

POSCO and Subsidiaries

**Condensed Consolidated Interim Financial Statements
(Unaudited)
September 30, 2013**

(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 September 30, 2013, the condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2013 and 2012, 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 the condensed consolidated interim financial information 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 information 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 auditing standards generally accepted in the Republic of Korea 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. Accordingly, this report is for use by those knowledgeable about Korean review standards and their application in practice.

The consolidated statement of financial position of the Company as of December 31, 2012, 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 and our report thereon, dated March 12, 2013, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2012, presented for comparative purposes, is not different from that audited by us from which it was derived in all material respects.

Seoul, Korea
November 13, 2013

This report is effective as of November 13, 2013, 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 September 30, 2013 and December 31, 2012
(Unaudited)

(in millions of Won)

	Notes	September 30, 2013	December 31, 2012
Assets			
Cash and cash equivalents	20	₩ 4,050,323	4,680,526
Trade accounts and notes receivable, net	4,20,32	11,187,319	11,037,973
Other receivables, net	5,20,32	1,829,664	1,997,152
Other short-term financial assets	6,20	2,807,834	1,849,281
Inventories	7	9,654,206	10,584,646
Current income tax assets		35,315	17,168
Assets held for sale	8	12,722	1,190
Other current assets	13	1,398,803	1,398,180
Total current assets		30,976,186	31,566,116
Long-term trade accounts and notes receivable, net	4,20	100,954	142,204
Other receivables, net	5,20	863,766	808,904
Other long-term financial assets	6,20	4,486,988	3,860,965
Investments in associates and joint ventures	9	3,674,068	3,039,261
Investment property, net	10	519,183	521,191
Property, plant and equipment, net	11	35,315,290	32,276,379
Intangible assets, net	12	5,945,376	5,662,361
Deferred tax assets		1,064,362	994,684
Other long-term assets	13	394,171	393,786
Total non-current assets		52,364,158	47,699,735
Total assets		₩ 83,340,344	79,265,851

See accompanying notes to the condensed consolidated interim financial statements

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position, Continued
As of September 30, 2013 and December 31, 2012
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Liabilities			
Trade accounts and notes payable	20,32	₩ 3,949,137	4,389,195
Short-term borrowings and current installments of long-term borrowings	14,20	10,867,828	10,509,348
Other payables	15,20,32	1,843,940	1,834,904
Other short-term financial liabilities	16,20	82,040	92,741
Current income tax liabilities		342,701	559,328
Provisions	17	151,981	77,831
Other current liabilities	19	2,913,657	2,311,654
Total current liabilities		<u>20,151,284</u>	<u>19,775,001</u>
Long-term trade accounts and notes payable	20	12,125	2,593
Long-term borrowings, excluding current installments	14,20	14,717,204	14,412,085
Other payables	15,20	235,254	243,922
Other long-term financial liabilities	16,20	211,467	117,713
Net defined benefit liabilities	18	413,379	345,688
Deferred tax liabilities		1,606,483	1,461,519
Long-term provisions	17	91,108	100,098
Other long-term liabilities	19	298,076	377,814
Total non-current liabilities		<u>17,585,096</u>	<u>17,061,432</u>
Total liabilities		<u>37,736,380</u>	<u>36,836,433</u>
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,032,107	1,104,814
Hybrid bonds	22	996,919	-
Reserves	23	114,574	(88,150)
Treasury shares	24	(1,588,785)	(2,391,406)
Retained earnings		40,804,572	40,346,481
Equity attributable to owners of the controlling company		41,841,790	39,454,142
Non-controlling interests		<u>3,762,174</u>	<u>2,975,276</u>
Total equity		<u>45,603,964</u>	<u>42,429,418</u>
Total liabilities and equity		<u>₩ 83,340,344</u>	<u>79,265,851</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Comprehensive Income
For the three-month and the nine-month periods ended
September 30, 2013 and 2012
(Unaudited)

		For the three-month period ended September 30		For the nine-month period ended September 30	
(in millions of Won, except per share information)	Notes	2013	2012	2013	2012
Revenue	32,35	₩ 15,150,222	15,739,060	45,335,214	48,535,944
Cost of sales	28,32	(13,602,798)	(13,815,274)	(40,256,488)	(42,727,583)
Gross profit		1,547,424	1,923,786	5,078,726	5,808,361
Selling and administrative expenses	25,28				
Administrative expenses		(525,406)	(514,581)	(1,634,172)	(1,496,424)
Selling expenses		(389,206)	(405,466)	(1,192,230)	(1,255,915)
Operating profit	3,26	632,812	1,003,739	2,252,324	3,056,022
Share of profit (loss) of equity-accounted investees	9	(50,273)	(6,885)	(73,264)	5,233
Finance income and costs	20,29				
Finance income		370,257	703,174	1,736,523	1,815,470
Finance costs		(181,263)	(667,334)	(2,293,393)	(2,033,464)
Other non-operating income and expenses	26,27,32				
Other non-operating income		116,371	105,932	189,268	342,659
Other non-operating expenses	28	(102,824)	(48,006)	(319,991)	(484,371)
Profit before income tax		785,080	1,090,620	1,491,467	2,701,549
Income tax expense	30	(221,052)	(367,364)	(394,678)	(876,898)
Profit for the period		564,028	723,256	1,096,789	1,824,651
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss :					
Remeasurements of defined benefit pension plans	18	22,270	(40,442)	(12,752)	(52,231)
Items that may be reclassified subsequently to profit or loss :					
Capital adjustment arising from investments in equity-method investees		(129,968)	(42,763)	(70,810)	(65,896)
Net changes in the unrealized fair value of available-for-sale investments	20	281,086	23,455	438,998	(74,127)
Foreign currency translation differences		(426,195)	(60,729)	(174,328)	(79,410)
Other comprehensive income (loss), net of tax		(252,807)	(120,479)	181,108	(271,664)
Total comprehensive income for the period		₩ 311,221	602,777	1,277,897	1,552,987
Profit (loss) attributable to:					
Owners of the controlling company		₩ 567,109	730,838	1,095,682	1,869,670
Non-controlling interests		(3,081)	(7,582)	1,107	(45,019)
Profit for the period		₩ 564,028	723,256	1,096,789	1,824,651
Total comprehensive income (loss) attributable to:					
Owners of the controlling company		₩ 386,648	639,275	1,286,923	1,646,032
Non-controlling interests		(75,427)	(36,498)	(9,026)	(93,045)
Total comprehensive income for the period		₩ 311,221	602,777	1,277,897	1,552,987
Basic and diluted earnings per share	31	₩ 7,190	9,461	14,022	24,205

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the nine-month periods ended September 30, 2013 and 2012
(Unaudited)

(in millions of Won)

(in millions of Won)	Attributable to owners of the controlling company							Non-	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Sub total	controlling interests	
Balance as of January 1, 2012	₩ 482,403	1,150,452	-	405,426	(2,391,406)	38,709,475	38,356,350	2,373,570	40,729,920
Comprehensive income:									
Profit for the period	-	-	-	-	-	1,869,670	1,869,670	(45,019)	1,824,651
Net changes in accumulated comprehensive income of investments in associates, net of tax	-	-	-	(57,071)	-	-	(57,071)	(8,825)	(65,896)
Net changes in the unrealized fair value of available-for-sale investments, net of tax	-	-	-	(81,653)	-	-	(81,653)	7,526	(74,127)
Foreign currency translation differences, net of tax	-	-	-	(38,168)	-	-	(38,168)	(41,242)	(79,410)
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	(46,746)	(46,746)	(5,485)	(52,231)
Total comprehensive income	-	-	-	(176,892)	-	1,822,924	1,646,032	(93,045)	1,552,987
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(579,333)	(579,333)	(19,708)	(599,041)
Interim dividends	-	-	-	-	-	(154,489)	(154,489)	-	(154,489)
Changes in subsidiaries	-	-	-	-	-	-	-	6,197	6,197
Changes in ownership interests in subsidiaries	-	(34,409)	-	-	-	-	(34,409)	718,752	684,343
Others	-	(3,156)	-	11,127	-	(26,289)	(18,318)	7,577	(10,741)
Total transactions with owners of the controlling company	-	(37,565)	-	11,127	-	(760,111)	(786,549)	712,818	(73,731)
Balance as of September 30, 2012	₩ 482,403	1,112,887	-	239,661	(2,391,406)	39,772,288	39,215,833	2,993,343	42,209,176

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity, Continued
For the nine-month periods ended September 30, 2013 and 2012
(Unaudited)

<i>(in millions of Won)</i>	Attributable to owners of the controlling company						Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings		
Balance as of January 1, 2013	₩ 482,403	1,104,814	-	(88,150)	(2,391,406)	40,346,481	39,454,142	42,429,418
Comprehensive income:								
Profit for the period	-	-	-	-	-	1,095,682	1,095,682	1,096,789
Net changes in accumulated comprehensive income of investments in associates, net of tax	-	-	-	(78,096)	-	-	(78,096)	(70,810)
Net changes in the unrealized fair value of available-for-sale investments, net of tax	-	-	-	436,124	-	-	436,124	438,998
Foreign currency translation differences, net of tax	-	-	-	(154,745)	-	-	(154,745)	(174,328)
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	(12,042)	(12,042)	(12,752)
Total comprehensive income	-	-	-	203,283	-	1,083,640	1,286,923	1,277,897
Transactions with owners of the controlling company, recognized directly in equity:								
Year-end dividends	-	-	-	-	-	(463,467)	(463,467)	(494,011)
Interim dividends	-	-	-	-	-	(154,490)	(154,490)	(154,490)
Changes in subsidiaries	-	-	-	-	-	-	34,954	34,954
Changes in ownership interests in subsidiaries	-	(74,736)	-	-	-	-	301,932	227,196
Issuance of hybrid bonds	-	-	996,919	-	-	-	498,468	1,495,387
Interest of hybrid bonds	-	-	-	-	-	(9,964)	(1,607)	(11,571)
Disposal of treasury shares	-	1,569	-	-	802,621	-	804,190	804,190
Others	-	460	-	(559)	-	2,372	(7,279)	(5,006)
Total transactions with owners of the controlling company	-	(72,707)	996,919	(559)	802,621	(625,549)	795,924	1,896,649
Balance as of September 30, 2013	₩ 482,403	1,032,107	996,919	114,574	(1,588,785)	40,804,572	41,841,790	45,603,964

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows
For the nine-month periods ended September 30, 2013 and 2012
(Unaudited)

<i>(in millions of Won)</i>	<u>Note</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Cash flows from operating activities			
Profit for the period		₩ 1,096,789	1,824,651
Adjustments for:			
Depreciation		1,878,523	1,752,388
Amortization		128,113	116,678
Finance income		(735,964)	(1,218,980)
Finance costs		1,305,786	1,381,969
Income tax expense		394,678	876,898
Gain on disposal of property, plant and equipment		(12,800)	(29,184)
Loss on disposal of property, plant and equipment		83,854	45,545
Share of loss (profit) of equity-accounted investees		73,264	(5,233)
Cost for defined benefit plans		184,981	171,213
Warranty expense		100,365	10,781
(Reversal of) bad debt expenses		156,023	(4,227)
Loss on valuation of Inventories		68,538	73,064
Impairment loss of assets held for sale		2,163	258,381
Gain on disposals of assets held for sale		(87,158)	(193,333)
Others, net		(30,344)	(21,665)
		<u>3,510,022</u>	<u>3,214,295</u>
Changes in operating assets and liabilities	34	(51,536)	161,662
Interest received		182,890	216,490
Interest paid		(505,997)	(659,749)
Dividends received		195,155	156,224
Income taxes paid		(695,515)	(611,394)
Net cash provided by operating activities		<u>3,731,808</u>	<u>4,302,179</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows, Continued
For the nine-month periods ended September 30, 2013 and 2012
(Unaudited)

(in millions of Won)

	<u>Note</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Cash flows from investing activities			
Acquisitions of short-term financial instruments		(3,563,497)	(2,598,374)
Proceeds from disposal of short-term financial instruments		3,274,914	2,819,427
Increase in loans		(348,485)	(181,289)
Collection of loans		304,755	114,511
Acquisitions of available-for-sale investments		(214,896)	(281,556)
Proceeds from disposal of available-for-sale investments		76,958	683,690
Acquisitions of investments of equity-accounted investees		(883,712)	(489,815)
Proceeds from disposal of investments of equity-accounted investees		5,536	37
Acquisitions of property, plant and equipment		(4,949,729)	(4,359,590)
Proceeds from disposal of property, plant and equipment		32,661	77,360
Acquisitions of intangible assets		(434,179)	(238,200)
Proceeds from disposal of intangible assets		8,558	8,889
Proceeds from disposal of assets held for sale		-	1,268,546
Acquisitions of other investment assets		(1,064)	(149)
Proceeds from disposal of other investment assets		32,382	1,002
Cash received from acquisition of business, net of cash acquired		5,729	5,497
Cash received from disposal of business		6,412	9,718
Other, net		3,037	(685)
		<u>₩</u>	<u></u>
Net cash used in investing activities		(6,644,620)	(3,160,981)
Cash flows from financing activities			
Proceeds from borrowings	₩	3,449,420	1,885,625
Repayment of borrowings		(2,380,712)	(1,456,471)
Proceeds from (repayment of) short-term borrowings, net		185,021	(519,911)
Payment of cash dividends		(649,694)	(752,278)
Proceeds from issuance of hybrid bonds		1,495,387	-
Payment of interest of hybrid bonds		(11,114)	-
Other, net		261,717	298,362
		<u></u>	<u></u>
Net cash provided by (used in) financing activities		2,350,025	(544,673)
Effect of exchange rate fluctuation on cash held		(67,416)	(71,586)
Net increase (decrease) in cash and cash equivalents		(630,203)	524,939
Cash and cash equivalents at beginning of the period		<u>4,680,526</u>	<u>4,598,682</u>
Cash and cash equivalents at end of the period	₩	<u>4,050,323</u>	<u>5,123,621</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As of September 30, 2013

(Unaudited)

1. General Information

General information about POSCO, its 43 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd., 172 foreign subsidiaries including POSCO America Corporation and its 96 associates (collectively “the Company”) are as follows:

(a) The controlling company

POSCO, the controlling company, was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and foreign 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 eight of its overseas liaison offices.

As of September 30, 2013, the shares of the POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York, Tokyo and London Stock Exchanges.

(b) Consolidated subsidiaries acquired or reclassified during the nine-month period ended September 30, 2013

1) Consolidated subsidiaries acquired or reclassified during the nine-month period ended September 30, 2013 are as follows:

Company	Date of Acquisition	Ownership (%)	Reason
POSCO Engineering (Thailand) Co., Ltd. (*1)	January, 2013	48.90	reclassification from associate
POSMATE Co., Ltd.	January, 2013	66.23	reclassification from associate
POSCO-Mory-Maruyasu PIPE (*1)	February, 2013	50.00	new establishment
PT. KRAKATAU BLUE WATER	February, 2013	67.00	new establishment
PT. KRAKATAU POS-CHEM DONG-SUH CHEMICAL (*1)	March, 2013	45.00	new establishment
MAX STEEL Co., Ltd.	March, 2013	100.00	new acquisitions
Myanmar Daewoo International Corporation	March, 2013	100.00	new establishment
POSCO YongXin Rare Earth Metal Co., Ltd.	March, 2013	51.67	reclassification from associate
POSCO-Italy Processing Center	July, 2013	90.00	new establishment
NEW POWER TECH CO., LTD	August, 2013	100.00	Split off from POSCO Engineering Co., Ltd.
DAEWOO E&P CANADA CORPORATION	August, 2013	100.00	new establishment
IT ENGINEERING Co., Ltd. (*2)	August, 2013	17.00	new acquisitions
Yingkou Puxiang Trade Co., Ltd.	September, 2013	100.00	new establishment

(*1) These subsidiaries are included in the consolidated interim financial statements as the controlling company has control over them in consideration of the board of directors' composition and others.

(*2) These subsidiaries are included in the consolidated interim financial statements as the controlling company has control over them when potential voting rights are considered.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

2) Cash outflows (inflows) from business acquisitions

<i>(in millions of Won)</i>	<u>Amounts</u>	
Consideration transferred	₩	4,359
Less: cash and cash equivalent acquired		(10,088)
Total	₩	<u>(5,729)</u>

<i>(in millions of Won)</i>	<u>Amounts</u>	
Consideration transferred	₩	4,359
Less: cash and cash equivalent-acquired		(10,088)
Total	₩	<u>(5,729)</u>

(c) Subsidiaries that were excluded from consolidation during the nine-month period ended September 30, 2013 are as follows:

Company	Date of disposal	Reason
Postech 2006 Energy Fund	January, 2013	Reclassification from subsidiary to associate
Postech Early Stage Fund	January, 2013	Reclassification from subsidiary to associate
Pohang SPFC Co., Ltd.	January, 2013	Statutory merger by SPFC Co., Ltd. (formerly, Gwangyang SPFC Co., Ltd.)
Gunsan SPFC Co., Ltd.	January, 2013	Statutory merger by SPFC Co., Ltd. (formerly, Gwangyang SPFC Co., Ltd.)
POSCALCIUM Company, Ltd.	January, 2013	Statutory merger by POSCO Chemtec Company Ltd.
Reco Metal Co., Ltd.	January, 2013	Statutory merger by POSCO M-TECH Co., Ltd.
9 Digit Co., Ltd.	January, 2013	Statutory merger by POSCO M-TECH Co., Ltd.
SeungGwang Co., Ltd.	January, 2013	Statutory merger by POSMATE Co., Ltd.
POSWITH Co., Ltd.	January, 2013	Statutory merger by POSCO Humans Co., Ltd. (formerly, POS ECO HOUSING Co., Ltd.)
MCM Korea	March, 2013	Exclusion by corporate liquidation
DAEWOO CANADA LTD.	March, 2013	Exclusion by corporate liquidation
DAEWOO HANDELS GmbH	March, 2013	Exclusion by corporate liquidation
Dalian POSCO Steel Co., Ltd	March, 2013	Disposal
MAX STEEL Co., Ltd.	April, 2013	Statutory merger by POSCO-Vietnam Processing Center Co., Ltd.
POSCO Plantec Co., Ltd.	July, 2013	Statutory merger by Sungjin Geotec Co., Ltd. (currently, POSCO Plantec Co., Ltd. by changing its name)

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-

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

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, 2012. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with K-IFRS requires management to make judgements, 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 in which the estimates are revised and in any future periods affected.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2012.

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, 2012. The following changes in accounting policy are also expected to be reflected in the Company’s consolidated financial statements as of and for the year ending December 31, 2013.

(a) Changes in accounting policies

The Company has applied the following new standard and amendments since January 1, 2013.

- 1) K-IFRS No. 1110, “*Consolidated Financial Statements*”
- 2) K-IFRS No. 1111, “*Joint Arrangements*”
- 3) K-IFRS No. 1112, “*Disclosure of Interests in Other Entities*”
- 4) K-IFRS No. 1113, “*Fair Value Measurement*”
- 5) K-IFRS No. 1001, “*Presentation of Financial Statements*”
- 6) K-IFRS No. 1019, “*Employee Benefits*”

The details of changes in accounting policies are as follows:

1) Subsidiaries

The Company adopted K-IFRS No. 1110, “*Consolidated Financial Statements*” since January 1, 2013. As a result, the Company has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. K-IFRS No. 1110 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

of an investee if the Company controls the investee on the basis of de facto circumstances.

As a result of the adoption of K-IFRS No. 1110, “*Consolidated Financial Statements*”, the Company changed its control relationship with the following investees:

	<u>Company</u>
Newly included subsidiaries	POSCO Engineering (Thailand) Co., Ltd.
Excluded subsidiaries	Postech 2006 Energy Fund, Postech Early Stage Fund

2) Joint arrangements

The Company adopted K-IFRS No.1111, “*Joint Arrangements*” since January 1, 2013. The standard classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant K-IFRS applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method.

Under K-IFRS No. 1111, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company’s rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

Also, for a joint operation, the standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement.

The Company has re-evaluated its involvement in its only joint arrangement and has reclassified the investment from jointly controlled entity to joint venture. Notwithstanding the reclassification, the investment continues to be recognized by applying the equity method. Management believes that there has been no impact of adoption of the standard on the Company’s consolidated financial statements.

3) Disclosure of interests in other entities

The Company adopted K-IFRS No. 1112, “*Disclosure of Interests in Other Entities*” since January 1, 2013. The standard brings together into a single standard all the disclosure requirements about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

The Company is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests.

4) Fair value measurement

The Company adopted K-IFRS No. 1113, “*Fair Value Measurement*” since January 1, 2013. The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements including requirements of K-IFRS No. 1107, “*Financial Instruments : Disclosures*” and other standards.

5) Classification of other comprehensive income

The Company has applied the amendments to K-IFRS No. 1001, “*Presentation of Financial Statements*” since January 1, 2013. The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments are required to be retrospectively applied.

6) Employee benefits

The Company has applied the amendments to K-IFRS No. 1019, “*Employee Benefits*” since January 1, 2013. The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation. The amendments are required to be retrospectively applied.

(b) Impact of changes in accounting policies

- 1) As management believes the impact of the amendment to K-IFRS No. 1110, 1111, 1112, 1113 and 1019 on the Company’s prior year’s condensed consolidated interim financial statement is not significant, the comparative period’s condensed consolidated interim financial statements are not restated.

2) K-IFRS No. 1001, “*Presentation of Financial Statements*”

The Company adopted the amendment to K-IFRS No. 1001, “*Presentation of Financial Statements*” from the annual period ended December 31, 2012, which prescribes the Company’s operating profit to be calculated as revenue less: (1) cost of sales, and (2) selling and administrative expenses, and presented separately in the statement of comprehensive income.

Additionally, in the notes to the condensed consolidated financial statements (note 26), the Company provides voluntary disclosure of the entity-specific measure of operating performance presented as “adjusted operating profit” which is calculated base on the Company’s own criteria. In doing so, the Company is required to disclose: (1) a reconciliation between the entity-specific measure of operating performance and operating profit or loss presented on the face of the statement of comprehensive income, and (2) the fact that the measure of operating performance disclosed in the notes is calculated based on the Company’s own criteria.

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The Company retrospectively applied the amendment to K-IFRS No. 1001, for which the impact on the three-month and nine-month periods ended September 30, 2012 is as follows:

<i>(in millions of Won)</i>	For the three-month periods ended September 30, 2012	For the nine-month periods ended September 30, 2012
Operating profit before adoption of the amendment	₩ 1,061,665	2,914,310
Add		
Loss on disposals of property, plant and equipment	14,360	45,545
Impairment loss of intangible assets	8,648	10,459
Idle tangible assets expenses	6,849	21,199
Impairment loss of assets held for sale	-	258,381
Other bad debt expenses	1,826	11,775
Loss on disposals of investment in associates	354	749
Donations	8,257	49,020
Loss on disposals of wastes	378	8,515
Penalty losses	791	8,707
Impairment loss of property, plant and equipment and others	757	38,777
Others	5,786	31,244
	<u>48,006</u>	<u>484,371</u>
Deduct		
Gain on disposals of property, plant and equipment	(21,181)	(29,184)
Gain on disposals of investment in associates	-	(7,359)
Gain on disposals of assets held for sale	(45,874)	(193,333)
Grant income	(248)	(1,313)
Outsourcing income	(3,379)	(17,396)
Gain on disposals of wastes	(1,014)	(6,694)
Gain from claim compensation	(5,422)	(21,575)
Penalty income from early termination of contracts	(5,991)	(20,422)
Others	(22,823)	(45,383)
	<u>(105,932)</u>	<u>(342,659)</u>
Operating profit after adoption of the amendment	₩ <u>1,003,739</u>	<u>3,056,022</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

<i>(in millions of Won)</i>	For the three-month periods ended September 30, 2012	For the nine-month periods ended September 30, 2012
Operating profit before adoption of the amendment	₩ 1,061,665	2,914,310
Add		
Loss on disposals of property, plant and equipment	14,360	45,545
Impairment loss of intangible assets	8,648	10,459
Idle tangible assets expenses	6,849	21,199
Impairment loss of assets held for sale	-	258,381
Other bad debt expenses	1,826	11,775
Loss on disposals of investment in associates	354	749
Donations	8,257	49,020
Loss on disposals of wastes	378	8,515
Penalty and default losses	791	8,707
Impairment loss of property, plant and equipment and others	757	38,777
Others	5,786	31,244
	48,006	484,371
Deduct		
Gain on disposals of property, plant and equipment	(21,181)	(29,184)
Gain on disposals of investment in associates	-	(7,359)
Gain on disposals of assets held for sale	(45,874)	(193,333)
Grant income	(248)	(1,313)
Outsourcing income	(3,379)	(17,396)
Gain on disposals of wastes	(1,014)	(6,694)
Gain from claim compensation	(5,422)	(21,575)
Penalty income from early termination of contracts	(5,991)	(20,422)
Others	(22,823)	(45,383)
	(105,932)	(342,659)
Operating profit after adoption of the amendment	₩ 1,003,739	3,056,022

(c) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2013, and the Company has not early adopted them. Management believes the impact of the amendments on the Company's condensed consolidated interim financial statements is not significant.

1) Amendments to K-IFRS No. 1032, "Financial Instruments : Presentation"

The amendments clarified the application guidance related to offsetting a financial asset and a financial liability. The amendment is mandatorily effective for periods beginning on or after January 1, 2014 with earlier adoption permitted.

(d) Reclassification

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

The Company made reclassifications within other receivables, other financial assets, other payables, and other financial liabilities on the accompanying condensed consolidated statements of financial position as of December 31, 2012 to conform to current period presentation.

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Current		
Trade accounts and notes receivable	₩ 9,705,422	9,865,436
Finance lease receivables	39,177	44,918
Unbilled due from customers for contract work	1,866,632	1,493,709
Less: allowance for doubtful accounts	(423,912)	(366,090)
	<u>11,187,319</u>	<u>11,037,973</u>
Non-current		
Trade accounts and notes receivable	45,285	52,763
Finance lease receivables	74,897	102,887
Less: allowance for doubtful accounts	(19,228)	(13,446)
	<u>₩ 100,954</u>	<u>142,204</u>

The trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩95,243 million and ₩80,258 million as of September 30, 2013 and December 31, 2012, respectively, and are included in bank borrowings (note 14).

5. Other Receivables

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

Other receivables as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	September 30, 2013	December 31, 2012
Current		
Short-term loans	₩ 329,571	271,067
Other accounts receivable	1,166,515	1,298,878
Accrued income	83,287	71,076
Deposits	74,763	107,208
Other checking accounts	291,662	302,738
Less : allowance for bad debt accounts	(116,134)	(53,815)
	<u>1,829,664</u>	<u>1,997,152</u>
Non-current		
Long-term loans	676,769	574,255
Long-term other accounts receivable	126,338	164,289
Accrued income	1,118	1,204
Deposits	100,737	110,682
Less : allowance for bad debt accounts	(41,196)	(41,526)
	<u>₩ 863,766</u>	<u>808,904</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

6. Other Financial Assets

(a) Other short-term financial assets as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	September 30, 2013	December 31, 2012
Derivatives assets held for trading	₩ 75,335	62,720
Short-term available-for-sale securities	64,050	133,656
Current portion of held-to-maturity securities (bonds)	2,205	31,237
Short-term financial instruments (*1,2,3,4)	2,666,244	1,621,668
	<u>₩ 2,807,834</u>	<u>1,849,281</u>

- (*1) As of September 30, 2013 and December 31, 2012, short-term financial instruments amounting to ₩ 4,700 million and ₩ 3,400 million, respectively, are provided as collateral in relation to long-term borrowings from the National Forestry Cooperative Federation.
- (*2) As of September 30, 2013 and December 31, 2012, ₩ 1,422 million and ₩ 12,699 million, respectively, are restricted for the use in a government project.
- (*3) As of September 30, 2013 and December 31, 2012, short-term financial instruments amounting to ₩ 11,606 million and ₩ 7,650 million, respectively, are provided as collateral for long-term borrowings.
- (*4) As of September 30, 2013 and December 31, 2012, short-term financial instruments amounting to ₩ 221,434 million and ₩ 153,251 million, respectively, are restricted for use in financial arrangements, pledge and others.

(b) Other long-term financial assets as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	September 30, 2013	December 31, 2012
Derivatives assets held for trading	₩ 35,374	8,634
Long-term available-for-sale securities (equity instruments) (*1,2,3)	4,070,646	3,711,169
Long-term available-for-sale securities (bonds)	31,904	26,430
Long-term available-for-sale securities (others)	58,625	43,266
Held-to-maturity securities (bonds)	2,493	3,251
Long-term financial instruments	287,946	68,215
	<u>₩ 4,486,988</u>	<u>3,860,965</u>

- (*1) As of September 30, 2013, 1,795,860 shares equivalent to 16,162,743 American Depositary Receipts ("ADRs") of SK Telecom Co., Ltd. have been pledged as collateral for exchangeable bonds issued.
- (*2) During the nine-month period ended September 30, 2013, there was a significant decline in the fair value of shares of KB Financial Group Inc. and others for a prolonged period, which was considered as objective evidence of impairment. As a result, an impairment losses of ₩ 275,872 million was recognized in profit or loss during the nine-month period ended September 30, 2013.
- (*3) As of September 30, 2013 and December 31, 2012, ₩ 161,847 million and ₩ 167,100 million of long-term available-for-sale securities, respectively, have been provided as collateral for construction projects of CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd. and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

7. Inventories

Inventories as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2013</u>	<u>December 31, 2012</u>
Finished goods	₩	1,365,482	1,475,832
Merchandise		669,460	703,923
Semi-finished goods		1,708,323	1,876,196
Raw materials		2,217,800	2,425,367
Fuel and materials		781,442	893,137
Construction inventories		1,135,898	1,324,873
Materials-in-transit		1,885,788	2,007,106
Others		99,332	93,007
		<u>9,863,525</u>	<u>10,799,441</u>
Less: allowance for inventories valuation		<u>(209,319)</u>	<u>(214,795)</u>
	₩	<u>9,654,206</u>	<u>10,584,646</u>

The amounts of valuation losses of inventories recognized within cost of sales during the nine-month period ended September 30, 2013 and the year ended December 31, 2012 were ₩ 68,538 million and ₩ 76,483 million, respectively.

8. Assets Held for Sale

Details of assets held for sale as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2013</u>			<u>December 31, 2012</u>
	<u>The controlling company</u>	<u>Subsidiaries</u>	<u>Total</u>	<u>Subsidiaries</u>
Property, plant and equipment (*1)	-	1,190	1,190	1,190
Investment in associates (*2)	1,305	-	1,305	-
Long-term available-for-sale securities (*3)	-	10,227	10,227	-
	<u>1,305</u>	<u>11,417</u>	<u>12,722</u>	<u>1,190</u>

- (*1) POSCO AST Co., Ltd. determined to dispose of its land and building for employee welfare and classified as assets held for sale as of December 31, 2012. The amount measured at the lower of those carrying amount and fair value less costs to sell of certain land and building was ₩ 1,190 million, the Company recorded impairment loss for the assets held for sale of ₩ 70 million.
- (*2) The Company determined to dispose of the shares of POSVINA Co., Ltd., an associate of the Company, and classified as assets held for sale as of September 2013. The amount based on the difference between those carrying amount and fair value less costs to sell was ₩ 1,305 million. The Company recorded impairment loss for the assets held for sale of ₩ 2,163 million.
- (*3) POSCO ICT Co., Ltd. and POSCO Engineering Company determined to dispose of shares of Seoul Metro Line 9 Corporation and classified the shares as assets held for sale.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

9. Investments in Associates and Joint Ventures

(a) Details of investments in associates and joint ventures as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)	September 30, 2013				December 31, 2012
	Company	Number of shares	Ownership (%)	Acquisition cost	Book value
[Domestic]					
	EQP POSCO Global 1st Fund	178,565	27.23	178,566 ₩	177,945
	POSCO Plant Engineering Co., Ltd. (formerly, Sungjin Geotec Co., Ltd.) (*1)	27,365,388	43.97	341,087	250,104
	SNNC Co., Ltd.	18,130,000	49.00	90,650	124,922
	Posco chemtech				
	Mitsubishi Carbon Tech (*2)	11,568,000	60.00	115,680	115,700
	POSCO-ESM Co., Ltd.	1,000,000	50.00	43,000	41,118
	Blue ocean PEF	333	27.52	33,300	31,019
	CHUNGJU ENTERPRISE	2,008,000	25.10	10,040	26,015
	CITY DEVELOPMENT Co., Ltd.				
	Incheongimpo Highway Co., Ltd	4,053,179	29.94	20,266	18,294
	UI trans Co., Ltd.	3,677,697	38.64	18,388	18,696
	Garolim Tidal Power Plant Co., Ltd.	2,580,039	32.13	12,900	11,082
	Gyeonggi Green Energy Co., Ltd. (*3)	2,880,000	19.00	14,400	5,725
	KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund (*3)	7,012,500	12.50	7,013	6,707
	Kones Co., Ltd.	3,250,000	41.67	6,893	5,783
	Busan-Gimhae Light Rail Transit Co., Ltd.	9,160,000	25.00	45,800	-
	POSMATE Co., Ltd. (*4)	-	-	-	-
	Others (28 companies)				40,776
					873,886
[Foreign]					
	Roy Hill Holdings Pty Ltd. (*3)	12,723,959	12.50	824,150	694,237
	POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	349,714
	CSP(Compania Siderurgica do Pecem)	536,281,399	20.00	393,925	291,410
	Eureka Moly LLC	-	20.00	240,123	221,432
	South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	145,439
	Nickel Mining Company SAS	3,234,698	49.00	157,585	140,425
	DMSA / AMSA(*5)	-	4.00	143,002	132,934
	7623704 Canada Inc. (*3)	114,452,000	10.40	124,341	121,841
	AMCI (WA) Pty Ltd.	49	49.00	209,664	105,950
	KOREA LNG Ltd.	2,400	20.00	135,205	97,394
	BX STEEL POSCO				
	Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	95,546
	KOBRASCO	2,010,719,185	50.00	32,950	91,634
	AES-VCM Mong Duong Power Company Limited	-	30.00	74,161	98,774
	CAML Resources Pty. Ltd.	3,239	33.34	40,388	47,394
	NCR LLC	-	29.41	32,348	38,298
	POSCHROME (PROPRIETARY) LIMITED	43,350	50.00	19,892	9,460
	Others (38 companies)				118,300
					2,800,182
				₩	3,674,068

- (*1) It was reclassified from subsidiary to associate due to the merger with Sungjin Geotec Co., Ltd. during the nine-month period ended September 30, 2013.
- (*2) The Company is not able to exercise control over the investee even though the Company's percentage of ownership is above 50%.
- (*3) The Company is able to exercise significant influence even though the Company's percentage of ownership is below 20%.
- (*4) It was reclassified from associate to subsidiary due to the merger with Seoung Gwang Co., Ltd. during the nine-month period ended September 30, 2013.
- (*5) The Company is able to exercise significant influence and accounts for the investment in jointly controlled entity using the equity method even though the Company's percentage of ownership is below 20%.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(b) The movements of investments in associates and joint ventures for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 were as follows:

1) September 30, 2013

(in millions of Won)

Company	December 31, 2012 Book Value	Share of Profits (Losses)	Other Increase (Decrease) (*1)	September 30, 2013
[Domestic]				
EQP POSCO Global 1st Fund	₩ -	(635)	178,580	177,945
POSCO Plant Engineering Co., Ltd. (formerly, Sungjin Geotec Co., Ltd.)	181,361	(31,549)	100,292	250,104
SNNC Co., Ltd.	147,539	4,234	(26,851)	124,922
Posco chemtech	28,060	880	86,760	115,700
Mitsubishi Carbon Tech	42,388	(1,270)	-	41,118
POSCO-ESM Co., Ltd.	33,839	(2,117)	(703)	31,019
Blue ocean PEF	29,414	(3,290)	(109)	26,015
CHUNGJU ENTERPRISE	13,680	(295)	4,909	18,294
CITY DEVELOPMENT Co., Ltd.	16,444	1,437	815	18,696
Incheongimpo Highway Co., Ltd.	11,544	(462)	-	11,082
UI trans Co., Ltd.	7,353	(7,523)	5,895	5,725
Garolim Tidal Power Plant Co., Ltd.	-	(305)	7,012	6,707
Gyunggi Green Energy Co., Ltd.	6,476	(693)	-	5,783
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	7,601	(7,601)	-	-
Kones Co., Ltd.	46,204	-	(46,204)	-
Busan-Gimhae Light Rail Transit Co., Ltd.	39,096	2,387	(707)	40,776
POSMATE Co., Ltd.	610,999	(46,802)	309,689	873,886
Others				
[Foreign]				
Roy Hill Holdings Pty Ltd.	527,129	(41,049)	208,157	694,237
POSCO-NPS Niobium LLC	348,646	15,742	(14,674)	349,714
CSP(Compania Siderurgica do Pecem)	214,761	(23,300)	99,949	291,410
Eureka Moly LLC	213,136	-	8,296	221,432
South-East Asia Gas Pipeline Company Ltd.	144,831	-	608	145,439
Nickel Mining Company SAS	146,699	(10,951)	4,677	140,425
DMSA / AMSA	124,326	86	8,522	132,934
7623704 Canada Inc.	-	1	121,840	121,841
AMCI (WA) Pty Ltd.	123,018	(5,222)	(11,846)	105,950
KOREA LNG Ltd.	99,976	17,305	(19,887)	97,394
BX STEEL POSCO	92,888	768	1,890	95,546
Cold RolledSheet Co., Ltd.	113,847	11,597	(33,810)	91,634
KOBRASCO	48,636	(1,040)	51,178	98,774
AES-VCM Mong Duong Power Company Limited	62,227	16,636	(31,469)	47,394
CAML Resources Pty. Ltd.	39,303	(1,681)	676	38,298
NCR LLC	21,324	2,512	(14,376)	9,460
POSCHROME (PROPRIETARY) LIMITED	107,515	(7,866)	18,651	118,300
Others	2,428,262	(26,462)	398,382	2,800,182
	₩ 3,039,261	(73,264)	708,071	3,674,068

(*1) Other increase or decrease represents the changes in investments in associates and joint ventures due to acquisitions, disposals, dividends received, 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 September 30, 2013 (Unaudited)

2) December 31, 2012

(in millions of Won)

Company		December 31, 2011 Book Value	Share of Profits (Losses)	Other Increase (Decrease) (*1)	December 31, 2012 Book Value
[Domestic]					
POSCO Plant Engineering Co., Ltd. (formerly, Sungjin Geotec Co., Ltd.)	₩	194,942	(17,162)	3,581	181,361
SNNC Co., Ltd.		154,131	15,157	(21,749)	147,539
Posco chemtech		-	(860)	28,920	28,060
Mitsubishi Carbon Tech		-	(560)	42,948	42,388
POSCO-ESM Co., Ltd.		35,971	(4,542)	2,410	33,839
Blue ocean PEF		21,026	8,534	(146)	29,414
CHUNGJU ENTERPRISE		3,500	(377)	10,557	13,680
CITY DEVELOPMENT Co., Ltd.		3,610	1,268	11,566	16,444
Incheongimpo Highway Co., Ltd		11,995	(451)	-	11,544
UI trans Co., Ltd		-	(1,572)	8,925	7,353
Garolim Tidal Power Plant Co., Ltd		6,764	(219)	(69)	6,476
Gyunggi Green Energy Co., Ltd.		34,227	(26,626)	-	7,601
Kones Co., Ltd.		22,409	2,158	21,637	46,204
Busan-Gimhae Light Rail Transit Co., Ltd.		1,377,114	37,038	(1,414,152)	-
POSMATE Co., Ltd.		35,564	(729)	(34,835)	-
Kyobo Life Insurance Co., Ltd.		15,674	(15,674)	-	-
Cheongna IBT Co., Ltd.		12,476	1,530	(14,006)	-
METAPOLIS Co., Ltd.		56,162	(2,051)	(15,015)	39,096
MIDAS Information Technology Co., Ltd.		1,985,565	(5,138)	(1,369,428)	610,999
Others					
[Foreign]					
Roy Hill Holdings Pty Ltd.		-	(16,537)	543,666	527,129
POSCO-NPS Niobium LLC		374,868	19,199	(45,421)	348,646
CSP(Compania Siderurgica do Pecem)		124,231	(2,520)	93,050	214,761
Eureka Moly LLC		109,772	-	103,364	213,136
South-East Asia Gas Pipeline Company Ltd.		136,175	-	8,656	144,831
Nickel Mining Company SAS		168,292	(12,795)	(8,798)	146,699
DMSA / AMSA		119,556	(1,176)	5,946	124,326
AMCI (WA) Pty Ltd.		168,212	(38,706)	(6,488)	123,018
KOREA LNG Ltd.		127,901	12,697	(40,622)	99,976
BX STEEL POSCO		95,577	2,650	(5,339)	92,888
Cold Rolled Sheet Co., Ltd.		128,884	28,792	(43,829)	113,847
KOBRASCO		-	(1,246)	49,882	48,636
AES-VCM Mong Duong Power Company Limited		55,465	11,390	(4,628)	62,227
CAML Resources Pty. Ltd.		24,107	(452)	15,648	39,303
NCR LLC		24,674	(311)	(3,039)	21,324
POSCHROME (PROPRIETARY) LIMITED		188,380	(18,549)	(62,316)	107,515
Others		1,846,094	(17,564)	599,732	2,428,262
	₩	3,831,659	(22,702)	(769,696)	3,039,261

(*1) Other increase or decrease represents the changes in investment in associates and joint ventures due to acquisitions, disposals, dividends received, 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 September 30, 2013 (Unaudited)

- (c) The fair value of investments in associates for which there are published price quotations as of September 30, 2013 are as follows:

(in millions of Won)

Company	Fair value
POSCO Plantec Co., Ltd. (formerly, Sungjin Geotec Co., Ltd.)	₩ 272,286

- (d) Summarized financial information of associates and joint ventures as of and for the nine-month period September 30, 2013 and as of and the years ended December 31, 2012 is as follows:

1) September 30, 2013

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global 1st Fund	₩ 654,230	1,013	653,217	-	(2,281)
POSCO Plant Engineering Co., Ltd. (formerly, Sungjin Geotec Co., Ltd.)	743,541	634,622	108,919	370,509	(62,574)
SNNC Co., Ltd.	485,980	214,269	271,711	311,518	11,766
Posco chemtech	213,966	22,081	191,885	-	77
Mitsubishi Carbon Tech					
POSCO-ESM Co., Ltd.	58,494	7,813	50,681	4,069	(2,539)
Blue ocean PEF	359,592	246,882	112,710	321,292	(7,694)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	316,576	246,509	70,067	-	(7,901)
Incheongimpo Highway Co., Ltd.	75,609	15,900	59,709	-	(986)
UI trans Co., Ltd.	99,025	56,285	42,740	-	(730)
Garolim Tidal Power Plant Co., Ltd.	36,047	1,555	34,492	-	(1,438)
Gyunggi Green Energy Co., Ltd.	395,514	322,257	73,257	-	(1,892)
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	54,937	1,278	53,659	799	(940)
Kones Co., Ltd.	2,919	1,470	1,449	4,840	(1,663)
Busan-Gimhae Light Rail Transit Co., Ltd.	759,214	779,608	(20,394)	29,539	(50,472)
[Foreign]					
Roy Hill Holdings Pty Ltd.	1,783,484	135,007	1,648,477	-	(327,777)
POSCO-NPS Niobium LLC	699,226	-	699,226	-	31,484
CSP(Compania Siderurgica do Pecem)	1,631,320	85,358	1,545,962	-	(9,536)
South-East Asia Gas Pipeline Company Ltd.	1,582,849	1,002,025	580,824	-	-
Nickel Mining Company SAS	430,115	95,093	335,022	84,689	(28,667)
DMSA / AMSA	8,463,395	6,223,533	2,239,862	-	2,146
7623704 Canada Inc.	1,183,708	-	1,183,708	-	10
KOREA LNG Ltd.	534,096	66	534,030	88,165	86,528
BX STEEL POSCO Cold RolledSheet Co., Ltd.	911,504	556,957	354,547	1,122,066	(1,195)
KOBRASCO	202,898	19,630	183,268	37,745	22,121
CAML Resources Pty. Ltd.	197,060	60,709	136,351	184,036	49,906
POSCHROME (PROPRIETARY) LIMITED	40,719	4,955	35,764	48,703	6,327

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2013

(Unaudited)

2) December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]						
POSCO Plant Engineering Co., Ltd. (formerly, Sungjin Geotec Co., Ltd.)	₩	763,581	632,999	130,582	703,236	(29,219)
SNNC Co., Ltd.		577,273	261,781	315,492	379,230	16,959
Posco chemtech						
Mitsubishi Carbon Tech		47,014	247	46,767	-	(1,433)
POSCO-ESM Co., Ltd.		69,287	16,067	53,220	-	(1,422)
Blue ocean PEF		347,298	224,338	122,960	429,210	(16,504)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.		333,716	250,540	83,176	229,271	36,971
Incheongimpo Highway Co., Ltd.		44,714	334	44,380	-	(1,323)
UI trans Co., Ltd.		50,932	12,822	38,110	-	(880)
Garolim Tidal Power Plant Co., Ltd.		37,476	1,546	35,930	-	(1,404)
Gyunggi Green Energy Co., Ltd.		103,340	68,990	34,350	-	(467)
Kones Co., Ltd.		6,739	3,627	3,112	8,274	(527)
Busan-Gimhae Light Rail Transit Co., Ltd.		787,011	756,606	30,405	16,811	(106,668)
POSMATE Co., Ltd.		118,077	14,580	103,497	104,705	9,587
METAPOLIS Co., Ltd.		521,942	512,720	9,222	21,063	(35,244)
[Foreign]						
Roy Hill Holdings Pty Ltd.		1,404,336	105,340	1,298,996	-	(146,321)
POSCO-NPS Niobium LLC		697,431	140	697,291	-	38,412
CSP(Compania Siderurgica do Pecem)		1,088,105	16,551	1,071,554	-	(12,622)
Nickel Mining Company SAS		445,344	91,266	354,078	120,224	(33,981)
KOBRASCO		231,524	3,831	227,693	121,619	56,282
KOREA LNG Ltd.		545,841	64	545,777	109,992	107,953
DMSA / AMSA		7,935,489	5,906,301	2,029,188	-	(29,407)
BX STEEL POSCO Cold RolledSheet Co., Ltd.		922,932	579,140	343,792	1,506,012	2,296
CAML Resources Pty. Ltd.		209,717	70,502	139,215	284,134	34,162
South-East Asia Gas Pipeline Company Ltd.		1,341,510	763,116	578,394	-	-
POSCHROME (PROPRIETARY) LIMITED		53,900	3,582	50,318	89,962	(899)

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2013
(Unaudited)

10. Investment Property, Net

(a) Changes in the carrying value of investment property for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 were as follows:

1) For the nine-month period ended September 30, 2013

<i>(in millions of Won)</i>	Beginning	Acquisitions	Business combination	Disposals	Depreciation	Others (*1)	Ending
Land	₩ 211,382	-	12,625	(3,794)	-	(7,343)	212,870
Buildings	304,503	-	8,432	(1,748)	(8,829)	(531)	301,827
Structures	5,306	-	-	-	(242)	(578)	4,486
Total	₩ 521,191	-	21,057	(5,542)	(9,071)	(8,452)	519,183

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

2) For the year ended December 31, 2012

<i>(in millions of Won)</i>	Beginning	Acquisitions	Business combination	Disposals	Depreciation (*1)	Others (*2)	Ending
Land	₩ 219,477	15,832	1,442	(38,575)	(475)	13,681	211,382
Buildings	301,733	13,857	1,560	(6,730)	(15,044)	9,127	304,503
Structures	6,323	-	-	-	(322)	(695)	5,306
Total	₩ 527,533	29,689	3,002	(45,305)	(15,841)	22,113	521,191

(*1) Impairment losses of investment property amounted to ₩ 1,053 million are included.

(*2) 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 September 30, 2013
(Unaudited)

11. Property, Plant and Equipment, Net

(a) The changes in carrying value of property, plant and equipment for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 were as follows:

1) For the nine-month period ended September 30, 2013

(in millions of Won)

	Beginning	Acquisitions	Business combination	Disposals	Depreciation	Others (*1)	Ending
Land	₩ 2,646,422	12,531	23,108	(11,020)	-	94,499	2,765,540
Buildings	4,168,802	37,124	7,510	(31,278)	(227,330)	177,710	4,132,538
Structures	2,320,181	13,302	18,589	(5,921)	(140,955)	425,935	2,631,131
Machinery and equipment	16,532,204	165,009	9,688	(51,440)	(1,399,895)	1,931,445	17,187,011
Vehicles	60,154	7,397	793	(1,141)	(16,324)	4,504	55,383
Tools	69,851	13,585	241	(30)	(24,878)	2,764	61,533
Furniture and fixtures	183,380	23,835	1,116	(2,361)	(53,213)	28,409	181,166
Finance lease assets	57,224	923	-	(524)	(6,857)	52,045	102,811
Construction-in-progress	6,238,161	4,970,773	-	-	-	(3,010,757)	8,198,177
Total	₩ 32,276,379	5,244,479	61,045	(103,715)	(1,869,452)	(293,446)	35,315,290

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

2) For the year ended December 31, 2012

(in millions of Won)

	Beginning	Acquisitions	Business combination	Disposals	Depreciation(*1)	Others (*2)	Ending
Land	₩ 2,549,178	51,978	2,377	(26,793)	-	69,682	2,646,422
Buildings	4,019,829	210,756	12,210	(29,756)	(298,978)	254,741	4,168,802
Structures	2,260,437	25,170	-	(24,308)	(199,970)	258,852	2,320,181
Machinery and equipment	16,179,384	698,693	5,804	(209,357)	(1,774,051)	1,631,731	16,532,204
Vehicles	66,743	15,620	141	(1,244)	(20,705)	(401)	60,154
Tools	80,877	17,404	411	(1,081)	(36,026)	8,266	69,851
Furniture and fixtures	169,689	53,040	76	(3,369)	(65,074)	29,018	183,380
Finance lease assets	38,542	535	-	(236)	(9,154)	27,537	57,224
Construction-in-progress	3,088,505	6,314,731	-	-	-	(3,165,075)	6,238,161
Total	₩ 28,453,184	7,387,927	21,019	(296,144)	(2,403,958)	(885,649)	32,276,379

(*1) Includes impairment losses of property, plant and equipment amounted to ₩ 12,977 million.

(*2) Includes reclassifications for 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 September 30, 2013 (Unaudited)

12. Goodwill and Other Intangible Assets

(a) The changes in carrying value of goodwill and other intangible assets for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 were as follows:

1) For the nine-month period ended September 30, 2013

(in millions of Won)	Beginning	Increase		Decrease			Others (*3)	Ending
		Acquisitions	Business combination	Disposals	Amortization	Impairment loss		
Goodwill (*1)	₩ 1,713,691	-	2,668	-	-	-	(3,530)	1,712,829
Intellectual property rights	275,146	44,050	-	(212)	(20,073)	(8,062)	(5,281)	285,568
Premium in rental (*2)	137,733	2,570	1,602	(4,034)	(185)	(2,961)	(1,879)	132,846
Development expense	60,931	9,692	2,032	-	(17,621)	-	10,066	65,100
Port facilities usage rights	83,122	-	-	-	(7,552)	-	49,935	125,505
Exploration and evaluation assets	479,728	3,182	-	-	-	-	(14,595)	468,315
Mining development assets	1,643,306	239,933	-	-	-	-	-	1,883,239
Customer relationships	750,732	-	-	-	(39,849)	-	(1,419)	709,464
Other intangible assets	517,972	170,443	684	(827)	(42,833)	(9)	(82,920)	562,510
	₩ 5,662,361	469,870	6,986	(5,073)	(128,113)	(11,032)	(49,623)	5,945,376

(*1) Acquisition amounts include goodwill amounting to ₩ 2,668 million related to the acquisition of POSCO YongXin Rare Earth Metal Co., Ltd.

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

(*3) Includes translation adjustment and reclassifications.

2) For the year ended December 31, 2012

(in millions of Won)	Beginning	Increase		Decrease			Others (*3)	Ending
		Acquisitions	Business combination	Disposals	Amortization	Impairment loss		
Goodwill (*1)	₩ 1,656,817	-	77,298	-	-	(7,230)	(13,194)	1,713,691
Intellectual property rights	274,907	26,677	1	(1,375)	(24,829)	-	(235)	275,146
Premium in rental (*2)	139,144	13,498	622	(10,038)	(544)	(12,336)	7,387	137,733
Development expense	45,583	10,266	-	(148)	(23,011)	-	28,241	60,931
Port facilities usage rights	94,746	-	-	-	(11,624)	-	-	83,122
Exploration and evaluation assets	473,192	7,349	-	-	-	(1,671)	858	479,728
Mining development assets	1,414,315	228,991	-	-	-	-	-	1,643,306
Customer relationships	807,068	-	-	-	(53,517)	-	(2,819)	750,732
Other intangible assets	339,156	201,269	26,748	(652)	(44,466)	(9)	(4,074)	517,972
	₩ 5,244,928	488,050	104,669	(12,213)	(157,991)	(21,246)	16,164	5,662,361

(*1) Acquisition amounts include goodwill amounting to ₩ 77,298 million related to the acquisition of PONUTech Co., Ltd.

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

(*3) Includes translation adjustment and reclassifications.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

13. Other Assets

Other current assets and other long-term assets as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

		<u>September 30, 2013</u>	<u>December 31, 2012</u>
Other Current assets			
Advance payment	₩	1,203,431	1,205,969
Prepaid expenses		193,513	189,647
Others		1,859	2,564
	₩	<u>1,398,803</u>	<u>1,398,180</u>
Other long-term assets			
Long-term advance payment	₩	3,023	2,119
Long-term prepaid expenses		209,798	178,934
Others		181,350	212,733
	₩	<u>394,171</u>	<u>393,786</u>

14. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	<u>Bank</u>	<u>Interest rate(%)</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Short-term borrowings				
Bank overdrafts	BOA and others	0.1~6.0	₩ 107,590	123,685
Short-term borrowings (*1)	Shinhan Bank and others	0.3~11.0	7,514,009	7,586,993
			<u>7,621,599</u>	<u>7,710,678</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings (*1)	Korean Development Bank and others	0.5~6.0	743,984	898,564
Less : present value discount			(120)	-
Current portion of foreign loan	NATIXIS	2.0	924	901
Current portion of debentures (*1)	Korean Development Bank and others	1.5~9.0	2,504,344	1,899,430
Less : current portion of discount on debentures issued			(2,903)	(2,644)
Add : premium on debentures redemption			-	2,419
			<u>3,246,229</u>	<u>2,798,670</u>
			<u>₩ 10,867,828</u>	<u>10,509,348</u>

(*1) Property, plant and equipment, trade accounts, short-term financial assets, available-for-sale financial assets, investments in associates, inventories, and assets held for sale and amounting to ₩ 4,280,824 million, ₩ 14,468 million (two hundred eighty-three notes receivable), ₩ 17,819 million, ₩ 642,431 million, ₩ 55,278 million, ₩ 55,931 million, and ₩ 10,227 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(b) Long-term borrowings, excluding current portion as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	Bank	Interest rate(%)	September 30, 2013	December 31, 2012
Long-term borrowings (*1)	Korean Development Bank and others	0.5~11.2	₩ 7,058,952	5,161,711
Less : present value discount			(40,421)	(44,293)
Foreign loan (*2)	NATIXIS	2.0	1,370	2,009
Bonds (*1,3)	Korean Development Bank and others	1.5~6.3	7,729,776	9,339,966
Less : discount on debentures issued			(46,242)	(62,943)
Add : premium on debentures redemption			13,769	15,635
			₩ 14,717,204	14,412,085

- (*1) Property, plant and equipment, trade accounts, short-term financial assets, available-for-sale financial assets, investments in associates, inventories, and assets held for sale and amounting to ₩ 4,280,824 million, ₩ 14,468 million (two hundred eighty-three notes receivable), ₩ 17,819 million, ₩ 642,431 million, ₩ 55,278 million, ₩ 55,931 million, and ₩ 10,227 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.
- (*2) As of September 30, 2013 and December 31, 2012, Korea Development Bank has provided guarantees to the Company for borrowings from foreign financial institutions.
- (*3) POSCO issued bonds exchangeable to SK Telecom Co., Ltd.'s ADRs through Zeus (Cayman) Ltd. August 2011. The Company accounted for these exchangeable bonds as long-term borrowings. POSCO provides guarantees for Zeus (Cayman) Ltd.

15. Other Payables

Other payables as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	September 30, 2013	December 31, 2012
Current		
Accounts payable	₩ 618,630	737,802
Accrued expenses	944,154	868,015
Dividend payable	12,949	7,487
Finance lease liabilities	27,282	16,044
Withholding	240,925	205,556
	₩ 1,843,940	1,834,904
Non-Current		
Accounts payable	₩ 119,784	117,462
Accrued expenses	23,224	24,951
Finance lease liabilities	30,212	32,961
Long-term withholding	62,034	68,548
	₩ 235,254	243,922

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

16. Other Financial Liabilities

Other financial liabilities as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	September 30, 2013		December 31, 2012	
Current				
Derivatives liabilities	₩	77,809		84,922
Financial guarantee liabilities		4,231		7,819
	₩	82,040		92,741
Non-Current				
Derivatives liabilities	₩	184,825		100,220
Financial guarantee liabilities		26,642		17,493
	₩	211,467		117,713

17. Provisions

(a) Provisions as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	September 30, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 37,375	-	42,904	-
Provision for construction warranties	34,690	20,519	23,489	27,227
Provision for legal contingencies and claims (*1)	-	30,650	-	30,920
Others	79,916	39,939	11,438	41,951
	₩ 151,981	91,108	77,831	100,098

(*1) As of September 30, 2013 and December 31, 2012, the amount includes a provision of ₩ 23,485 million and ₩ 23,784 million, respectively, for potential claims in connection with the spin-off of the trading division of Daewoo International Corporation in 2000 (note 33). In addition, the amount as of September 30, 2013 and December 31, 2012, includes a provision of ₩ 7,165 million and ₩ 7,136 million, respectively, for a payment guarantee related to borrowings incurred in the disposition of Daewoo Cement (Shandong) Co., Ltd. during the year ended December 31, 2012.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(b) Changes in provisions for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 are as follows:

1) For the nine-month period ended September 30, 2013

<i>(in millions of Won)</i>		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	42,904	32,414	(35,163)	(2,051)	(729)	37,375
Provision for construction warranties		50,716	22,410	(11,749)	(3,090)	(3,078)	55,209
Provision for legal contingencies and claims		30,920	4,916	-	-	(5,186)	30,650
Others		53,389	76,129	(7,181)	-	(2,482)	119,855
	₩	<u>177,929</u>	<u>135,869</u>	<u>(54,093)</u>	<u>(5,141)</u>	<u>(11,475)</u>	<u>243,089</u>

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

2) For the year ended December 31, 2012

<i>(in millions of Won)</i>		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments for all employees	₩	47,682	343,062	(347,262)	(523)	(55)	42,904
Provision for construction warranties		50,623	24,694	(16,054)	(4,472)	(4,075)	50,716
Provision for legal contingencies and claims		38,847	8,540	-	(16,163)	(304)	30,920
Others		41,623	14,209	(3,450)	(1,680)	2,687	53,389
	₩	<u>178,775</u>	<u>390,505</u>	<u>(366,766)</u>	<u>(22,838)</u>	<u>(1,747)</u>	<u>177,929</u>

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

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18. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the nine-month periods ended September 30, 2013 and 2012 were as follows:

<i>(in millions of Won)</i>	For the three-month period ended September 30		For the nine-month period ended September 30	
	2013	2012	2013	2012
Expense related to post-employment benefit plans under defined contribution plans	₩ 6,318	4,299	18,312	10,485

(b) Defined benefit plans

- 1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	September 30, 2013	December 31, 2012
Present value of funded obligations	₩ 1,513,443	1,394,675
Fair value of plan assets	(1,103,056)	(1,064,711)
Present value of non-funded obligations	2,992	15,724
Net defined benefit liabilities	₩ 413,379	345,688

- 2) The changes in present value of defined benefit obligations for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 are as follows:

<i>(in millions of Won)</i>	September 30, 2013	December 31, 2012
Defined benefit obligation at the beginning of period	₩ 1,410,399	1,173,238
Current service costs	178,073	212,450
Interest costs	34,758	51,351
Actuarial losses	14,204	83,050
Business combinations	13,811	1,684
Benefits paid	(100,269)	(116,846)
Others	(34,541)	5,472
Defined benefit obligation at the end of period	₩ 1,516,435	1,410,399

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- 3) The changes in fair value of plan assets for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2013</u>	<u>December 31, 2012</u>
Fair value of plan assets at the beginning of period	₩	1,064,711	832,771
Interest on plan assets		27,850	37,669
Remeasurement of plan assets		(1,938)	2,157
Contributions of plan assets		89,705	267,420
Business combinations		10,714	906
Others		(23,308)	(489)
Benefits paid		(64,678)	(75,723)
Fair value of plan assets at the end of period	₩	<u>1,103,056</u>	<u>1,064,711</u>

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012 were as follows:

<i>(in millions of Won)</i>		<u>For the three-month periods ended September 30</u>		<u>For the nine-month periods ended September 30</u>	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current service costs	₩	58,393	58,229	178,073	161,767
Net interest costs		2,790	2,637	6,908	9,446
	₩	<u>61,183</u>	<u>60,866</u>	<u>184,981</u>	<u>171,213</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

19. Other Liabilities

Other liabilities as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2013</u>	<u>December 31, 2012</u>
Other current liabilities			
Due to customers for contract work	₩	891,371	529,104
Advances received		1,522,240	1,289,805
Unearned revenue		34,512	46,963
Withholdings		200,638	162,073
Deferred revenue		212	235
Others (*1)		264,684	283,474
	₩	<u>2,913,657</u>	<u>2,311,654</u>
Other long-term liabilities			
Advances received	₩	229,273	312,668
Unearned revenue		613	841
Others (*1)		68,190	64,305
	₩	<u>298,076</u>	<u>377,814</u>

(*1) Includes other current liabilities of ₩ 255,777 million and ₩ 274,490 million and other long-term liabilities of ₩ 12,100 million and ₩ 14,939 million as of September 30, 2013 and December 31, 2012, respectively, related to the Company's interest in a joint operation owned by POSCO's subsidiaries.

20. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2013</u>	<u>December 31, 2012</u>
Financial assets at fair value through profit or loss			
Derivatives assets held for trading	₩	110,709	71,354
Available-for-sale financial assets		4,225,225	3,914,521
Held-to-maturity investments		4,698	34,488
Loans and receivables		20,410,258	19,787,951
	₩	<u>24,750,890</u>	<u>23,808,314</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

2) Financial liabilities as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Financial liabilities at fair value through profit or loss		
Derivatives liabilities held for trading	₩ 262,634	185,142
Financial liabilities evaluated as amortized cost		
Trade accounts payable	3,961,262	4,391,787
Borrowings	25,585,032	24,921,433
Financial guarantee liabilities	30,873	25,312
Others	1,829,478	1,802,175
	<u>31,406,645</u>	<u>31,140,707</u>
	<u>₩ 31,669,279</u>	<u>31,325,849</u>

3) Finance income and costs by category of financial instrument for the nine-month periods ended September 30, 2013 and 2012 were as follows:

① September 30, 2013

(in millions of Won)

	Financial income and costs							
	Interest income (cost)	Dividend income	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	Total	Other comprehensive income
Financial assets at fair value through profit or loss	₩ 478	-	-	-	236,237	102,251	338,966	-
Available-for-sale financial assets	4,009	37,321	-	-	45,478	(275,872)	(189,064)	438,998
Held-to-maturity investments	463	-	-	-	-	64	527	-
Loans and receivables	183,294	-	117,890	(86,122)	(14,185)	(79)	200,798	-
Financial liabilities at fair value through profit or loss	-	-	-	-	(228,955)	(195,896)	(424,851)	-
Financial liabilities at amortized cost	(461,719)	-	(90,959)	75,708	-	(6,276)	(483,246)	-
	<u>₩ (273,475)</u>	<u>37,321</u>	<u>26,931</u>	<u>(10,414)</u>	<u>38,575</u>	<u>(375,808)</u>	<u>(556,870)</u>	<u>438,998</u>

② September 30, 2012

(in millions of Won)

	Financial income and costs							
	Interest income (cost)	Dividend income	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	Total	Other comprehensive income
Financial assets at fair value through profit or loss	₩ -	-	-	-	239,680	99,722	339,402	-
Available-for-sale financial assets	266	122,576	-	-	77,709	(204,135)	(3,584)	(74,127)
Held-to-maturity investments	1,246	-	-	-	(217)	58	1,087	-
Loans and receivables	215,921	-	(89,741)	(92,053)	(27,132)	(204)	6,791	-
Financial liabilities at fair value through profit or loss	-	-	-	-	(210,530)	(64,122)	(274,652)	-
Financial liabilities at amortized cost	(660,487)	-	68,614	346,342	-	(41,507)	(287,038)	-
	<u>₩ (443,054)</u>	<u>122,576</u>	<u>(21,127)</u>	<u>254,289</u>	<u>79,510</u>	<u>(210,188)</u>	<u>(217,994)</u>	<u>(74,127)</u>

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4) Finance income and costs by category of financial instrument for the three-month periods ended September 30, 2013 and 2012 were as follows:

① September 30, 2013

(in millions of Won)

	Financial income and costs							Other comprehensive income
	Interest income (cost)	Dividend income	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 125	-	-	-	95,582	(50,216)	45,491	-
Available-for-sale financial assets	3,162	-	-	-	5,373	(68,196)	(59,661)	281,086
Held-to-maturity investments	58	-	-	-	-	22	80	-
Loans and receivables	60,779	-	(52,294)	(266,128)	(4,610)	(20)	(262,273)	-
Financial liabilities at fair value through profit or loss	-	-	-	-	(39,149)	19,747	(19,402)	-
Financial liabilities at amortized cost	(151,267)	-	46,070	591,334	-	(1,378)	484,759	-
	₩ (87,143)	-	(6,224)	325,206	57,196	(100,041)	188,994	281,086

② September 30, 2012

(in millions of Won)

	Financial income and costs							Other comprehensive income
	Interest income (cost)	Dividend income	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ -	-	-	-	72,852	100,616	173,468	-
Available-for-sale financial assets	176	4,559	-	-	8,835	(69,879)	(56,309)	23,455
Held-to-maturity investments	416	-	-	-	(217)	(691)	(492)	-
Loans and receivables	71,368	-	(67,980)	(87,393)	(6,424)	(67)	(90,496)	-
Financial liabilities at fair value through profit or loss	-	-	-	-	(77,310)	(81,469)	(158,779)	-
Financial liabilities at amortized cost	(239,117)	-	68,759	342,637	-	(3,831)	168,448	-
	₩ (167,157)	4,559	779	255,244	(2,264)	(55,321)	35,840	23,455

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(b) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	September 30, 2013		December 31, 2012	
	Book Value	Fair Value	Book Value	Fair Value
Assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 3,654,015	3,654,015	3,349,606	3,349,606
Derivatives assets held for trading(*2)	110,709	110,709	71,354	71,354
	<u>3,764,724</u>	<u>3,764,724</u>	<u>3,420,960</u>	<u>3,420,960</u>
Assets measured amortized cost(*3)				
Cash and cash equivalents	4,050,323	4,050,323	4,680,526	4,680,526
Trade accounts and notes receivable	11,288,273	11,288,273	11,180,177	11,180,177
Loans and other receivables	5,071,662	5,071,662	3,927,248	3,927,248
Held-to-maturity investments	4,698	4,698	34,488	34,488
	<u>20,414,956</u>	<u>20,414,956</u>	<u>19,822,439</u>	<u>19,822,439</u>
Liabilities measured at fair value				
Derivatives liabilities held for trading(*2)	262,634	262,634	185,142	185,142
Liabilities measured amortised cost(*3)				
Trade accounts and notes payable	3,961,262	3,961,262	4,391,787	4,391,787
Borrowings	25,585,032	25,846,676	24,921,433	25,382,344
Financial guarantee liabilities	30,873	30,873	25,312	25,312
Others	1,829,478	1,829,478	1,802,175	1,802,175
	<u>₩ 31,406,645</u>	<u>31,668,289</u>	<u>31,140,707</u>	<u>31,601,618</u>

(*1) The fair value of available-for-sale financial assets publicly traded is measured at the closing bid price quoted at the end of the reporting period. Meanwhile, the fair value of unquoted available-for-sale financial assets is calculated using the valuation results from an external pricing service in which weighted average cost of capital of evaluated companies are used as a discount rate. The book value of available-for-sale financial assets accounted for at cost is not included.

(*2) The fair value of derivatives is measured using valuation models such as Black-scholes model and others in which the market yields on government bonds are used as a discount rate.

(*3) The fair value of financial assets and liabilities measured at amortized cost is determined at the present value of estimated future cash flows discounted at the current market interest rate. The fair value is calculated for the disclosures in the notes. On the other hand, the Company has not performed fair value measurement for the financial assets and liabilities measured at amortized cost except borrowings since the fair value is close to their carrying amounts.

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2) The fair value hierarchy

- ① The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

- ② The fair values of financial instruments by fair value hierarchy as of September 30, 2013 and December 31, 2012 are as follows:

a. September 30, 2013

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial Assets					
Available-for-sale financial assets	₩	2,914,208	-	739,807	3,654,015
Derivatives assets held for trading		-	110,709	-	110,709
		<u>2,914,208</u>	<u>110,709</u>	<u>739,807</u>	<u>3,764,724</u>
Financial Liabilities					
Derivatives liabilities held for trading	₩	-	262,634	-	262,634

b. December 31, 2012

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial Assets					
Available-for-sale financial assets	₩	2,590,933	-	758,673	3,349,606
Derivatives assets held for trading		-	71,354	-	71,354
		<u>2,590,933</u>	<u>71,354</u>	<u>758,673</u>	<u>3,420,960</u>
Financial Liabilities					
Derivatives liabilities held for trading	₩	-	185,142	-	185,142

(c) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2012.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

21. Share Capital and Capital Surplus

(a) Share capital as of September 30, 2013 and December 31, 2012 are as follows:

<i>(Share, Won)</i>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares (*1)	87,186,835	87,186,835
Share capital (*2)	₩ 482,403,125,000	482,403,125,000

(*1) As of September 30, 2013, total shares of ADRs of 52,378,124 are equivalent to 13,094,531 of common stock.

(*2) As of September 30, 2013, 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 stock.

(b) Capital surplus as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Share premium	₩ 463,825	463,825
Gains on disposal of treasury shares	765,436	763,867
Other capital deficit	(197,154)	(122,878)
	<u>₩ 1,032,107</u>	<u>1,104,814</u>

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

22. Hybrid Bonds

(a) Hybrid bonds classified as equity as of September 30, 2013 are as follows:

<i>(in millions of Won)</i>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Rate of interest(%)</u>	<u>September 30, 2013</u>	
Hybrid bond 1-1 (*1)	2013-06-13	2043-06-13	4.3	₩	800,000
Hybrid bond 1-2 (*1)	2013-06-13	2043-06-13	4.6		200,000
Issuance cost					(3,081)
				₩	<u>996,919</u>

(*1) Details of hybrid bonds as of September 30, 2013 are as follows:

<i>(in millions of Won)</i>	Hybrid bond 1-1	Hybrid bond 1-2
Issue price	800,000	200,000
Maturity date	30 years (The Company has a right to extend the maturity date)	30 years (The Company has a right to extend the maturity date)
Interest rate	Issue date ~ 2018-06-12 : 4.3% 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 the Company)	Quarterly (Optional deferral of interest payment is available to the Company)
Others	The Company can call the hybrid bond at year 5 and interest payment date afterwards	The Company can call the hybrid bond at year 10 and interest payment date afterwards

The Company holds the right to extend the maturity dates of the hybrid bonds and to defer interest payments for the hybrid bonds. If interest payments for the hybrid bonds are deferred, the Company cannot declare or pay dividends attributable to common stock. Since the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the hybrid bonds have been classified as equity instruments.

(b) POSCO Energy Co., Ltd, a subsidiary of the Company, issued hybrid bonds during the period ended September 30, 2013, which are classified as non-controlling interests in the consolidated financial statements.

Details of hybrid bonds of POSCO Energy Co., Ltd as of September 30, 2013 are as follows:

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

23. Reserves

Reserves as of September 30, 2013 and December 31, 2012 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Accumulated comprehensive loss of investments in associates	₩ (207,255)	(129,159)
Changes in the unrealized fair value of available-for-sale investments	504,080	67,956
Currency translation differences	(160,267)	(8,591)
Others	(21,984)	(18,356)
	<u>₩ 114,574</u>	<u>(88,150)</u>

24. Treasury Shares

As of September 30, 2013, the Company holds 7,448,506 shares of treasury stock for price stabilization in accordance with the Board of Director's resolution.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

25. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows:

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2013	2012	2013	2012
Wages and salaries	₩	186,332	180,862	562,933	522,973
Expenses related to post-employment benefits		15,116	15,688	49,630	46,220
Other employee benefits		40,501	40,466	122,406	129,028
Travel		13,335	13,063	39,037	38,743
Depreciation		54,232	78,250	161,207	162,416
Communication		3,743	3,889	10,991	11,824
Electric power		4,558	2,882	10,828	8,342
Taxes and public dues		14,340	15,181	42,780	42,474
Rental		27,811	25,656	78,487	68,074
Repairs		335	685	6,578	7,712
Insurance		2,359	1,679	5,704	5,201
Entertainment		4,672	4,612	12,638	13,367
Advertising		24,086	11,292	72,350	40,464
Research & development		41,948	44,772	144,653	136,613
Service fees		42,551	58,189	154,082	184,893
Supplies		3,556	112	11,183	6,677
Vehicles maintenance		2,792	5,705	8,809	16,839
Industry association Fee		2,128	1,560	9,843	9,300
Training		2,559	1,433	8,601	11,842
Conference		3,980	4,135	12,089	13,627
Warranty expense		3,460	3,564	12,914	10,533
(Reversal of) bad debt allowance		25,546	2,397	82,340	(16,002)
Others		5,466	(1,491)	14,089	25,264
	₩	525,406	514,581	1,634,172	1,496,424

(b) Selling expenses

Selling expenses for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows:

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2013	2012	2013	2012
Freight	₩	342,871	358,810	1,057,092	1,101,796
Operating expenses for distribution center		2,577	2,303	7,249	6,974
Sales commissions		18,630	20,599	53,808	55,116
Advertising		210	1,978	1,938	3,113
Sales promotion		6,269	4,054	17,988	11,152
Samples		868	1,695	3,398	5,673
Sales insurance premium		6,589	7,907	19,598	24,238
Contract cost		8,257	5,984	22,781	41,747
Others		2,935	2,136	8,378	6,106
	₩	389,206	405,466	1,192,230	1,255,915

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

26. Adjusted Operating Profit

Adjusted operating profits which include the other profits or losses excluded from operating profit but reflect the results of the Company's operations for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows:

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(in millions of Won)		For the three-month periods		For the nine-month periods	
		ended September 30		ended September 30	
		2013	2012	2013	2012
Operating profit on the statement of comprehensive income	₩	632,812	1,003,739	2,252,324	3,056,022
Add					
Gain on disposals of property, plant and equipment		1,057	21,181	12,800	29,184
Gain on disposals of investment in associates		-	-	2,015	7,359
Gain on disposals of assets held for sale		87,158	45,874	87,158	193,333
Grant income		1,484	248	1,975	1,313
Outsourcing income		13,529	3,379	28,812	17,396
Gain on disposals of wastes		1,489	1,014	8,064	6,694
Gain from claim compensation		391	5,422	9,944	21,575
Penalty income from early termination of contracts		5,721	5,991	18,339	20,422
Others		5,542	22,823	20,161	45,383
		116,371	105,932	189,268	342,659
Deduct					
Loss on disposals of property, plant and equipment		(8,811)	(14,360)	(83,854)	(45,545)
Impairment loss of intangible assets		(10,687)	(8,648)	(11,154)	(10,459)
Idle tangible assets expenses		(1,019)	(6,849)	(17,436)	(21,199)
Impairment loss of assets held for sale		(2,163)	-	(2,163)	(258,381)
Other bad debt expenses		(15,752)	(1,826)	(73,683)	(11,775)
Loss on disposals of investment in associates		(2,598)	(354)	(19,142)	(749)
Donations		(15,956)	(8,257)	(38,456)	(49,020)
Loss on disposals of wastes		(3,853)	(378)	(14,242)	(8,515)
Penalty losses		(19,458)	(791)	(21,668)	(8,707)
Impairment loss of property, plant and equipment and others		(4,056)	(757)	(9,213)	(38,777)
Others		(18,471)	(5,786)	(28,980)	(31,244)
		(102,824)	(48,006)	(319,991)	(484,371)
Adjusted operating profit	₩	646,359	1,061,665	2,121,601	2,914,310

(in millions of Won)		For the three-month periods		For the nine-month periods	
		ended September 30		ended September 30	
		2013	2012	2013	2012
Operating profit on the statement of comprehensive income	₩	632,812	1,003,739	2,252,324	3,056,022
Add					
Gain on disposals of property, plant and equipment		1,057	21,181	12,800	29,184
Gain on disposals of investment in associates		-	-	2,015	7,359
Gain on disposals of assets held for sale		87,158	45,874	87,158	193,333
Grant income		1,484	248	1,975	1,313
Outsourcing income		13,529	3,379	28,812	17,396
Gain on disposals of wastes		1,489	1,014	8,064	6,694
Gain from claim compensation		391	5,422	9,944	21,575
Penalty income from early termination of contracts		5,721	5,991	18,339	20,422
Others		5,542	22,823	20,161	45,383
		116,371	105,932	189,268	342,659
Deduct					
Loss on disposals of property, plant and equipment		(8,811)	(14,360)	(83,854)	(45,545)
Impairment loss of intangible assets		(10,687)	(8,648)	(11,154)	(10,459)
Idle tangible assets expenses		(1,019)	(6,849)	(17,436)	(21,199)
Impairment loss of assets held for sale		(2,163)	-	(2,163)	(258,381)
Other bad debt expenses		(15,752)	(1,826)	(73,683)	(11,775)
Loss on disposals of investment in associates		(2,598)	(354)	(19,142)	(749)
Donations		(15,956)	(8,257)	(38,456)	(49,020)
Loss on disposals of wastes		(3,853)	(378)	(14,242)	(8,515)
Penalty and default losses		(19,458)	(791)	(21,668)	(8,707)
Impairment loss of property, plant and equipment and others		(4,056)	(757)	(9,213)	(38,777)
Others		(18,471)	(5,786)	(28,980)	(31,244)
		(102,824)	(48,006)	(319,991)	(484,371)
Adjusted operating profit	₩	646,359	1,061,665	2,121,601	2,914,310

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

27. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows:

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(in millions of Won)

	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2013	2012	2013	2012
Other non-operating income				
Gain on disposals of property, plant and equipment	₩ 1,057	21,181	12,800	29,184
Gain on disposals of investment in associates	-	-	2,015	7,359
Gain on disposals of assets held for sale	87,158	45,874	87,158	193,333
Grant income	1,484	248	1,975	1,313
Outsourcing income	13,529	3,379	28,812	17,396
Gain on disposals of wastes	1,489	1,014	8,064	6,694
Gain from claim compensation	391	5,422	9,944	21,575
Penalty income from early termination of contracts	5,721	5,991	18,339	20,422
Others	5,542	22,823	20,161	45,383
	₩ 116,371	105,932	189,268	342,659
Other non-operating expense				
Loss on disposals of property, plant and equipment	₩ 8,811	14,360	83,854	45,545
Impairment loss of intangible assets	10,687	8,648	11,154	10,459
Idle tangible assets expenses	1,019	6,849	17,436	21,199
Impairment loss of assets held for sale	2,163	-	2,163	258,381
Other bad debt expenses	15,752	1,826	73,683	11,775
Loss on disposals of investment in associates	2,598	354	19,142	749
Donations	15,956	8,257	38,456	49,020
Loss on disposals of wastes	3,853	378	14,242	8,515
Penalty losses	19,458	791	21,668	8,707
Impairment loss of property, plant and equipment and others	4,056	757	9,213	38,777
Others	18,471	5,786	28,980	31,244
	₩ 102,824	48,006	319,991	484,371

(in millions of Won)

	For the three-month periods		For the nine-month periods	
	ended September 30		ended September 30	
	2013	2012	2013	2012
Other non-operating income				
Gain on disposals of property, plant and equipment	₩ 1,057	21,181	12,800	29,184
Gain on disposals of investment in associates	-	-	2,015	7,359
Gain on disposals of assets held for sale	87,158	45,874	87,158	193,333
Grant income	1,484	248	1,975	1,313
Outsourcing income	13,529	3,379	28,812	17,396
Gain on disposals of wastes	1,489	1,014	8,064	6,694
Gain from claim compensation	391	5,422	9,944	21,575
Penalty income from early termination of contracts	5,721	5,991	18,339	20,422
Others	5,542	22,823	20,161	45,383
	₩ 116,371	105,932	189,268	342,659
Other non-operating expense				
Loss on disposals of property, plant and equipment	₩ 8,811	14,360	83,854	45,545
Impairment loss of intangible assets	10,687	8,648	11,154	10,459
Idle tangible assets expenses	1,019	6,849	17,436	21,199
Impairment loss of assets held for sale	2,163	-	2,163	258,381
Other bad debt expenses	15,752	1,826	73,683	11,775
Loss on disposals of investment in associates	2,598	354	19,142	749
Donations	15,956	8,257	38,456	49,020
Loss on disposals of wastes	3,853	378	14,242	8,515
Penalty and default losses	19,458	791	21,668	8,707
Impairment loss of property, plant and equipment and others	4,056	757	9,213	38,777
Others	18,471	5,786	28,980	31,244
	₩ 102,824	48,006	319,991	484,371

28. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses and other

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non-operating expenses in the statements of comprehensive income for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows (excluding finance costs and income tax expense):

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2013	2012	2013	2012
Changes in inventories	₩	3,504,583	1,734,538	9,358,218	11,190,879
Cost of merchandises sold		6,125,322	6,521,350	18,395,456	19,642,876
Employee benefits expenses		741,853	752,382	2,342,062	2,206,159
Outsourced processing cost		2,281,920	2,154,722	6,787,973	5,470,142
Depreciation expenses (*1)		645,809	608,924	1,878,523	1,752,388
Amortization expenses		38,992	47,334	128,113	116,678
Freight and custody expenses		342,871	358,810	1,057,092	1,101,796
Commission paid		18,630	20,599	53,808	55,116
Loss on disposals of property, plant, and equipment		8,811	14,360	83,854	45,545
Donations		15,956	8,257	38,456	49,020
Other expenses		895,487	2,562,052	3,279,326	4,333,694
	₩	<u>14,620,234</u>	<u>14,783,328</u>	<u>43,402,881</u>	<u>45,964,293</u>

(*1) Includes depreciation expense of investment property.

29. Finance Income and Costs

Details of finance income and costs for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows:

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2013	2012	2013	2012
Finance income					
Interest income	₩	64,124	71,959	188,244	217,432
Dividend income		-	4,559	37,321	122,576
Gain on foreign currency transactions		222,055	192,111	746,204	595,876
Gain on foreign currency translations		32,724	243,304	353,223	401,914
Gain on transactions of derivatives		103,035	72,848	254,016	239,490
Gain on valuations of derivatives		(59,297)	102,478	105,307	125,944
Gain on disposals of available-for-sale investments		6,528	13,885	49,010	108,191
Others		1,088	2,030	3,198	4,047
	₩	<u>370,257</u>	<u>703,174</u>	<u>1,736,523</u>	<u>1,815,470</u>
Finance costs					
Interest expenses	₩	151,267	239,116	461,719	660,486
Loss on foreign currency transactions		228,279	191,332	719,273	617,003
Loss on foreign currency translations		(292,482)	(11,940)	363,637	147,625
Loss on transactions of derivatives		46,398	77,353	246,521	210,951
Loss on valuations of derivatives		(29,579)	84,323	198,546	88,954
Impairment loss of available-for-sale investments		68,196	69,879	275,872	204,135
Loss on disposals of available-for-sale investments		1,155	5,053	3,532	30,482
Loss on financial guarantee contracts		491	1,469	722	38,837
Others		7,538	10,749	23,571	34,991
	₩	<u>181,263</u>	<u>667,334</u>	<u>2,293,393</u>	<u>2,033,464</u>

30. Income Taxes

Income tax expense was recognized as current tax expense adjusted to current adjustments for prior periods, deferred tax income/expenses by origination and reversal of deferred assets/liabilities and temporary differences, and income tax recognized in other comprehensive income. The effective tax rate of the Company for the nine-month periods ended September 30, 2013 and 2012 was 26.46% and 32.46%, respectively. The change in effective tax rate was caused mainly by the increase in tax

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credits and decrease in tax effects due to permanent differences related to non-taxable income.

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31. Earnings per Share

(a) Basic and diluted earnings per share for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2013	2012	2013	2012
<i>(Won, except per share information)</i>				
Profit attribute to controlling interest	₩ 567,109,231,621	730,838,250,421	1,095,682,041,014	1,869,669,664,764
Interest for hybrid bond, net of tax	(7,831,781,115)	-	(9,964,389,811)	-
Net profit attribute to controlling interest	559,277,450,506	730,838,250,421	1,085,717,651,203	1,869,669,664,764
Weighted-average number of common shares outstanding (*1)	77,787,069	77,244,444	77,427,466	77,244,444
Basic and diluted earnings per share	₩ 7,190	9,461	14,022	24,205

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2013	2012	2013	2012
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,399,766)	(9,942,391)	(9,759,369)	(9,942,391)
Weighted-average number of common shares outstanding	77,787,069	77,244,444	77,427,466	77,244,444

Since there were no potential shares of common stock which had dilutive effects as of September 30, 2013 and 2012, diluted earnings per share is equal to basic earnings per share.

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As of September 30, 2013

(Unaudited)

32. Related Party Transactions

(a) Significant transactions with related companies for the three-month and the nine-month periods ended September 30, 2013 and 2012 were as follows:

(in millions of Won)

	Sales and others (*1)				Purchase and others (*2)			
	For the three-month periods ended September 30		For the nine-month periods ended September 30		For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2013	2012	2013	2012	2013	2012	2013	2012
Subsidiaries(*3)								
POSCO E&C Co., Ltd.	₩ 2,985	9,358	₩ 12,563	16,647	₩ 283,204	319,955	₩ 2,016,255	887,037
POSCO P&S Co., Ltd.	263,304	258,321	719,493	704,889	257,771	408,987	909,805	1,113,392
POSCO Coated & Color Steel Co., Ltd.	120,506	117,727	355,126	377,803	2,918	1,136	7,694	3,367
POSCO Plantec Co., Ltd. (*4)	-	1,535	2,392	2,347	-	84,713	79,660	211,055
POSCO ICT Co., Ltd.	376	611	1,046	1,166	101,714	113,555	312,835	303,809
POSMATE Co., Ltd.	351	-	803	-	12,413	-	36,635	-
eNtoB Corp	4	5	4	6	71,006	57,661	190,296	174,165
POSCO Chemtech Company Ltd.	141,385	128,337	396,070	381,746	203,882	200,011	587,220	592,258
POSCO M-TECH Co., Ltd.	2,322	9,183	11,132	22,333	92,106	86,687	268,806	238,589
POSCO Energy Co., Ltd.	25,987	21,880	68,163	63,489	1,904	-	1,909	-
POSCO TMC Co., Ltd.	45,903	63,944	140,723	163,364	694	285	1,671	736
POSCO AST Co., Ltd.	121,227	57,091	366,797	201,084	14,695	13,217	48,337	44,012
POS-Himetal Co., Ltd.	4,629	6,321	14,464	18,537	45,107	51,088	121,048	105,535
Daewoo International Corp.	845,889	1,045,953	2,572,127	3,207,473	3,156	5,051	8,857	11,192
POSCO NST Co., Ltd.	-	49,290	-	168,791	-	1,142	-	3,070
POSCO America Corporation	167,000	202,120	456,414	563,531	49	-	309	50
POSCO Canada Ltd.	-	-	-	-	42,107	74,812	105,333	155,053
POSCO Asia Co., Ltd.	474,799	476,901	1,490,537	1,475,449	20,078	22,298	51,318	73,639
POSCO (Thailand) Company Ltd.	14,440	30,873	43,235	90,636	-	45	35	98
Qingdao Pohang Stainless Steel Co., Ltd.	18,731	19,905	51,778	46,134	-	-	14	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	29,439	29,713	100,273	89,126	-	-	-	-
POSCO-Japan Co., Ltd.	318,910	377,461	893,119	1,087,762	8,913	7,693	15,432	20,640
POSCO-IPPC Pvt. Ltd.	29,443	49,639	98,520	136,173	-	-	-	15
POSCO-Mexico S.A. DE C.V.	28,011	101,268	176,413	261,340	161	-	621	-
POSCO Maharashtra Steel Pvt. Ltd.	44,334	44,853	134,551	121,095	-	-	157	-
Daewoo International Singapore Pte. Ltd.	-	-	-	-	27,425	22,583	65,764	45,868
Others	143,694	159,876	411,017	451,300	51,056	59,554	153,566	208,864
	<u>2,843,669</u>	<u>3,262,165</u>	<u>8,516,760</u>	<u>9,652,221</u>	<u>1,240,359</u>	<u>1,530,473</u>	<u>4,983,577</u>	<u>4,192,444</u>
Associates(*3)								
POSMATE Co., Ltd.	-	266	-	766	-	12,335	-	37,330
SNNC Co., Ltd.	483	609	1,505	1,559	97,491	119,090	311,231	257,991
POSCO Plantec Co., Ltd.								
(formerly Sungjin Geotec Co., Ltd.) (*4)	4,142	9,540	10,135	20,946	36,508	-	36,508	-
DONG BANG METAL IND. CO., LTD.	-	18,825	-	73,752	-	-	-	-
POSCHROME (PROPRIETARY) LIMITED	-	-	-	-	17,778	17,487	50,381	53,069
PT. POSMI Steel Indonesia	1,388	2,115	6,050	8,924	-	-	-	-
POSK (PingHu) Processing Center Co., Ltd.	1,228	1,454	3,293	3,389	-	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center Co., Ltd.	5,764	2,058	14,183	13,318	-	-	-	-
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	1,652	5,926	5,753	22,501	-	-	-	-
Others	38	2,362	707	5,709	1,214	575	3,056	4,986
	<u>14,695</u>	<u>43,155</u>	<u>₩ 41,626</u>	<u>150,864</u>	<u>152,991</u>	<u>149,487</u>	<u>401,176</u>	<u>353,376</u>
	<u>₩ 2,858,364</u>	<u>3,305,320</u>	<u>₩ 8,558,386</u>	<u>9,803,085</u>	<u>₩ 1,393,350</u>	<u>1,679,960</u>	<u>₩ 5,384,753</u>	<u>4,545,820</u>

(*1) Sales and others include sales and insignificant other non-operating income. Sales are mainly sales of steel products and are priced on an arm's length basis.

(*2) Purchases and others include purchases and overhead costs. Purchases and others are mainly related to purchases of construction services and purchases of raw materials to manufacture steel products. These are priced on an arm's length basis.

(*3) As of September 30, 2013, the Company provided guarantees to related parties (Note 33).

(*4) Sungjin Geotec Co., Ltd. merged with POSCO Plantec Co., Ltd. and changed its name to POSCO Plantec Co., Ltd.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(b) The related account balances of significant transactions with related companies as of September 30, 2013 and December 31, 2012 are as follows:

(in millions of Won)

	Receivables (*1)		Payables (*1)	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Subsidiaries				
POSCO E&C Co., Ltd.	₩ 125,432	7,977	₩ 121,541	403,630
POSCO P&S Co., Ltd.	94,096	64,564	37,041	32,672
POSCO Coated & Color Steel Co., Ltd.	93,696	108,505	1,855	2,618
POSCO Plantec Co., Ltd.	-	267	-	32,297
POSCO ICT Co., Ltd.	150	287	42,566	91,297
POSMATE Co., Ltd.	1,685	-	5,411	-
eNtoB Corp	-	3	25,747	16,581
POSCO Chemtech Company Ltd.	50,763	47,074	93,888	84,538
POSCO M-TECH Co., Ltd.	34	1,293	45,837	36,992
POSCO Energy Co., Ltd.	13,625	12,111	1,306	2,292
POSCO TMC Co., Ltd.	18,157	64,862	217	145
POSCO AST Co., Ltd.	62,883	65,575	7,671	7,800
POS-Himetal Co., Ltd	1,785	1,454	14,939	15,191
Daewoo International Corp.	136,483	358,824	394	730
POSCO America Corporation	45,090	63,545	-	-
POSCO Canada Ltd.	-	-	12,440	12,973
POSCO Asia Co., Ltd.	72,869	102,849	2,981	2,244
POSCO (Thailand) Company Ltd.	7,588	17,986	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	10,242	8,710	-	-
POSCO-Japan Co., Ltd.	59,632	35,400	88	673
POSCO-IPPC Pvt. Ltd.	10,701	-	-	-
POSCO-Mexico S.A.DE C.V.	69,217	131,669	-	-
POSCO Maharashtra Steel Pvt. Ltd.	71,817	57,877	-	-
Others	78,277	55,179	31,613	31,788
	<u>1,024,222</u>	<u>1,206,011</u>	<u>445,535</u>	<u>774,461</u>
Associates				
POSMATE Co., Ltd.	-	78	-	6,315
SNNC Co., Ltd.	176	229	27,760	37,145
POSCO Plantec Co., Ltd. (formerly, Sungjin Geotec Co., Ltd.)	2,744	4,849	16,965	-
KOBRASCO	6,180	-	-	-
POSCHROME (PROPRIETARY) LIMITED	-	-	-	2,273
LLP POSUK Titanium	4,245	-	-	-
Others	15	453	573	804
	<u>13,360</u>	<u>5,609</u>	<u>45,298</u>	<u>46,537</u>
	<u>₩ 1,037,582</u>	<u>1,211,620</u>	<u>₩ 490,833</u>	<u>820,998</u>

(*1) Receivables include trade accounts and notes receivable and other receivables. Payables include trade accounts payables and other payables.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(c) For the nine-month periods ended September 30, 2013 and 2012, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Short-term benefits	₩ 90,126	83,465
Retirement benefits	20,392	19,804
Long-term benefits	17,876	17,757
	<u>₩ 128,394</u>	<u>121,026</u>

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. In addition to the compensation described above, the Company provided stock appreciation rights to its executive officers and recorded stock compensation expenses amounted to ₩ 436 million for the nine-month period ended September 30, 2012 (2013: nil).

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33. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2013, are as follows:

(in millions of Won)					
Guarantors	Guarantee beneficiary	Financial institution	Foreign currency		Won equivalent
[The Company]					
POSCO	POSCO(Guangdong) Automotive Steel Co., Ltd.	SMBC and others	USD	212,600,000	228,673
	POSCO Investment Co., Ltd.	BOC	CNY	350,000,000	61,513
	POSCO Maharashtra Steel Private Limited	BOA and others	USD	280,000,000	301,168
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	566,069,000	608,864
	POSCO VST Co., Ltd.	ANZ and others	USD	65,000,000	69,914
	POSCO MEXICO S.A. DE C.V.	HSBC	USD	244,725,000	263,226
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	210,818
	Zeus II(Cayman) Ltd.	Creditor	JPY	25,779,278,600	283,229
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	BOTM and others	USD	160,000,000	172,096
	POSCO ASSAN TST Steel Industry	SMBC and others	USD	188,392,500	202,635
	POSCO Electrical Steel India Private Limited	ING and others	USD	83,784,000	90,118
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,210,300,000	1,301,799
	Daewoo International Corporation	Daewoo Paper Manufacturing Co., Ltd.	HSBC	USD	12,500,000
Daewoo Textile Bukhara LLC		Export-Import Bank of Korea	USD	20,000,000	21,512
Daewoo International MEXICO S.A. DE C.V.		SMBC	USD	55,000,000	59,158
POSCO ASSAN TST Steel Industry		ING and others	USD	20,932,500	22,515
Brazil Sao Paulo Steel Processing Center		SMBC	USD	20,000,000	21,512
POSCO E&C Co., Ltd.	Daewoo International (Deutschland) GmbH.	Shinhan Bank	EUR	15,000,000	21,770
	PT. Bio Inti Agrindo	Export-Import Bank of Korea	USD	30,000,000	32,268
	HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Woori Bank and others	USD	135,000,000	145,206
	International Business Center Corporation	Export-Import Bank of Korea	USD	20,000,000	21,512
	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea and others	USD	31,500,000	33,881
POSCO P&S Co., Ltd.	SANTOSCOMI S.A	CITI Ecuador and others	USD	36,000,000	38,722
	POSCO Canada Ltd.	Hana Bank	USD	12,484,500	13,428
	POSCO Gulf SFC LLC	KEB Bank	USD	20,000,000	21,512
POSCO ICT Co., Ltd.	PT. POSCO ICT Indonesia	POSCO Investment Co., Ltd.	USD	3,000,000	3,227
	VECTUS LIMITED	KEB Bank	GBP	3,500,000	6,084
	POSCO ICT BRASIL	POSCO Investment Co., Ltd.	USD	4,000,000	4,302
	POSCO ICT BRASIL	Woori Bank	BRL	8,875,000	4,230
POSCO Energy Co., Ltd.	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	208,559
	TECHREN Solar, LLC	Woori Bank	USD	3,000,000	3,227
POSCO Engineering Co., Ltd.	PT PEN INDONESIA	KEB bank	USD	6,818,876	7,334
	PT PEN INDONESIA	KEB Bank and others	IDR	81,828,295,511	7,626
	POSCO Engineering (THAILAND) Co., Ltd.	Citi Bank	USD	15,300,000	16,457
POSCO-Japan Co., Ltd.	POSCO-JEPC Co., Ltd.	Woori Bank and others	THB	6,285,642,000	215,535
	POSCO-JEPC Co., Ltd.	Mizuho Bank and others	JPY	2,131,745,530	23,421
	POSCO-JKPC Co., Ltd.	Higo bank and others	JPY	1,126,600,000	12,378
	POSCO-JOPC Co., Ltd.	Kiyo bank and others	JPY	125,000,000	1,373
	Xenesys Inc.	Aozora Bank	JPY	70,000,000	769
Daewoo Textile Fergana LLC	Daewoo Textile Bukhara LLC	NBU	USD	3,037,183	3,267
POSCO E&C (CHINA) Co., Ltd.	HONG KONG POSCO E&C (China) Investment Co., Ltd.	Woori Bank(Beijing branch)	USD	33,000,000	35,495
	PT.Krakatau Posco Chemtech Calcination and others	KEB Bank	USD	47,939,000	51,563
Posco Specialty Steel Co., Ltd.	POSCO SS-VINA	Export-Import Bank of Korea	USD	352,409,800	379,052
POSCO-China Holding Corp.	POSCO YongXin Rare Earth Metal Co., Ltd.	KEB Bank and others	CNY	71,820,000	12,622
POS-HiAL	POSCO M-TECH Co., Ltd.	POSCO Group Research Association	KRW	327	327

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(in millions of Won)

Guarantors	Guarantee beneficiary	Financial institution	Foreign currency	Won equivalent
[Associates]				
POSCO	BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	BOC and others	USD 1,400,000	1,506
	United Spiral Pipe, LLC	Shinhan Bank	USD 24,500,000	26,352
	LLP POSUK Titanium	Shinhan Bank	USD 18,000,000	19,361
Daewoo International Corporation	DMSA/AMSA	Export-Import Bank of Korea and others	USD 165,133,333	177,617
	GLOBAL KOMSCO Daewoo LLC	Export-Import Bank of Korea and others	USD 8,050,000	8,659
POSCO E&C Co., Ltd.	Taegisan Wind Power Corporation	KDB Bank	KRW 7,500	7,500
	PSIB Co., Ltd.	Hana Bank and others	KRW 356,600	356,600
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	NH Bank and others	KRW 28,226	28,226
POSCO P&S Co., Ltd.	Sebang Steel Co., Ltd.	Fukuoka Bank	JPY 245,000,000	2,692
POSCO Engineering Co., Ltd.	PT. Wampu Electric Power	PT Bank Woori Indonesia	USD 344,848	371
POSCO ICT Co., Ltd.	Ultrans LRT Co., Ltd.	Construction Guarantee Cooperative	KRW 64,638	64,638
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	NH Bank	KRW 2,530	2,530
Daewoo(China) Co., Ltd.	Shanghai Lansheng Daewoo Coporation	Bank of Communications	CNY 100,000,000	17,575
POSCO Chemtech Company Ltd.	PT.INDONESIA POS CHEMTECH CHOSUN REF	KEB Bank	USD 6,000,000	6,454
[Others]				
Daewoo International Corporation	Ambatovy Project Investments Limited	Export-Import Bank of Korea	USD 65,454,545	70,403
	Sherritt International Corporation	Export-Import Bank of Korea	USD 21,818,182	23,468
POSCO E&C Co., Ltd.	THE GALE INVESTMENTS COMPANY, L.L.C.	Woori Bank	USD 50,000,000	53,780
	The union of City environment improvement for Kukje building and others	NH Bank and others	KRW 635,950	635,950
POSCO ICT Co., Ltd.	BTL business and others	Kyobo Life Insurance Co.,Ltd and others	KRW 2,245,896	2,245,896
	SMS Energy and others	Hana Bank and others	KRW 198,660	198,660
POSCO M-TECH Co., Ltd.	PYUNGSAN SI Co., Ltd	Seoul Guarantee Insurance Co., Ltd.	KRW 67	67
Posco Engineering Co., Ltd	Kwanma Solar Co., Ltd. and others	Hana Bank	KRW 43,966	43,966
	PT MPM and others	Export-Import Bank of Korea and others	USD 7,052,000	7,585
	Hyundai ENG Co., Ltd.	Engineering Financial Cooperative	KRW 39,293	39,293
			USD 4,650,445,267	5,002,021
			BRL 8,875,000	4,230
			CNY 521,820,000	91,710
			EUR 15,000,000	21,770
			GBP 3,500,000	6,084
			IDR 81,828,295,511	7,626
			JPY 29,477,624,130	323,862
			KRW 3,623,653	3,623,653
			THB 6,285,642,000	215,535

(b) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩1,528,628 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO E&C Co., Ltd. amounting to ₩ 801,020 million as of September 30, 2013. POSCO E&C Co., Ltd. provides payment guarantees on borrowings of customers such as Asset Backed Commercial Paper amounted to ₩ 373,000 million and Project Financing loan amounted to ₩ 41,000 million as of September 30, 2013.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2013

(Unaudited)

(c) Other commitments

Details of other commitments of the Company as of September 30, 2013, are as follows:

POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of September 30, 2013, 207 million tons of iron ore and 18 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>As of September 30, 2013, POSCO entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 6.86 million, USD 3.54 million and USD 4.12 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chenavard, respectively. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the money 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.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Korea Development Bank, for seamless funding to POSCO Energy Co., Ltd. under construction of new power plant.</p>
POSCO E&C Co., Ltd	<p>POSCO has provided a supplemental funding agreement amounting to ₩ 9,800 million, as requested from the creditors for seamless funding to Busan E&E Co., Ltd. under construction of Busan RDF power plant and also provided financial joint guarantee for business fulfillment insurance amounting to ₩ 21,329 million related to the construction.</p>
POSCO E&C Co., Ltd	<p>As of September 30, 2013, POSCO E&C Co.,Ltd. has comprehensive loan agreements of up to ₩ 247,000 million and USD 408 million with Woori Bank and ₩ 53,000 million with Korea Exchange Bank. Also, POSCO E&C Co.,Ltd. has bank overdraft agreements of up to ₩ 20,000 million with WooriBank which is included in the limit of comprehensive loan agreements and ₩ 3,000 million with Korea Exchange Bank.</p>
POSCO ICT Co., Ltd.	<p>As of September 30, 2013, in relation to contract enforcement, POSCO ICT Co., Ltd. was provided with ₩ 102,533 million and ₩ 48,901 million guaranties from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.</p> <p>As of September 30, 2013, POSCO ICT Co., Ltd. provided ₩ 2,909 million of guaranties to Seoul Guarantee Insurance to ensure performance guarantee agreement which Busan Navy Residence and others had.</p>
POSCO Specialty Steel Co., Ltd.	<p>As of September 30, 2013, POSCO Specialty Steel Co., Ltd. has agreements for a loan and import letter of credit with Korea Exchange Bank and others.</p>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

PT. KRAKATAU
POSCO

PT. KRAKATAU POSCO has entered into a USD 1,729 million senior loan agreements with 8 financial institutions including Korea Export-import Bank and Korea Trade Insurance corporation on February 14, 2012.

PT. KRAKATAU POSCO has entered into a USD 330 million loan agreements with 6 financial institutions including Bank of America for working capital and trade finance on June 1, 2013.

(d) Litigation in progress

As of September 30, 2013, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business.

1) Civil lawsuits with Nippon Steel & Sumitomo Metal Corporation

During the year ended December 31, 2012, Nippon Steel & Sumitomo Metal Corporation filed a civil lawsuit in the Tokyo District Court of Japan against POSCO and POSCO Japan Co., Ltd., a subsidiary of POSCO, to prohibit production and sales of grain oriented electrical steel sheets using improperly acquired trade secrets and seeking compensation from the Company of JPY 98.6 billion (₩ 1,083.3 billion). Through trials to the period ended September 30, 2013, the Company submitted its responses that the Japan court did not have jurisdiction on this lawsuit as it should be judged by Korean law and the Company developed grain oriented electrical steel sheets using the Company's own technologies. As of September 30, 2013, the Japan court has not made any judgments on this matter. Since the Company does not believe that it is probable that an outflow of resources will be required, the Company has not recorded any provision for this lawsuit as of September 30, 2013.

In addition, Nippon Steel & Sumitomo Metal Corporation filed a civil lawsuit in the New Jersey federal court, United States, against POSCO and POSCO America Co., Ltd., a subsidiary of POSCO, claiming infringement of intellectual property rights related to the production of grain oriented electrical steel sheets. As of September 30, 2013, no claim amount has been made and the Company is under discovery proceedings related to this matter. Due to the early stage of the litigation and the inherent uncertainties, the Company is not able to reliably estimate the amount of compensation and timing, if any, that might be awarded to Nippon Steel & Sumitomo Metal Corporation. Consequently, it is not possible for the Company to make an estimate of the expected financial effect that will result from the ultimate resolution of this civil lawsuit. Therefore, the Company has not recorded any provision for this lawsuit in the U.S. as of September 30, 2013.

2) Lawsuits related to liability of Daewoo Co., Ltd. which was spun off into Daewoo International Corporation and Daewoo Engineering & Construction Co., Ltd.

In May 2002, Industrial Development Bank of India Limited, the creditor of Daewoo Motors India Ltd. for which Daewoo Co., Ltd. provided a guarantee, filed lawsuits against Daewoo Motors India Ltd., Daewoo Co., Ltd., Daewoo Engineering & Construction Co., Ltd, and Daewoo International Corporation (a subsidiary of POSCO) seeking for the disposition of assets and judgment of debt of Daewoo Motors India Ltd. in India Delhi Mumbai Court. Management of the Company has assessed the likelihood of the outcome of this matter and estimated the amount of possible loss and has made the appropriate provision for these lawsuits as of September 30, 2013 and December 31, 2012.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

3) Other lawsuits and claims

As of September 30, 2013, the Company is involved in 190 other lawsuits and claims for alleged damages aggregating to ₩ 283.8 billion as of September 30, 2013, which arose in the ordinary course of business. In the opinion of management, these 190 lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows. Additionally, no provision is recorded in connection with these 190 lawsuits and claims as of September 30, 2013 because the Company has not concluded that a probable loss has occurred on any of the lawsuits and claims.

(e) Other contingencies

Company	Description
POSCO	POSCO has provided two blank promissory notes and one blank check to Korea Resources Corporation as collateral for long-term domestic borrowings, and has provided six blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for long-term foreign currency borrowings.
POSCO E&C Co., Ltd.	As of September 30, 2013, POSCO E&C Co., Ltd. has provided nineteen blank checks and ten blank promissory notes as collateral for agreements and outstanding loans.
Daewoo International Corporation	As of September 30, 2013, Daewoo International Corporation has provided forty-five blank promissory notes and thirteen blank checks to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.
POSCO ICT Co., Ltd.	As of September 30, 2013, POSCO ICT Co., Ltd. has provided eight blank promissory notes and ten 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 September 30, 2013 (Unaudited)

34. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2013</u>	<u>September 30, 2012</u>
Trade accounts and notes receivable	₩	(241,912)	(526,251)
Other financial assets		(6,761)	(133,691)
Inventories		682,413	687,205
Other current assets		(32,542)	(358,278)
Other long-term assets		(22,798)	(119,730)
Trade accounts and notes payable		(248,450)	(285,447)
Other financial liabilities		(545,671)	108,344
Other current liabilities		585,247	960,166
Provisions		(23,367)	10,569
Payment severance benefits		(100,269)	(108,516)
Plan assets		(25,027)	(48,749)
Other long-term liabilities		(72,399)	(23,960)
	₩	<u>(51,536)</u>	<u>161,662</u>

35. Operating Segments

- (a) 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 engineering and construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both 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, 2012.
- (b) Segment assets, liabilities, profit and loss are based on the separate financial statements of the consolidated entities prepared in accordance with K-IFRS. In addition, inter-segment transactions are accounted for on an arm's length basis.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2013 (Unaudited)

(c) Information about reportable segments for the nine-month periods ended September 30, 2013 and 2012 was as follows:

1) For the nine-month period ended September 30, 2013

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	24,015,336	12,935,008	4,767,916	3,616,954	45,335,214
Internal revenues		11,934,546	5,388,764	3,052,245	2,137,301	22,512,856
Total revenues		35,949,882	18,323,772	7,820,161	5,754,255	67,848,070
Segments profit		1,159,592	92,134	141,918	199,812	1,593,456

2) For the nine-month period ended September 30, 2012

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	27,421,448	14,484,569	3,240,178	3,389,749	48,535,944
Internal revenues		13,229,123	5,639,236	2,602,125	1,931,640	23,402,124
Total revenues		40,650,571	20,123,805	5,842,303	5,321,389	71,938,068
Segments profit		1,758,225	364,390	148,135	213,519	2,484,269

(d) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the nine-month periods ended September 30, 2013 and 2012 were as follows:

<i>(in millions of Won)</i>		<u>September 30, 2013</u>	<u>September 30, 2012</u>
Total profit for reportable segments	₩	1,593,456	2,484,269
Goodwill and PP&E fair value adjustments		(40,978)	(43,669)
Elimination of inter-segment profits		(455,689)	(615,949)
Income tax expense		394,678	876,898
Profit before income tax expense	₩	<u>1,491,467</u>	<u>2,701,549</u>