187,749	
			EUR	46,000,000	60,350	37,000,000	48,542	
			AUD	25,260,721	20,694	25,260,721	20,694	
		BRL	464,060,000	149,752	464,060,000	149,752		

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

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- (b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ~~₩~~395,792 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION CO., LTD. amounting to ~~₩~~269,455 million as of March 31, 2018.

- (c) Other commitments

Details of other commitments of the Company as of March 31, 2018 are as follows:

#### POSCO

POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of March 31, 2018, 109 million tons of iron ore and 17 million tons of coal remained to be purchased under such long-term contracts.

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

As of March 31, 2018, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 6.49 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of March 31, 2018, the ending balance of the borrowing amounts to USD 1.02 million.

POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd. under construction of new power plant.

POSCO provides a supplementary fund of up to ~~₩~~9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., at the request of creditors such as the Korea Development Bank.

POSCO provides supplementary funding for the purpose of promoting the Suncheon Bay PRT business of Suncheon Eco Trans Co., Ltd, a subsidiary of the Company, at the request of creditors.



## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

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POSCO ENGINEERING & CONSTRUCTION CO., LTD.	As of March 31, 2018, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantee of up to USD 1,944 million and uses USD 873 million with Woori Bank and others.
POSCO ICT	As of March 31, 2018, in relation to contract enforcement, POSCO ICT was provided with ₩139,608 million, ₩23,580 million and ₩608 million guaranties from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively.

#### (d) Litigation in progress

The Company is involved in 391 lawsuits and claims for alleged damages aggregating to ₩759.8 billion as defendant as of March 31, 2018, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩41 billion for 168 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company does not believe it has a present obligation as of March 31, 2018.

#### (e) Other contingencies

POSCO	POSCO has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.
POSCO DAEWOO Corporation	As of March 31, 2018, POSCO DAEWOO Corporation has provided 33 blank promissory notes and 21 blank checks to KOREA ENERGY AGENCY and others as collateral for the guarantee on performance for contracts and others.
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	As of March 31, 2018, POSCO E&C POSCO ENGINEERING& CONSTRUCTION CO., LTD. has provided 35 blank checks and four blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩9,810,567 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
POSCO ICT	As of March 31, 2018, POSCO ICT has provided two blank promissory notes and four blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

#### 36. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the three-month periods ended March 31, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>March 31, 2017</b>
Trade accounts and notes receivable	₩	(507,799)	(283,623)
Other receivables		(121,176)	32,252
Inventories		(319,516)	(551,524)
Other current assets		27,776	(95,480)
Other non-current assets		(71,544)	(16,275)
Trade accounts and notes payable		52,463	(492,544)
Other payables		11,397	69,987
Other current liabilities		96,274	85,004
Provisions		(53,768)	(35,972)
Payments of severance benefits		(84,076)	(74,643)
Plan assets		64,225	61,267
Other non-current liabilities		25,611	(4,565)
	₩	<u>(880,133)</u>	<u>(1,306,116)</u>

#### 37. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2017.

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

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2018 (Unaudited)

(a) Information about reportable segments for the three-month periods ended March 31, 2018 and 2017 was as follows:

1) For the three-month period ended March 31, 2018

<i>(in millions of Won)</i>		<b>Steel</b>	<b>Trading</b>	<b>Construction</b>	<b>Others</b>	<b>Total</b>
External revenues	₩	8,030,523	5,560,118	1,482,730	788,913	15,862,284
Internal revenues		4,477,553	3,762,180	109,059	640,289	8,989,081
Inter segment revenue		3,114,893	2,100,395	97,911	614,493	5,927,692
Total revenues		12,508,076	9,322,298	1,591,789	1,429,201	24,851,364
Segment profits		833,348	102,371	63,975	89,686	1,089,380

2) For the three-month period ended March 31, 2017

<i>(in millions of Won)</i>		<b>Steel</b>	<b>Trading</b>	<b>Construction</b>	<b>Others</b>	<b>Total</b>
External revenues	₩	7,647,867	5,051,176	1,663,701	714,440	15,077,184
Internal revenues		4,611,671	3,227,688	73,272	607,400	8,520,031
Inter segment revenue		2,811,699	1,829,743	53,792	583,854	5,279,088
Total revenues		12,259,538	8,278,864	1,736,973	1,321,840	23,597,215
Segment profits		1,008,743	78,258	91,131	113,004	1,291,136

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the three-month periods ended March 31, 2018 and 2017 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2018</b>	<b>March 31, 2017</b>
Total profit for reportable segments	₩	1,089,380	1,291,136
Corporate fair value adjustments		(21,158)	(21,223)
Elimination of inter-segment profits		15,320	(293,025)
Income tax expense		399,471	348,503
Profit before income tax expense	₩	<u>1,483,013</u>	<u>1,325,391</u>