

# **POSCO and Subsidiaries**

**Condensed Consolidated Interim Financial Statements  
(Unaudited)  
March 31, 2015**

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

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## **Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
POSCO:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of March 31, 2015, the condensed consolidated interim statements of comprehensive income (loss), changes in equity and cash flows for the three-month periods ended March 31, 2015 and 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

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

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

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

### **Conclusion**

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

**Other matters**

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

The consolidated statement of financial position of the Company as of December 31, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 25, 2015, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2014, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Seoul, Korea  
May 14, 2015

<p>This report is effective as of May 14, 2015, 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.</p>
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**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Financial Position**  
**As of March 31, 2015 and December 31, 2014**  
**(Unaudited)**

(in millions of Won)

	<b>Notes</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>			
Cash and cash equivalents	21 ₩	4,041,762	3,811,202
Trade accounts and notes receivable, net	4,21,32	11,652,966	11,786,055
Other receivables, net	5,21,32	1,902,206	1,956,216
Other short-term financial assets	6,21	2,535,219	1,462,920
Inventories	7	10,045,695	10,471,330
Current income tax assets		40,301	36,147
Assets held for sale	8	781,935	2,127,087
Other current assets	14	948,084	976,425
<b>Total current assets</b>		<b>31,948,168</b>	<b>32,627,382</b>
Long-term trade accounts and notes receivable, net	4,21	82,217	79,336
Other receivables, net	5,21	1,009,979	1,144,160
Other long-term financial assets	6,21	2,503,863	2,455,900
Investments in associates and joint ventures	9	4,026,241	4,060,507
Investment property, net	11	1,154,580	1,055,592
Property, plant and equipment, net	12	35,209,553	35,241,195
Intangible assets, net	13	6,867,687	6,884,989
Deferred tax assets		1,181,324	1,195,563
Other long-term assets	14	647,271	507,549
<b>Total non-current assets</b>		<b>52,682,715</b>	<b>52,624,791</b>
<b>Total assets</b>	₩	<b>84,630,883</b>	<b>85,252,173</b>

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Financial Position, Continued**  
**As of March 31, 2015 and December 31, 2014**  
**(Unaudited)**

(in millions of Won)

	<b>Notes</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Liabilities</b>			
Trade accounts and notes payable	21,32 ₩	3,640,269	3,950,786
Short-term borrowings and current installments of long-term borrowings	4,15,21	13,547,630	12,195,484
Other payables	16,21,32	2,638,485	2,194,713
Other short-term financial liabilities	17,21	134,523	111,637
Current income tax liabilities		436,964	453,613
Liabilities of disposal group held for sale	8	62,017	590,982
Provisions	18	94,929	150,030
Other current liabilities	20	2,004,391	2,229,764
<b>Total current liabilities</b>		<b>22,559,208</b>	<b>21,877,009</b>
Long-term trade accounts and notes payable	21	90,575	88,469
Long-term borrowings, excluding current installments	15,21	14,546,836	15,232,773
Other payables	16,21	165,766	169,986
Other long-term financial liabilities	17,21	116,537	91,095
Defined benefit liabilities, net	19	375,887	290,325
Deferred tax liabilities		1,853,050	1,832,260
Long-term provisions	18,33	217,670	223,239
Other long-term liabilities	20	132,444	155,653
<b>Total non-current liabilities</b>		<b>17,498,765</b>	<b>18,083,800</b>
<b>Total liabilities</b>		<b>40,057,973</b>	<b>39,960,809</b>
<b>Equity</b>			
Share capital	22	482,403	482,403
Capital surplus	22	1,087,192	1,083,718
Hybrid bonds	23	996,919	996,919
Reserves	24	(557,039)	(408,773)
Treasury shares	25	(1,534,449)	(1,534,457)
Retained earnings		40,762,080	40,967,558
<b>Equity attributable to owners of the controlling company</b>		<b>41,237,106</b>	<b>41,587,368</b>
<b>Non-controlling interests</b>	23	<b>3,335,804</b>	<b>3,703,996</b>
<b>Total equity</b>		<b>44,572,910</b>	<b>45,291,364</b>
<b>Total liabilities and equity</b>	₩	<b>84,630,883</b>	<b>85,252,173</b>

See accompanying notes to the condensed consolidated interim financial statements.

# POSCO and Subsidiaries

## Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

### For the three-month periods ended March 31, 2015 and 2014

#### (Unaudited)

(in millions of Won, except per share information)

	Notes	March 31, 2015	March 31, 2014
<b>Revenue</b>	32,35 ₩	15,100,912	15,440,128
<b>Cost of sales</b>	7,29,32	(13,303,312)	(13,752,157)
<b>Gross profit</b>		1,797,600	1,687,971
Selling and administrative expenses	26,29		
Administrative expenses		(627,559)	(546,932)
Selling expenses		(438,801)	(409,776)
<b>Operating profit</b>		731,240	731,263
Share of loss of equity-accounted investees, net	9	(62,927)	(87,099)
Finance income and costs	21,27		
Finance income		608,686	518,106
Finance costs		(730,921)	(653,629)
Other non-operating income and expenses	28		
Other non-operating income		196,119	57,457
Other non-operating expenses	29	(138,093)	(298,024)
<b>Profit before income tax</b>	35	604,104	268,074
Income tax expense	30,35	(268,904)	(212,428)
<b>Profit</b>		335,200	55,646
<b>Other comprehensive income (loss)</b>			
Items that will never be reclassified subsequently to profit or loss :			
Remeasurements of defined benefit pension plans	19	(54,562)	(15,486)
Items that are or may be reclassified subsequently to profit or loss :			
Capital adjustment arising from investments in equity-accounted investees		(117,388)	64,288
Net changes in the unrealized fair value of available-for-sale investments	21	10,696	(204,457)
Foreign currency translation differences		(55,863)	75,580
<b>Other comprehensive income (loss), net of tax</b>		(217,117)	(80,075)
<b>Total comprehensive income (loss)</b>	₩	118,083	(24,429)
<b>Profit (loss) attributable to :</b>			
Owners of the controlling company	₩	338,584	69,841
Non-controlling interests		(3,384)	(14,195)
<b>Profit</b>	₩	335,200	55,646
<b>Total comprehensive income (loss) attributable to :</b>			
Owners of the controlling company	₩	137,628	(24,980)
Non-controlling interests		(19,545)	551
<b>Total comprehensive income (loss)</b>	₩	118,083	(24,429)
<b>Basic and diluted earnings per share (in Won)</b>	31	4,131	774

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**For the three-month periods ended March 31, 2015 and 2014**  
**(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, 2014	₩	482,403	1,078,266	996,919	(23,076)	(1,579,124)	41,090,649	42,046,037	3,775,993	45,822,030
Comprehensive income:										
Profit		-	-	-	-	-	69,841	69,841	(14,195)	55,646
Other comprehensive income										
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax		-	-	-	63,109	-	-	63,109	1,179	64,288
Net changes in the unrealized fair value of available-for-sale investments, net of tax		-	-	-	(207,203)	-	-	(207,203)	2,746	(204,457)
Foreign currency translation differences, net of tax		-	-	-	64,715	-	-	64,715	10,865	75,580
Remeasurements of defined benefit pension plans, net of tax		-	-	-	-	-	(15,442)	(15,442)	(44)	(15,486)
Total comprehensive income (loss)		-	-	-	(79,379)	-	54,399	(24,980)	551	(24,429)
Transactions with owners of the controlling company,										
Recognized directly in equity:										
Year-end dividends		-	-	-	-	-	(478,702)	(478,702)	(30,590)	(509,292)
Changes in subsidiaries		-	-	-	-	-	-	-	5,249	5,249
Changes in ownership interests in subsidiaries		-	(1,402)	-	-	-	-	(1,402)	26,853	25,451
Interest of hybrid bonds		-	-	-	-	-	(10,701)	(10,701)	(7,952)	(18,653)
Disposal of treasury shares		-	11	-	-	30	-	41	-	41
Others		-	(551)	-	3,182	-	8,475	11,106	(1,041)	10,065
Total transactions with owners of the controlling company		-	(1,942)	-	3,182	30	(480,928)	(479,658)	(7,481)	(487,139)
Balance as of March 31, 2014	₩	482,403	1,076,324	996,919	(99,273)	(1,579,094)	40,664,120	41,541,399	3,769,063	45,310,462

See accompanying notes to the condensed consolidated interim financial statements.

## POSCO and Subsidiaries

### Condensed Consolidated Interim Statements of Changes in Equity, Continued For the three-month periods ended March 31, 2015 and 2014 (Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-	
	Share capital	Capital surplus	Hybrid bond	Reserves	Treasury shares	Retained earnings	Sub total	controlling interests	Total
Balance as of January 1, 2015	₩ 482,403	1,083,718	996,919	(408,773)	(1,534,457)	40,967,558	41,587,368	3,703,996	45,291,364
Comprehensive income:									
Profit	-	-	-	-	-	338,584	338,584	(3,384)	335,200
Other comprehensive income									
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	-	(117,599)	-	-	(117,599)	211	(117,388)
Net changes in the unrealized fair value of available-for-sale investments, net of tax	-	-	-	13,679	-	-	13,679	(2,983)	10,696
Foreign currency translation differences, net of tax	-	-	-	(46,585)	-	-	(46,585)	(9,278)	(55,863)
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	(50,451)	(50,451)	(4,111)	(54,562)
Total comprehensive income (loss)	-	-	-	(150,505)	-	288,133	137,628	(19,545)	118,083
Transactions with owners of the controlling company,									
Recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(479,958)	(479,958)	(99,406)	(579,364)
Changes in subsidiaries	-	-	-	-	-	-	-	(257,506)	(257,506)
Changes in ownership interests in subsidiaries	-	3,859	-	-	-	-	3,859	13,067	16,926
Interest of hybrid bonds	-	-	-	-	-	(10,701)	(10,701)	(5,964)	(16,665)
Disposal of treasury shares	-	2	-	-	8	-	10	-	10
Others	-	(387)	-	2,239	-	(2,952)	(1,100)	1,162	62
Total transactions with owners of the controlling company	-	3,474	-	2,239	8	(493,611)	(487,890)	(348,647)	(836,537)
Balance as of March 31, 2015	₩ 482,403	1,087,192	996,919	(557,039)	(1,534,449)	40,762,080	41,237,106	3,335,804	44,572,910

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the three-month periods ended March 31, 2015 and 2014**  
**(Unaudited)**

<i>(in millions of Won)</i>	<b>Notes</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
<b>Cash flows from operating activities</b>			
Profit	₩	335,200	55,646
Adjustments for:			
Depreciation		720,859	680,922
Amortization		95,090	77,259
Finance income		(320,791)	(274,192)
Finance costs		461,343	386,941
Income tax expense		268,904	212,428
Gain on disposal of property, plant and equipment		(6,858)	(1,389)
Loss on disposal of property, plant and equipment		11,385	8,591
Impairment loss on property, plant and equipment		10,002	1,753
Share of loss of equity-accounted investees		62,927	87,099
Costs for defined benefit plans		67,172	59,018
Bad debt expenses		42,568	68,132
Loss on valuation of inventories		73,084	60,552
Provision expense		22,672	16,537
Gain on disposal of assets held for sale		(163,209)	-
Impairment loss on assets held for sale		11,996	-
Others, net		16,311	(15,216)
		<u>1,373,455</u>	<u>1,368,435</u>
Changes in operating assets and liabilities	34	(39,666)	(1,649,108)
Interest received		61,489	64,800
Interest paid		(186,185)	(163,962)
Dividends received		35,019	21,040
Income taxes paid		(205,691)	(198,985)
Net cash provided by (used in) operating activities	₩	<u>1,373,621</u>	<u>(502,134)</u>

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

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Cash Flows, Continued**  
**For the three-month periods ended March 31, 2015 and 2014**  
**(Unaudited)**

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2015</u>	<u>March 31, 2014</u>
<b>Cash flows from investing activities</b>			
Acquisitions of short-term financial instruments	₩	(2,620,929)	(906,738)
Proceeds from disposal of short-term financial instruments		1,563,048	1,522,887
Increase in loans		(124,550)	(63,501)
Collection of loans		46,919	3,362
Acquisitions of available-for-sale investments		(10,981)	(89,236)
Proceeds from disposal of available-for-sale investments		5,371	5,346
Acquisitions of investments of equity-accounted investees		(573)	(212,394)
Proceeds from disposal of investments of equity-accounted investees		947	-
Acquisitions of investment property		(56,645)	(79)
Acquisitions of property, plant and equipment		(928,261)	(1,073,102)
Proceeds from disposal of property, plant and equipment		23,736	28,312
Acquisitions of intangible assets		(81,413)	(38,939)
Proceeds from disposal of intangible assets		3,913	774
Cash paid in acquisition of business, net of cash acquired		(49,818)	(2,595)
Cash received from disposal of business, net of cash transferred		385,106	-
Other, net		13,192	(2,147)
Net cash used in investing activities		<u>(1,830,938)</u>	<u>(828,050)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		476,307	862,945
Repayment of borrowings		(1,027,759)	(1,811,906)
Proceeds from short-term borrowings, net		1,209,642	2,431,395
Payment of cash dividends		(148,406)	(1,648)
Payment of interest of hybrid bonds		(16,348)	(18,758)
Capital contribution from non-controlling interests and proceeds from disposal of subsidiary while maintaining control		13,065	17,174
Other, net		(9,408)	(16,016)
Net cash provided by financing activities		<u>497,093</u>	<u>1,463,186</u>
Effect of exchange rate fluctuation on cash held		<u>(15,625)</u>	<u>17,388</u>
<b>Net decrease in cash and cash equivalents</b>		24,151	150,390
<b>Cash and cash equivalents at beginning of the period</b>	8	<u>4,022,136</u>	<u>4,208,562</u>
<b>Cash and cash equivalents at end of the period</b>	8	<u>₩ 4,046,287</u>	<u>4,358,952</u>

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As of March 31, 2015**  
**(Unaudited)**

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**1. General Information**

General information about POSCO, its 46 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd. 183 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 100 associates and joint ventures 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 six of its overseas liaison offices.

As of March 31, 2015, 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 three-month period ended March 31, 2015

1) Consolidated subsidiaries acquired or reclassified during the three-month period ended March 31, 2015 are as follows:

<b>Company</b>	<b>Date of acquisition</b>	<b>Ownership(%)</b>	<b>Reason</b>
POSCO GROUP UNIVERSITY	February 2015	100.00	New establishment
POSCO India Ahmedabad Steel Processing Center Pvt.Ltd.	February 2015	100.00	New establishment
HOTEL LAONZENA CO.,LTD	February 2015	100.00	Acquisition
COINSA INGENIERIA Y PETROQUIMICA S.R.L	February 2015	50.00	New establishment

2) Cash outflows (inflows) from business acquisition

*(in millions of Won)*

	<b>Amounts</b>
Consideration transferred	₩ 49,819
Less: Cash and cash equivalent acquired	(1)
Total	₩ 49,818

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

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(c) Subsidiaries that were excluded from consolidation during the three-month period ended March 31, 2015 are as follows:

Company	Date of disposal	Reason
SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Steel Co., Ltd.)	March 2015	Reclassification to associates due to decline in ownership
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	March 2015	Reclassification to associates due to decline in ownership
Cheonsa wind power	March 2015	Exclusion upon reclassification of parent company, 'Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund' to associates

## 2. Statement of Compliance

### Statement of compliance

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

These condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No. 1034 "*Interim Financial Reporting*" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as of and for the year ended December 31, 2014. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

### Use of estimates and judgments

(a) Judgements, assumptions and estimation uncertainties

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2014.

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)**

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#### (b) Measurement of fair value

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

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

The Company reports the significant valuation matters to the Audit Committee.

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

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

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

Further information about the assumptions made in measuring fair values is included in note 21.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

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#### 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, 2014. The accounting policy for emission rights below is also expected to be applied in the Company's consolidated financial statements as of and for the year ending December 31, 2015.

##### *Emission Rights*

The Company accounts for greenhouse gases emission right and the relevant liability as below pursuant to the *Act on Allocation and Trading of Greenhouse Gas Emission* which became effective in 2015.

##### (a) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation are classified as intangible asset and are initially measured at cost and subsequent to initial recognition, are carried at cost less accumulated impairment losses. Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period.

The Company derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

##### (b) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when there is a high possibility of outflows of resources in performing the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligation for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession, and the unit price for such emission rights in the market as of the end of the reporting period.

The Company recognized emission liability amounting to ₩2,277 million as other liabilities as of March 31, 2015.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of March 31, 2015 and December 31, 2014 are as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>			
Trade accounts and notes receivable	₩	10,460,031	10,814,600
Finance lease receivables		23,768	24,344
Unbilled due from customers for contract work		1,751,437	1,528,427
Less: Allowance for doubtful accounts		(582,270)	(581,316)
	₩	<u>11,652,966</u>	<u>11,786,055</u>
<b>Non-current</b>			
Trade accounts and notes receivable	₩	69,910	60,583
Finance lease receivables		37,403	42,907
Less: Allowance for doubtful accounts		(25,096)	(24,154)
	₩	<u>82,217</u>	<u>79,336</u>

The trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩1,837,277 million and ₩2,030,342 million as of March 31, 2015 and December 31, 2014, respectively, and are included in bank borrowings (Note 15).

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 5. Other Receivables

Other receivables as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

		<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>			
Short-term loans	₩	425,578	254,108
Other accounts receivable		1,382,526	1,523,659
Accrued income		80,619	76,393
Deposits		58,310	58,384
Others		171,641	227,192
Less : Allowance for doubtful accounts		(216,468)	(183,520)
	₩	<u>1,902,206</u>	<u>1,956,216</u>
<b>Non-current</b>			
Long-term loans	₩	826,132	960,652
Long-term other accounts receivable		141,606	158,018
Accrued income		1,565	1,533
Deposits		178,926	189,120
Less : Allowance for doubtful accounts		(138,250)	(165,163)
	₩	<u>1,009,979</u>	<u>1,144,160</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 6. Other Financial Assets

(a) Other financial assets as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

		<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>			
Derivatives assets held for trading	₩	86,012	77,182
Available-for-sale securities		45,154	25,512
Current portion of held-to-maturity securities(bonds)		14,223	15,297
Short-term financial instruments(*1,2)		2,389,830	1,344,929
	₩	<u>2,535,219</u>	<u>1,462,920</u>
<b>Non-current</b>			
Derivatives asstes held for trading(*3)	₩	63,634	19,084
Available-for-sale securities(equity instruments)(*4,5)		2,284,860	2,294,244
Available-for-sale securities(bonds)		38,859	33,350
Available-for-sale securities(others)		63,616	67,135
Held-to-maturity securities(bonds)		2,420	1,796
Long-term financial instruments(*2)		50,474	40,291
	₩	<u>2,503,863</u>	<u>2,455,900</u>

(\*1) As of March 31, 2015 and December 31, 2014, ₩5,844 million and ₩5,465 million, respectively, are restricted for the use in a government project.

(\*2) As of March 31, 2015 and December 31, 2014, financial instruments amounting to ₩81,812 million and ₩177,014 million, respectively, are restricted for use in financial arrangements, pledge and others.

(\*3) The Company assessed the values of its put option and earn-out consideration in relation to the residual equity upon the Company's disposal of SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Co., Ltd). Accordingly, the Company has recognized derivatives assets amounting to ₩41,005 million and ₩2,879 million, respectively, as of March 31, 2015.

(\*4) During the three-month period ended March 31, 2015, there were objective evidences of impairment for listed equity securities such as PT.Krakatau Steel and others due to the significant decline in the fair value of the shares for a prolonged period and for non-listed equity securities such as Dongbu Metal Co., Ltd and others because the acquisition cost exceeded its fair value. As a result, an impairment loss of ₩24,536 million was recognized in profit or loss during the three-month period ended March 31, 2015.

(\*5) As of March 31, 2015 and December 31, 2014, ₩166,192 million and ₩173,632 million of available-for-sale securities, respectively, have been provided as collateral for construction projects and borrowings.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 7. Inventories

Inventories as of March 31, 2015 and December 31, 2014 are as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>	<b>December 31, 2014</b>
Finished goods	₩	1,633,688	1,647,331
Merchandise		916,929	902,347
Semi-finished goods		1,714,249	1,654,556
Raw materials		2,162,011	2,334,992
Fuel and materials		803,668	759,193
Construction inventories		957,035	1,129,370
Materials-in-transit		1,934,274	2,109,207
Others		93,020	96,274
		<u>10,214,874</u>	<u>10,633,270</u>
Less: Allowance for inventories valuation		(169,179)	(161,940)
	₩	<u>10,045,695</u>	<u>10,471,330</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the three-month period ended March 31, 2015 and the year ended December 31, 2014 were ₩73,084 million and ₩41,713 million, respectively.

#### 8. Assets Held for Sale

Details of assets held for sale as of March 31, 2015 and December 31, 2014 are as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>			<b>December 31, 2014</b>		
		<b>The controlling company(*1,5,6)</b>	<b>Subsidiaries (*2,3,4,6)</b>	<b>Total</b>	<b>The controlling company(*1,6)</b>	<b>Subsidiaries (*2,3,4,6,7)</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents(*8)	₩	-	4,525	4,525	-	210,934	210,934
Trade accounts and notes receivable and other receivables		-	4,305	4,305	-	90,811	90,811
Other financial assets		568,066	20,272	588,338	580,062	21,028	601,090
Inventories		-	1,544	1,544	-	289,716	289,716
Investment property		-	20,089	20,089	-	22,067	22,067
Property, plant and equipment		36,539	124,999	161,538	2,672	895,391	898,063
Other assets		-	1,596	1,596	-	14,406	14,406
	₩	<u>604,605</u>	<u>177,330</u>	<u>781,935</u>	<u>582,734</u>	<u>1,544,353</u>	<u>2,127,087</u>
<b>Liabilities</b>							
Trade accounts and notes payable and other payables	₩	-	20,525	20,525	-	225,403	225,403
Borrowings		-	39,000	39,000	-	330,059	330,059
Other liabilities		-	2,492	2,492	-	35,520	35,520
	₩	<u>-</u>	<u>62,017</u>	<u>62,017</u>	<u>-</u>	<u>590,982</u>	<u>590,982</u>

## **POSCO and Subsidiaries**

### **Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)**

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- (\*1) During the year ended December 31, 2014, the Company determined to dispose of its equity interests in Nacional Minerios S.A. in exchange for equity interests in the new entity as Nacional Minerios S.A. (which was an available-for-sale investment of the Company) entered into a merger agreement with another entity through share exchange. The merger transaction was approved by the Company's Board of Directors on December 12, 2014. Accordingly, the Company classified its investment in Nacional Minerios S.A. as assets held for sale. The Company has recognized ₩11,996 million of impairment loss on Nacional Minerios S.A for the three-month period ended March 31, 2015 since the fair value less cost to sell was below carrying amount.
- (\*2) The Company determined to dispose of its shares in POSFINE Co., Ltd, an associate of the Company, to Hahn & Company PRIVATE EQUITY FUND No.1, and entered into a disposal contract upon approval of the Company's Board of Directors on November 7, 2014. Accordingly, the Company classified the accompanying investment in the subsidiary as assets and liabilities held for sale.
- (\*3) Daewoo International Corporation, a subsidiary of the Company, entered into a sales contract to dispose its Daewoo Department Store located in Masan in accordance with the Board of Directors' resolution on August 18, 2014. Accordingly, the Company classified them as assets and liabilities held for sale.
- (\*4) POSCO M-TECH, a subsidiary of the Company, determined to dispose of its rare metal department and some of its assets in the Molybdenum factory in Yeongwol, and classified them as assets held-for-sale.
- (\*5) The Company determined to make a contribution of 1 FINEX facilities in kind after inception of joint venture, and has signed in MOA with Mideast Integrated Steel Ltd. in India. The Company has classified the relating facilities in of ₩25,892 million as assets held for sale.
- (\*6) The controlling company and subsidiaries of the Company (POSCO-VIETNAM Co., Ltd. and POSCO ICT) determined to dispose of some tangible assets including land and disused facilities and classified them as assets held for sale.
- (\*7) The Company determined to dispose of 52.2% of its shares in SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Co., Ltd) to SeAH Besteel Corp. and classified the accompanying investment in the subsidiary as assets and liabilities held for sale during the year ended December 31, 2014. Disposal of the asset held for sale was completed during the three-month period ended March 31, 2015, and the Company recognized ₩161,579 million of gain on disposal of asset held for sale.
- (\*8) Cash and cash equivalents classified as assets held for sale are included in the beginning and ending balance of statement of cash flows for the three-month period ended March 31, 2015.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

### 9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of March 31, 2015 and December 31, 2014 are as follows:

Company	March 31, 2015				December 31, 2014
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1					
Natural Resources PEF	178,565	28.48	₩ 178,566	₩ 176,510	176,899
SeAH Changwon Integrated Special Steel					
(formerly, POSCO Specialty Steel Co., Ltd.) (*1,2,4)	26,000,000	19.94	159,978	159,978	-
SNNC Co., Ltd.	18,130,000	49.00	90,650	133,918	131,671
QSONE Co., Ltd.	200,000	50.00	84,395	84,010	83,849
Incheon-Gimpo Highway Co., Ltd. (*3)	9,032,539	25.11	45,163	42,999	43,045
UITrans LRT co., Ltd. (*3)	4,510,239	38.43	22,551	32,000	30,098
BLUE OCEAN private Equity Fund	333	27.52	33,300	31,828	31,439
CHUNGJU ENTERPRISE CITY					
DEVELOPMENT Co., Ltd. (*3)	2,008,000	25.10	10,040	19,801	19,801
KoFC POSCO HANHWA KB Shared					
Growth NO. 2. Private Equity Fund (*4)	13,125,000	12.50	13,125	12,319	12,268
Keystone-HYUNDAI SECURITIES					
NO. 1. Private Equity Fund	11,000,000	35.13	11,000	10,686	-
KONES, Corp.	3,250,000	41.67	6,893	5,924	5,430
Others (32 companies) (*3)				32,839	33,511
				742,812	568,011
[Foreign]					
Eureka Moly LLC	-	20.00	240,123	228,441	228,004
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	187,095	172,805
7623704 Canada Inc. (*4)	114,452,000	10.40	124,341	130,769	117,100
Nickel Mining Company SAS	3,234,698	49.00	157,585	90,085	107,408
AES-VCM Mong Duong Power Company Limited	-	30.00	74,161	88,619	93,021
AMCI (WA) PTY LTD.	49	49.00	209,664	81,073	88,050
KOREA LNG LTD.	2,400	20.00	135,205	73,177	72,089
CAML RESOURCES PTY LTD.	3,239	33.34	40,388	33,150	38,240
NCR LLC	-	29.41	32,348	33,019	32,598
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	20,937	21,032
PT. Batutua Tembaga Raya	128,285	24.10	14,785	14,546	14,653
PT. Wampu Electric Power (*3)	7,800,000	20.00	9,028	7,183	7,611
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	7,072	6,969
Others (25 companies) (*3)				52,275	59,210
				1,047,441	1,058,790
				₩ 1,790,253	1,626,801

(\*1) During the three-month period ended March 31, 2015, the Company disposed of 52.2% of shares of SeAH Changwon Integrated Special Steel Corp. (formerly, POSCO Specialty Steel Co., Ltd), which resulted in the Company's loss of control, and the Company classified the investment as investment in an associate, which was initially recognized at its fair value based on external valuation report.

(\*2) During the three-month period ended March 31, 2015, POSCO Specialty Steel Co., Ltd changed its corporate name to SeAH Changwon Integrated Special Steel Corp.

(\*3) As of March 31, 2015, investment in associates amounting to ₩97,252 million is provided as collateral related to associates' borrowings.

(\*4) As of March 31, 2015, it was classified as an associate in spite of less than 20% of ownership percentage since the Company is determined to have significant influence over the investee when considering its structure of the Board of Directors.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

(b) Details of investments in joint ventures as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

Company	March 31, 2015			December 31, 2014	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBOND TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 111,613	112,837
POSCO ES MATERIALS	1,000,000	50.00	43,000	37,604	38,021
				<u>149,217</u>	<u>150,858</u>
[Foreign]					
Roy Hill Holdings Pty Ltd. (*1)	13,117,972	12.50	1,528,672	1,184,271	1,268,678
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	359,255	357,874
CSP-Compania Siderurgica do Pecem	827,771,230	20.00	469,891	165,195	260,906
DMSA, AMSA (*2)	-	4.00	193,182	161,514	165,094
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	99,442	98,893
KOBRASCO	2,010,719,185	50.00	32,950	78,896	99,787
Others (11 companies)				38,198	31,616
				<u>2,086,771</u>	<u>2,282,848</u>
				₩ <u>2,235,988</u>	<u>2,433,706</u>

(\*1) As of March 31, 2015 and December 31, 2014, investment in joint ventures amounting to ₩1,184,271 million and ₩1,268,678 million, respectively, is provided as collateral in relation to loan from project financing of Roy Hill Holdings Pty Ltd.

(\*2) As of March 31, 2015 and December 31, 2014, investment in joint ventures amounting to ₩161,514 and ₩165,094 million is provided as collateral for the joint venture's guarantees.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

(c) The movements of investments in associates and joint ventures for the three-month period ended March 31, 2015 and the year ended December 31, 2014 were as follows:

### 1) For the three-month period ended March 31, 2015

(in millions of Won)

Company	December 31, 2014 Book value	Acquisition	Dividend	Share of profits (losses)	Other increase (decrease) (*1)	March 31, 2015 Book value
[Domestic]						
EQP POSCO Global NO1						
Natural Resources PEF	₩ 176,899	-	-	(389)	-	176,510
SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Steel Co., Ltd.)	-	159,978	-	-	-	159,978
SNNC Co., Ltd.	131,671	-	-	2,247	-	133,918
QSONE Co., Ltd.	83,849	-	-	161	-	84,010
Incheon-Gimpo Highway Co., Ltd.	43,045	-	-	(100)	54	42,999
UITrans LRT co., Ltd.	30,098	573	-	1,329	-	32,000
BLUE OCEAN private Equity Fund	31,439	-	-	389	-	31,828
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	19,801	-	-	-	-	19,801
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	12,268	-	-	51	-	12,319
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	-	11,000	-	(314)	-	10,686
KONES, Corp.	5,430	-	-	494	-	5,924
POSCO MITSUBISHI CARBOND TECHNOLOGY	112,837	-	-	(1,224)	-	111,613
POSCO ES MATERIALS	38,021	-	-	(417)	-	37,604
Others (32 companies)	33,511	-	-	284	(956)	32,839
	718,869	171,551	-	2,511	(902)	892,029
[Foreign]						
Eureka Moly LLC	228,004	-	-	(11)	448	228,441
South-East Asia Gas Pipeline Company Ltd.	172,805	-	-	13,319	971	187,095
7623704 Canada Inc.	117,100	-	-	12,987	682	130,769
Nickel Mining Company SAS	107,408	-	-	(5,799)	(11,524)	90,085
AES-VCIM Mong Duong Power Company Limited	93,021	-	-	235	(4,637)	88,619
AMCI (WA) PTY LTD.	88,050	-	-	(1,780)	(5,197)	81,073
KOREA LNG LTD.	72,089	-	(5,087)	5,094	1,081	73,177
CAML RESOURCES PTY LTD.	38,240	-	-	(643)	(4,447)	33,150
NCR LLC	32,598	-	-	(5)	426	33,019
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	21,032	-	-	(202)	107	20,937
PT. Batutua Tembaga Raya	14,653	-	-	-	(107)	14,546
PT. Wampu Electric Power	7,611	-	-	(453)	25	7,183
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,969	-	-	95	8	7,072
Roy Hill Holdings Pty Ltd.	1,268,678	-	-	(22,757)	(61,650)	1,184,271
POSCO-NPS Niobium LLC	357,874	-	(6,427)	5,926	1,882	359,255
CSP - Companhia Siderurgica do Pecem	260,906	-	-	(57,568)	(38,143)	165,195
DMSA/AMSA	165,094	-	-	(7,081)	3,501	161,514
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	98,893	-	-	138	411	99,442
KOBRASCO	99,787	-	-	(4,155)	(16,736)	78,896
Others (36 companies)	90,826	-	(951)	(2,778)	3,376	90,473
	3,341,638	-	(12,465)	(65,438)	(129,523)	3,134,212
₩	4,060,507	171,551	(12,465)	(62,927)	(130,425)	4,026,241

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

# POSCO and Subsidiaries

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

### As of March 31, 2015

#### (Unaudited)

## 2) For the year ended December 31, 2014

(in millions of Won)

Company	December 31, 2013 Book value	Acquisition	Dividend	Share of profits (losses)	Other increase (decrease) (*1)	December 31, 2014 Book value
[Domestic]						
EQP POSCO Global NO1						
Natural Resources PEF	₩ 177,563	-	-	(664)	-	176,899
SNNC Co., Ltd.	123,969	-	(5,149)	13,873	(1,022)	131,671
QSONE Co., Ltd.	84,096	-	-	(247)	-	83,849
Incheon-Gimpo Highway Co., Ltd.	37,759	8,331	-	(340)	(2,705)	43,045
UITrans LRT co., Ltd.	19,185	2,330	-	8,583	-	30,098
BLUE OCEAN private Equity Fund	29,391	-	-	2,193	(145)	31,439
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	23,733	-	-	(3,714)	(218)	19,801
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	6,685	6,113	-	(530)	-	12,268
KONES, Corp.	5,784	-	-	(378)	24	5,430
POSCO MITSUBISHI CARBOND TECHNOLOGY	115,708	-	-	(2,835)	(36)	112,837
POSCO ES MATERIALS	40,386	-	-	(2,229)	(136)	38,021
POSCO PLANTEC Co., Ltd.	234,203	25,356	-	(210,616)	(48,943)	-
Others (32 companies)	57,757	12,875	-	(24,638)	(12,483)	33,511
	956,219	55,005	(5,149)	(221,542)	(65,664)	718,869
[Foreign]						
Eureka Moly LLC	217,513	-	-	(37)	10,528	228,004
South-East Asia Gas Pipeline Company Ltd.	140,202	-	-	25,638	6,965	172,805
7623704 Canada Inc.	119,516	-	(5,505)	(1,678)	4,767	117,100
Nickel Mining Company SAS	135,178	-	-	(17,391)	(10,379)	107,408
AES-VCM Mong Duong Power Company Limited	81,436	-	-	(3,845)	15,430	93,021
AMCI (WA) PTY LTD.	98,467	-	-	(6,477)	(3,940)	88,050
KOREA LNG LTD.	64,453	-	(18,668)	18,613	7,691	72,089
CAML RESOURCES PTY LTD.	43,820	-	-	(2,191)	(3,389)	38,240
NCR LLC	30,496	-	-	(3,984)	6,086	32,598
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	20,600	-	(352)	378	406	21,032
PT. Batutua Tembaga Raya	-	14,785	-	-	(132)	14,653
PT. Wampu Electric Power	7,237	-	-	134	240	7,611
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,083	-	-	679	207	6,969
Roy Hill Holdings Pty Ltd.	825,901	530,492	-	(14,783)	(72,932)	1,268,678
POSCO-NPS Niobium LLC	343,590	-	(16,414)	16,370	14,328	357,874
CSP - Companhia Siderurgica do Pecem	263,419	75,966	-	(57,127)	(21,352)	260,906
DMSA/AMSA	180,355	-	-	(21,793)	6,532	165,094
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	96,309	-	-	943	1,641	98,893
KOBRASCO	95,233	-	(18,429)	30,356	(7,373)	99,787
Others (35 companies)	82,666	50,605	(2,708)	(42,156)	2,419	90,826
	2,852,474	671,848	(62,076)	(78,351)	(42,257)	3,341,638
₩	3,808,693	726,853	(67,225)	(299,893)	(107,921)	4,060,507

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

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the three-month period March 31, 2015 and as of and for the year ended December 31, 2014 is as follows:

### 1) March 31, 2015

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1					
Natural Resources PEF	₩ 620,548	1,000	619,548	-	(1,369)
SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Steel Co., Ltd.)	1,190,487	494,203	696,284	269,014	(8,263)
SNNC Co., Ltd.	834,977	541,218	293,759	147,710	(4,592)
QSONE Co., Ltd.	248,383	80,363	168,020	3,542	322
Incheon-Gimpo Highway Co., Ltd	447,530	278,272	169,258	-	(393)
UITrans LRT co., Ltd.	170,189	117,679	52,510	-	(197)
BLUE OCEAN private Equity Fund	363,225	247,573	115,652	95,746	1,415
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	256,207	208,960	47,247	-	-
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	99,540	989	98,551	1,001	406
KONES, Corp.	35,722	1,628	34,094	-	(1,158)
POSCO MITSUBISHI CARBOND TECHNOLOGY	404,138	219,066	185,072	-	(2,040)
POSCO ES MATERIALS	66,494	22,843	43,651	3,888	(835)
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	2,061,032	1,313,853	747,179	120,519	53,191
7623704 Canada Inc.	1,269,556	2	1,269,554	74,019	124,876
Nickel Mining Company SAS	387,673	161,515	226,158	21,682	(10,998)
KOREA LNG LTD.	403,982	8,442	395,540	25,964	25,470
CAML RESOURCES PTY LTD.	148,151	36,525	111,626	48,060	(1,929)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	148,563	81,244	67,319	36,460	(517)
PT. Batutua Tembaga Raya	170,747	156,386	14,361	-	-
PT. Wampu Electric Power	166,916	134,071	32,845	3,957	(2,267)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	60,756	32,797	27,959	18,021	307
Roy Hill Holdings Pty Ltd.	7,495,499	4,496,274	2,999,225	-	(182,058)
POSCO-NPS Niobium LLC	718,307	-	718,307	-	11,852
CSP - Companhia Siderurgica do Pecem	2,951,577	1,880,410	1,071,167	-	(279,359)
DMSA/AMSA	8,923,126	5,998,243	2,924,883	223,344	(110,760)
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	645,229	275,073	370,156	289,207	552
KOBRASCO	166,183	19,558	146,625	18,541	(8,310)

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

2) December 31, 2014

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1					
Natural Resources PEF	₩ 621,960	1,044	620,916	-	(576)
SNNC Co., Ltd.	826,597	528,246	298,351	345,836	41,117
QSONE Co., Ltd.	247,590	79,891	167,699	13,674	(603)
Incheon-Gimpo Highway Co., Ltd	337,639	172,464	165,175	-	(1,148)
UITrans LRT co., Ltd.	169,574	117,996	51,578	-	(887)
BLUE OCEAN private Equity Fund	361,810	247,573	114,237	574,476	8,489
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	256,207	208,960	47,247	5,240	(14,798)
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	100,063	1,917	98,146	1,932	(4,238)
KONES, Corp.	3,756	3,155	601	7,269	(907)
POSCO MITSUBISHI CARBOND TECHNOLOGY	405,387	218,275	187,112	-	(4,725)
POSCO ES MATERIALS	64,088	19,602	44,486	13,403	(4,459)
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,997,068	1,306,957	690,111	353,439	102,385
7623704 Canada Inc.	1,138,126	4	1,138,122	-	(612)
Nickel Mining Company SAS	410,230	140,860	269,370	133,975	(24,800)
KOREA LNG LTD.	393,581	45	393,536	94,936	93,067
CAML RESOURCES PTY LTD.	159,281	38,591	120,690	172,093	(6,570)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	148,077	80,538	67,539	186,733	1,112
PT. Batutua Tembaga Raya	100,142	151,591	(51,449)	1,309	(2,110)
PT. Wampu Electric Power	172,950	138,012	34,938	43,184	670
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	66,097	38,572	27,525	80,059	2,636
Roy Hill Holdings Pty Ltd.	6,809,416	3,431,438	3,377,978	-	(118,264)
POSCO-NPS Niobium LLC	715,546	-	715,546	-	32,741
CSP - Companhia Siderurgica do Pecem	3,060,008	1,467,004	1,593,004	-	(90,649)
DMSA/AMSA	8,938,860	5,918,665	3,020,195	695,505	(544,837)
BX STEEL POSCO Cold Rolled Sheet Co.,	816,813	448,854	367,959	1,290,490	3,771
KOBRASCO	234,595	35,021	199,574	99,677	60,712

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of March 31, 2015 are as follows:

Joint operations	Operation	Ownership (%)	Location
Myanmar A-1/A-3 mine	Mine development	51.00	Myanmar
Offshore midstream	Mine development	51.00	Myanmar
Greenhills mine	Mine development	20.00	Canada
Actos Anthracite coal project	Mine development	20.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
CD J/V	Mine development	5.00	Australia
Intergra Coal J/V	Mine development	2.35	Australia
RUM J/V	Mine development	10.00	Australia
Camberwell Coal J/V	Mine development	8.39	Australia

#### 11. Investment Property, Net

Changes in the carrying value of investment property for the three-month period ended March 31, 2015 and the year ended December 31, 2014 were as follows:

(a) For the three-month period ended March 31, 2015

(in millions of Won)

	Beginning	Acquisitions	Depreciation	Others (*1)	Ending
Land	₩ 415,512	-	-	(60,693)	354,819
Buildings	591,647	51,394	(5,113)	105,258	743,186
Structures	2,060	-	(62)	69	2,067
Construction-in-progress	46,373	7,970	-	165	54,508
Total	₩ 1,055,592	59,364	(5,175)	44,799	1,154,580

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

(b) For the year ended December 31, 2014

(in millions of Won)

	Beginning	Acquisitions	Business combination	Disposals	Depreciation (*1)	Others (*2)	Ending
Land	₩ 161,502	97,883	13	(20,500)	-	176,614	415,512
Buildings	239,193	195,722	208	(19,212)	(12,858)	188,594	591,647
Structures	3,599	-	-	-	(413)	(1,126)	2,060
Construction-in-progress	20,935	112,998	-	-	-	(87,560)	46,373
Total	₩ 425,229	406,603	221	(39,712)	(13,271)	276,522	1,055,592

(\*1) Impairment losses of investment property amounting to ₩23 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 March 31, 2015 (Unaudited)

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

Changes in the carrying value of property, plant and equipment for the three-month period ended March 31, 2015 and the year ended December 31, 2014 were as follows:

(a) For the three-month period ended March 31, 2015

(in millions of Won)

		<b>Beginning</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Depreciation (*1)</b>	<b>Others (*2)</b>	<b>Ending</b>
Land	₩	2,801,288	37,671	(793)	(1,517)	(26,347)	2,810,302
Buildings		5,359,324	62,716	(1,317)	(95,196)	(14,197)	5,311,330
Structures		3,030,163	13,239	(656)	(53,325)	26,008	3,015,429
Machinery and equipment		21,199,885	57,201	(21,772)	(543,532)	848,130	21,539,912
Vehicles		56,695	3,748	(85)	(4,668)	(457)	55,233
Tools		64,069	5,534	(7)	(7,795)	13,139	74,940
Furniture and fixtures		143,782	11,804	(161)	(16,157)	2,307	141,575
Capital lease assets		80,081	154	(11)	(2,919)	21,732	99,037
Construction-in-progress		2,505,908	647,311	(3,461)	(577)	(987,386)	2,161,795
Total	₩	<u>35,241,195</u>	<u>839,378</u>	<u>(28,263)</u>	<u>(725,686)</u>	<u>(117,071)</u>	<u>35,209,553</u>

(\*1) Impairment losses of property, plant and equipment amounting to ₩10,002 million are included.

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

(b) For the year ended December 31, 2014

(in millions of Won)

		<b>Beginning</b>	<b>Acquisitions</b>	<b>Business combination</b>	<b>Disposals</b>	<b>Depreciation (*1)</b>	<b>Others (*2)</b>	<b>Ending</b>
Land	₩	2,708,010	92,645	146,755	(10,410)	(1,839)	(133,873)	2,801,288
Buildings		4,888,835	97,701	72,483	(18,968)	(372,445)	691,718	5,359,324
Structures		2,784,587	42,341	15,525	(3,517)	(223,487)	414,714	3,030,163
Machinery and equipment		19,442,836	372,448	26,998	(45,777)	(2,194,014)	3,597,394	21,199,885
Vehicles		51,033	17,665	614	(2,136)	(20,166)	9,685	56,695
Tools		62,853	29,351	4,210	(578)	(33,480)	1,713	64,069
Furniture and fixtures		173,152	41,113	1,599	(2,291)	(70,938)	1,147	143,782
Capital lease assets		100,524	2,710	-	(31)	(29,825)	6,703	80,081
Construction-in-progress		5,548,289	2,804,568	19,156	(14,088)	-	(5,852,017)	2,505,908
Total	₩	<u>35,760,119</u>	<u>3,500,542</u>	<u>287,340</u>	<u>(97,796)</u>	<u>(2,946,194)</u>	<u>(1,262,816)</u>	<u>35,241,195</u>

(\*1) Impairment losses of property, plant and equipment amounting to ₩64,833 million are included.

(\*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 March 31, 2015 (Unaudited)

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

Changes in the carrying value of goodwill and other intangible assets for the three-month period ended March 31, 2015 and the year ended December 31, 2014 were as follows:

(a) For the three-month period ended March 31, 2015

(in millions of Won)	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others (*2)	Ending
Goodwill	₩ 1,795,144	-	-	-	-	(1,221)	1,793,923
Intellectual property rights	2,762,679	33,327	-	(43,201)	-	(12,824)	2,739,981
Premium in rental (*1)	130,942	1,977	(3,603)	(46)	(2)	(20)	129,248
Development expense	168,746	1,312	-	(14,952)	(10)	3,258	158,354
Port facilities usage rights	156,444	-	-	(2,415)	-	-	154,029
Exploration and evaluation assets	92,459	37,721	-	-	-	(69)	130,111
Customer relationships	641,625	-	-	(13,731)	-	981	628,875
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	597,545	16,751	(642)	(20,745)	-	852	593,761
₩	<u>6,884,989</u>	<u>91,088</u>	<u>(4,245)</u>	<u>(95,090)</u>	<u>(12)</u>	<u>(9,043)</u>	<u>6,867,687</u>

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

(\*2) Includes translation adjustment and reclassifications.

(b) For the year ended December 31, 2014

(in millions of Won)	Beginning	Acquisitions	Business combination	Disposals	Amortization	Impairment loss	Others (*3)	Ending
Goodwill (*1)	₩ 1,615,938	-	187,285	-	-	(11,297)	3,218	1,795,144
Intellectual property rights	1,474,859	199,850	32	(218)	(143,548)	(27,720)	1,259,424	2,762,679
Premium in rental (*2)	131,267	8,775	1,661	(4,484)	(265)	(2,609)	(3,403)	130,942
Development expense	61,102	18,032	2,659	(3,484)	(56,453)	(9,366)	156,256	168,746
Port facilities usage rights	167,111	433	-	-	(12,462)	-	1,362	156,444
Exploration and evaluation assets	359,748	32,191	-	-	-	(718)	(298,762)	92,459
Mining development assets	968,191	1,484	-	-	-	-	(969,675)	-
Customer relationships	692,880	-	-	-	(53,969)	-	2,714	641,625
Power generation permit (*4)	-	-	539,405	-	-	-	-	539,405
Other intangible assets (*5)	458,744	262,076	88,808	(665)	(77,243)	(717)	(133,458)	597,545
₩	<u>5,929,840</u>	<u>522,841</u>	<u>819,850</u>	<u>(8,851)</u>	<u>(343,940)</u>	<u>(52,427)</u>	<u>17,676</u>	<u>6,884,989</u>

(\*1) During the year ended December 31, 2014, goodwill arising from business combination amounting to ₩180,418 million are included in relation to the acquisition of POSCO Plantec Co., Ltd.

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

(\*3) Includes translation adjustment and reclassifications.

(\*4) POSCO ENERGY CO., LTD. recognized other intangible assets and other provisions amounting to ₩539,405 million in relation to operation permit for electricity business when acquiring POSPOWER CO., Ltd.

(\*5) During the year ended December 31, 2014, POSCO ENGINEERING & CONSTRUCTION, LTD. recognized other intangible assets and other provisions amounting to ₩169,000 million in relation to project financing agreements on the Urban Development Project in Gaepo-dong, Seoul.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 14. Other Assets

Other current assets and other long-term assets as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

		<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>			
Advance payment	₩	792,283	845,114
Prepaid expenses		154,073	129,914
Others		1,728	1,397
	₩	<u>948,084</u>	<u>976,425</u>
<b>Non-current</b>			
Long-term advance payment	₩	3,457	3,454
Long-term prepaid expenses		403,064	243,933
Others(*1)		240,750	260,162
	₩	<u>647,271</u>	<u>507,549</u>

(\*1) As of March 31, 2015 and December 31, 2014, the Company recognized tax assets amounting to ₩124,982 million and ₩132,060 million, respectively, in connection with the additional income tax payment for prior years as a result of tax audits that were finalized in 2014 based on the Company's best estimate of the tax amounts to be paid when the result of the Company's appeal is finalized.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

### 15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

	Bank	Interest (%)	March 31, 2015	December 31, 2014
Short-term borrowings				
Bank overdrafts	Bank of America and others	0.1~6.0	₩ 230,922	105,673
Short-term borrowings	HSBC Bank and others	0.2~12.3	9,830,512	9,138,804
			<u>10,061,434</u>	<u>9,244,477</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.5~6.0	927,339	1,159,090
Current portion of foreign loan (*1)	NATIXIS		374	418
Current portion of debentures	Korean Development Bank and others	2.0	2,560,508	1,793,252
Less : Current portion of discount on debentures		1.0~6.0	(2,025)	(1,753)
			<u>3,486,196</u>	<u>2,951,007</u>
			<u>₩ 13,547,630</u>	<u>12,195,484</u>

(\*1) Korea Development Bank has provided guarantees related to the foreign loan.

(b) Long-term borrowings, excluding current portion as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

	Bank	Interest (%)	March 31, 2015	December 31, 2014
Long-term borrowings	Export-Import Bank of Korea and others	0.5~9.0	₩ 7,523,575	7,359,773
Less : Present value discount			(102,061)	(109,949)
Foreign loan (*1)	NATIXIS	2.0	375	627
Bonds	Korean Development Bank and others	0.9~6.3	7,149,579	8,009,547
Less : Discount on debentures issued			(24,632)	(27,225)
			<u>₩ 14,546,836</u>	<u>15,232,773</u>

(\*1) Korea Development Bank has provided guarantees related to the foreign loan.

(c) Property, plant and equipment, trade accounts and notes receivable, financial assets, available-for-sale financial assets, inventories and other assets amounting to ₩6,555,305 million, ₩19,118 million (one hundred eighteen sheets of note receivable), ₩40,259 million, ₩6,259 million, ₩336,959 million and ₩154,406 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 March 31, 2015 (Unaudited)

#### 16. Other Payables

Other payables as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

		<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>			
Accounts payable	₩	1,027,548	1,082,676
Accrued expenses		724,259	740,250
Dividend payable		523,342	12,077
Finance lease liabilities		16,664	21,888
Withholding		346,672	337,822
	₩	<u>2,638,485</u>	<u>2,194,713</u>
<b>Non-current</b>			
Accounts payable	₩	66,303	81,344
Accrued expenses		21,763	25,886
Finance lease liabilities		27,625	24,815
Long-term withholding		50,075	37,941
	₩	<u>165,766</u>	<u>169,986</u>

#### 17. Other Financial Liabilities

Other financial liabilities as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

		<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>			
Derivatives liabilities	₩	103,441	84,146
Financial guarantee liabilities		31,082	27,491
	₩	<u>134,523</u>	<u>111,637</u>
<b>Non-current</b>			
Derivatives liabilities(*1)	₩	101,730	64,926
Financial guarantee liabilities		14,807	26,169
	₩	<u>116,537</u>	<u>91,095</u>

(\*1) The Company assessed the values of call option of SeAH Besteel Corp. in relation to the residual equity upon the Company's disposal of SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Co., Ltd). Accordingly, the Company has recognized derivatives liabilities amounting to ₩22,196 million as of March 31, 2015.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

### 18. Provisions

(a) Provisions as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

		March 31, 2015		December 31, 2014	
		Current	Non-current	Current	Non-current
Provision for bonus payments	₩	28,088	-	49,505	-
Provision for construction warranties		13,921	59,696	16,352	63,996
Provision for legal contingencies and claims(*1)		-	52,174	-	50,424
Recovery provisions(*2)		36,111	24,714	39,336	35,462
Others (*3)		16,809	81,086	44,837	73,357
	₩	<u>94,929</u>	<u>217,670</u>	<u>150,030</u>	<u>223,239</u>

(\*1) The Company recognized probable outflow of resources amounting to ₩45,957 million and ₩44,309 million as provisions for legal contingencies and asserted claims in relation to lawsuits against the Company as of March 31, 2015 and December 31, 2014, respectively.

(\*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province, a provision has been recognized with a present value of estimated costs for recovery. In order to compute the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 2.64% to assess present value of these costs.

(\*3) As of March 31, 2015 and December 31, 2014, the amount includes a provision of ₩23,600 million for expected resources outflow in connection with the subrogation and financial joint guarantee for the construction projects of POSCO ENGINEERING & CONSTRUCTION Co., Ltd.

(b) Changes in provisions for the three-month period ended March 31, 2015 and the year ended December 31, 2014 were as follows:

1) For the three-month period ended March 31, 2015

(in millions of Won)

		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	49,505	9,196	(28,891)	(1,706)	(16)	28,088
Provision for construction warranties		80,348	6,032	(3,549)	(1,729)	(7,485)	73,617
Provision for legal contingencies and claims		50,424	1,387	-	-	363	52,174
Recovery provisions		74,798	5,095	(19,092)	-	24	60,825
Others		118,194	15,669	(31,014)	(3,783)	(1,171)	97,895
	₩	<u>373,269</u>	<u>37,379</u>	<u>(82,546)</u>	<u>(7,218)</u>	<u>(8,285)</u>	<u>312,599</u>

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

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

2) For the year ended December 31, 2014

(in millions of Won)

		<u>Beginning</u>	<u>Increase</u>	<u>Utilization</u>	<u>Reversal</u>	<u>Others(*1)</u>	<u>Ending</u>
Provision for bonus payments	₩	52,377	45,071	(46,761)	(1,646)	464	49,505
Provision for construction warranties		55,696	34,410	(15,719)	(4,677)	10,638	80,348
Provision for legal contingencies and claims		30,330	15,289	-	(7,716)	12,521	50,424
Recovery provisions		4,385	89,565	(19,328)	-	176	74,798
Others		110,813	282,406	(258,571)	(19,523)	3,069	118,194
	₩	<u>253,601</u>	<u>466,741</u>	<u>(340,379)</u>	<u>(33,562)</u>	<u>26,868</u>	<u>373,269</u>

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

## 19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month periods ended March 31, 2015 and 2014 were as follows:

(in millions of Won)

		<u>March 31, 2015</u>	<u>March 31, 2014</u>
Expense related to post-employment benefit plans under defined contribution plans	₩	6,874	5,741

(b) Defined benefit plan

1) The amounts recognized in relation to defined benefit obligations in the statements of financial position as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

		<u>March 31, 2015</u>	<u>December 31, 2014</u>
Present value of funded obligations	₩	1,780,454	1,713,074
Fair value of plan assets		(1,414,995)	(1,427,918)
Present value of non-funded obligations		10,428	5,169
Net defined benefit liabilities	₩	<u>375,887</u>	<u>290,325</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

- 2) Changes in present value of defined benefit obligations for the three-month period ended March 31, 2015 and the year ended December 31, 2014 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>	<b>December 31, 2014</b>
Defined benefit obligation			
at the beginning of period	₩	1,718,243	1,520,643
Current service costs		65,732	230,445
Interest costs		12,142	54,737
Remeasurement		72,291	85,166
Business combinations		-	48,695
Benefits paid		(78,319)	(160,792)
Others		793	(60,651)
Defined benefit obligation at the end of period	₩	<u>1,790,882</u>	<u>1,718,243</u>

- 3) Changes in fair value of plan assets for the three-month period ended March 31, 2015 and the year ended December 31, 2014 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>	<b>December 31, 2014</b>
Fair value of plan assets			
at the beginning of period	₩	1,427,918	1,247,483
Interest on plan assets		10,702	47,296
Remeasurement of plan assets		(889)	(11,236)
Contributions to plan assets		41,085	273,867
Business combinations		-	30,863
Benefits paid		(57,421)	(109,352)
Others		(6,400)	(51,003)
Fair value of plan assets at the end of period	₩	<u>1,414,995</u>	<u>1,427,918</u>

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income (loss) for the three-month periods ended March 31, 2015 and 2014 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>	<b>March 31, 2014</b>
Current service costs	₩	65,732	57,218
Net interest costs		1,440	1,800
	₩	<u>67,172</u>	<u>59,018</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 20. Other Liabilities

Other liabilities as of March 31, 2015 and December 31, 2014 are as follows:

<i>(in millions of Won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Other current liabilities</b>		
Due to customers for contract work ₩	907,959	1,041,946
Advances received	710,504	763,168
Unearned revenue	23,660	21,627
Withholdings	182,323	167,002
Others (*1)	179,945	236,021
₩	<u>2,004,391</u>	<u>2,229,764</u>
<b>Other long-term liabilities</b>		
Advances received ₩	80,001	108,496
Unearned revenue	1,104	1,170
Others (*1)	51,339	45,987
₩	<u>132,444</u>	<u>155,653</u>

(\*1) Includes other current liabilities amounting to ₩165,124 million, ₩214,731 million and other long-term liabilities amounting to ₩8,382 million and ₩8,819 million as of March 31, 2015 and December, 31 2014, respectively, due to proportionate consolidation of joint operations which are owned by POSCO's subsidiaries.

#### 21. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of March 31, 2015 and December 31, 2014 are as follows:

<i>(in millions of Won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Financial assets at fair value through profit or loss		
Derivatives assets held for trading ₩	149,646	96,266
Available-for-sale financial assets	2,432,489	2,420,241
Held-to-maturity investments	16,643	17,093
Loans and receivables	20,320,539	19,501,763
₩	<u>22,919,317</u>	<u>22,035,363</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

2) Financial liabilities as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Financial liabilities at fair value through profit or loss		
Derivatives liabilities held for trading	₩ 205,171	149,072
Financial liabilities measured at amortized cost		
Trade accounts payable	3,730,844	4,039,255
Borrowings	28,094,466	27,428,257
Financial guarantee liabilities	45,889	53,660
Others	2,526,148	2,101,354
	<u>34,397,347</u>	<u>33,622,526</u>
	₩ <u>34,602,518</u>	<u>33,771,598</u>

3) Finance income and costs by category of financial instrument for the three-month periods ended March 31, 2015 and 2014 were as follows:

### ① March 31, 2015

(in millions of Won)

	<b>Finance income and costs</b>							<b>Other comprehensive income (loss)</b>
	<b>Interest income (cost)</b>	<b>Gain and loss on valuation</b>	<b>Gain and loss on foreign currency</b>	<b>Gain and loss on disposal</b>	<b>Impairment loss</b>	<b>Others</b>	<b>Total</b>	
Financial assets at fair value through profit or loss	₩ -	65,036	-	78,316	-	-	143,352	-
Available-for-sale financial assets	653	-	-	2,554	(24,536)	37,972	16,643	10,696
Held-to-maturity investments	117	-	-	-	-	9	126	-
Loans and receivables	63,802	-	(25,078)	(3,942)	-	(40)	34,742	-
Financial liabilities at fair value through profit or loss	-	(62,045)	-	(50,179)	-	-	(112,224)	-
Financial liabilities at amortized cost	(214,344)	-	16,077	-	-	(6,607)	(204,874)	-
	₩ <u>(149,772)</u>	<u>2,991</u>	<u>(9,001)</u>	<u>26,749</u>	<u>(24,536)</u>	<u>31,334</u>	<u>(122,235)</u>	<u>10,696</u>

### ② March 31, 2014

(in millions of Won)

	<b>Finance income and costs</b>							<b>Other comprehensive income (loss)</b>
	<b>Interest income (cost)</b>	<b>Gain and loss on valuation</b>	<b>Gain and loss on foreign currency</b>	<b>Gain and loss on disposal</b>	<b>Impairment loss</b>	<b>Others</b>	<b>Total</b>	
Financial assets at fair value through profit or loss	₩ -	22,819	-	44,902	-	-	67,721	-
Available-for-sale financial assets	64	-	-	8,705	(1,578)	29,447	36,638	(204,457)
Held-to-maturity investments	10	-	-	-	-	22	32	-
Loans and receivables	60,941	-	133,971	(5,103)	-	(38)	189,771	-
Financial liabilities at fair value through profit or loss	-	21,573	-	(37,163)	-	-	(15,590)	-
Financial liabilities at amortized cost	(179,818)	-	(232,905)	1,500	-	(2,872)	(414,095)	-
	₩ <u>(118,803)</u>	<u>44,392</u>	<u>(98,934)</u>	<u>12,841</u>	<u>(1,578)</u>	<u>26,569</u>	<u>(135,523)</u>	<u>(204,457)</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

### (b) Fair value

#### 1) Fair value and book value

The carrying amount and the fair value of financial instruments as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

	March 31, 2015		December 31, 2014	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 1,987,627	1,987,627	1,963,289	1,963,289
Derivatives assets held for trading(*2)	149,646	149,646	96,266	96,266
	<u>2,137,273</u>	<u>2,137,273</u>	<u>2,059,555</u>	<u>2,059,555</u>
Assets measured amortized cost(*3)				
Cash and cash equivalents	4,041,762	4,041,762	3,811,202	3,811,202
Trade accounts and notes receivable, net	11,735,183	11,735,183	11,865,391	11,865,391
Loans and other receivables, net	4,543,594	4,543,594	3,825,170	3,825,170
Held-to-maturity investments	16,643	16,643	17,093	17,093
	<u>20,337,182</u>	<u>20,337,182</u>	<u>19,518,856</u>	<u>19,518,856</u>
Liabilities measured at fair value				
Derivatives liabilities held for trading(*2)	205,171	205,171	149,072	149,072
Liabilities measured amortized cost(*3)				
Trade accounts and notes payable	3,730,844	3,730,844	4,039,255	4,039,255
Borrowings	28,094,466	28,729,734	27,428,257	27,756,615
Financial guarantee liabilities	45,889	45,889	53,660	53,660
Others	2,526,148	2,526,148	2,101,354	2,101,354
	<u>₩ 34,397,347</u>	<u>35,032,615</u>	<u>33,622,526</u>	<u>33,950,884</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, binominal lattice 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.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 2) The fair value hierarchy

The fair values of financial instruments by fair value hierarchy as of March 31, 2015 and December 31, 2014 are as follows:

##### ① March 31, 2015

(in millions of Won)

		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets					
Available-for-sale financial assets	₩	1,827,385	-	160,242	1,987,627
Derivatives assets held for trading		-	105,762	43,884	149,646
	₩	<u>1,827,385</u>	<u>105,762</u>	<u>204,126</u>	<u>2,137,273</u>
Financial liabilities					
Derivatives liabilities held for trading	₩	-	182,975	22,196	205,171

##### ② December 31, 2014

(in millions of Won)

		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets					
Available-for-sale financial assets	₩	1,808,384	-	154,905	1,963,289
Derivatives assets held for trading		-	96,266	-	96,266
	₩	<u>1,808,384</u>	<u>96,266</u>	<u>154,905</u>	<u>2,059,555</u>
Financial liabilities					
Derivatives liabilities held for trading	₩	-	149,072	-	149,072

#### (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, 2014.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 22. Share Capital and Capital Surplus

(a) Share capital as of March 31, 2015 and December 31, 2014 are as follows:

(Share, in Won)

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares(*1)	87,186,835	87,186,835
Shared capital(*2)	₩ 482,403,125,000	482,403,125,000

(\*1) As of March 31, 2015, total shares of ADRs of 51,622,460 are equivalent to 12,905,615 of common stock.

(\*2) As of March 31, 2015, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,793	783,791
Other capital surplus	(160,426)	(163,898)
	₩ 1,087,192	1,083,718

#### 23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)

	<b>Date of issue</b>	<b>Date of maturity</b>	<b>Rate of interest (%)</b>		<b>March 31, 2015</b>	<b>December 31, 2014</b>
Hybrid bond 1-1(*1)	2013-06-13	2043-06-13	4.30	₩	800,000	800,000
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60		200,000	200,000
Issuance cost					(3,081)	(3,081)
				₩	996,919	996,919

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

(\*1) Details of hybrid bonds as of March 31, 2015 is as follows:

(in millions of Won)	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. The interest accumulated but not paid on the hybrid bonds as of March 31, 2015 amounts to ₩2,251 million.

(b) POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued hybrid bonds during the year ended December 31, 2014, the entire amount of which is classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of March 31, 2015 and December 31, 2014 are as follows:

(in millions of Won)	Date of issue	Date of maturity	Rate of interest (%)	March 31, 2015	December 31, 2014
Hybrid bond 1-1(*1)	2013-08-29	2043-08-29	4.66	₩ 165,000	165,000
Hybrid bond 1-2(*1)	2013-08-29	2043-08-29	4.72	165,000	165,000
Hybrid bond 1-3(*1)	2013-08-29	2043-08-29	4.72	30,000	30,000
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21	140,000	140,000
Issuance cost				(1,532)	(1,532)
				₩ 498,468	498,468

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

(\* 1) Details of hybrid bonds of POSCO ENERGY Co.,Ltd. as of March 31, 2015 are as follows :

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

POSCO ENERGY Co.,Ltd., a subsidiary, 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, POSCO ENERGY Co.,Ltd., cannot declare or pay dividends attributable to common stock. Since the subsidiary 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 (non-controlling interests) in the Company's consolidated financial statements. The interest accumulated but not paid on the hybrid bonds as of March 31, 2015 amounts to ₩2,000 million.

## 24. Reserves

Reserves as of March 31, 2015 and December 31, 2014 are as follows:

<i>(in millions of Won)</i>	March 31, 2015	December 31, 2014
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (460,290)	(344,942)
Changes in the unrealized fair value of available-for-sale investments	158,471	144,783
Currency translation differences	(234,724)	(187,740)
Others	(20,496)	(20,874)
	₩ <u>(557,039)</u>	<u>(408,773)</u>

## 25. Treasury Shares

As of March 31, 2015, the Company holds 7,193,767 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 March 31, 2015 (Unaudited)

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#### 26. Selling and Administrative Expenses

##### (a) Administrative expenses

Administrative expenses for the three-month periods ended March 31, 2015 and 2014 were as follows:

<i>(in millions of Won)</i>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Wages and salaries	₩ 213,730	195,834
Expenses related to defined benefit plan	30,351	18,061
Other employee benefits	60,698	42,371
Travel	11,156	10,768
Depreciation	34,119	24,219
Amortization	51,841	44,517
Communication	3,146	3,556
Electric power	2,721	4,377
Taxes and public dues	19,796	13,250
Rental	33,461	35,347
Repairs	2,608	2,873
Entertainment	4,455	4,478
Advertising	21,756	25,032
Research & development	24,822	35,249
Service fees	78,413	50,954
Supplies	2,588	2,448
Vehicles maintenance	3,011	2,858
Industry association fee	3,631	5,346
Training	2,319	3,077
Conference	4,536	4,236
Warranty expense	3,846	5,148
Bad debt allowance	6,594	5,762
Others	7,961	7,171
	₩ <u>627,559</u>	<u>546,932</u>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### (b) Selling expenses

Selling expenses for the three-month periods ended March 31, 2015 and 2014 were as follows:

<i>(in millions of Won)</i>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Freight and custody expenses	₩ 399,162	363,962
Operating expenses for distribution center	2,692	2,717
Sales commissions	14,636	17,626
Sales advertising	558	291
Sales promotion	4,781	5,000
Sample	751	872
Sales insurance premium	7,872	10,177
Contract cost	6,950	6,212
Others	1,399	2,919
	<b>₩ 438,801</b>	<b>409,776</b>

#### 27. Finance Income and Costs

Details of finance income and costs for the three-month periods ended March 31, 2015 and 2014 were as follows:

<i>(in millions of Won)</i>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
<b>Finance income</b>		
Interest income	₩ 64,571	61,015
Dividend income	37,972	29,447
Gain on foreign currency transactions	209,662	192,613
Gain on foreign currency translations	140,950	103,853
Gain on derivatives transactions	78,233	51,711
Gain on valuations of derivatives	73,938	69,173
Gain on disposals of available-for-sale investment	2,564	8,834
Others	796	1,460
	<b>₩ 608,686</b>	<b>518,106</b>
<b>Finance costs</b>		
Interest expenses	₩ 214,343	179,818
Loss on foreign currency transactions	208,653	214,946
Loss on foreign currency translations	150,960	180,454
Loss on derivatives transactions	50,096	43,970
Loss on valuation of derivatives	70,947	23,623
Impairment loss on available-for-sale investment	24,536	1,578
Others	11,386	9,240
	<b>₩ 730,921</b>	<b>653,629</b>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

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

Details of other non-operating income and expenses for the three-month periods ended March 31, 2015 and 2014 were as follows:

(in millions of Won)

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
<b>Other non-operating income</b>		
Gain on disposals of assets held for sale	₩ 163,209	-
Gain on disposals of investment		
in subsidiaries, associates and joint ventures	57	7,664
Gain on disposals of property, plant and equipment	6,858	1,389
Gain on disposals of intangible assets	269	801
Premium income	4,988	35
Rental income	316	435
Outsourcing income	11	5,591
Gain on disposals of waste	1,085	13,639
Gain from claim compensation	170	5,105
Penalty income from early termination of contracts	1,673	5,554
Others	17,483	17,244
	<u>₩ 196,119</u>	<u>57,457</u>
<b>Other non-operating expenses</b>		
Impairment losses on assets held for sale	₩ 11,996	-
Loss on disposals of property, plant and equipment	11,385	8,591
Impairment losses on property, plant and equipment	10,002	1,753
Loss on disposals of intangible assets	601	801
Contribution to provisions	8,045	-
Other bad debt expenses	35,974	62,370
Donations	16,576	19,842
Loss on disposals of wastes	23	16,510
Penalty and additional tax payments(*1)	24,799	167,856
Others	18,692	20,301
	<u>₩ 138,093</u>	<u>298,024</u>

(\*1) As a result of Korea National Tax Service's periodic audit of tax payments and refunds of the Company, the Company recognized additional tax payments amounting to ₩137,917 million, primarily related to VAT, in the three-month period ended March 31, 2014.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 29. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses and other non-operating expenses in the statements of comprehensive income for the three-month periods March 31, 2015 and 2014 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Changes in inventories	₩ 2,025,092	2,325,629
Cost of merchandises sold	7,018,626	7,200,809
Employee benefits expenses	844,469	823,040
Outsourced processing cost	2,241,933	2,440,817
Electricity expenses	327,669	347,600
Depreciation expenses (*1)	720,859	680,922
Amortization expenses	95,090	77,259
Freight and custody expenses	399,162	363,962
Sales commissions	14,636	17,626
Loss on disposals of property, plant and equipment	11,385	8,591
Donations	16,576	19,842
Other expenses	792,268	700,792
	₩ <u>14,507,765</u>	<u>15,006,889</u>

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

#### 30. Income Taxes

Income tax expense was recognized as current tax expense adjusted to current adjustments for prior periods, deferred tax benefit/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 three-month periods ended March 31, 2015 and 2014 was 44.51% and 79.24%, respectively. The effective tax rate for the three-month period ended March 31, 2015 was higher than the statutory tax rate of 24% for the controlling company mainly due to the increase in deferred tax liabilities related to controlling company's investment in POSCO ENGINEERING & CONSTRUCTION., LTD. as a result of changes in management's expectations on repatriation of the investment. Effective tax rate for the three-month period ended March 31, 2014 is higher than the statutory tax rate of 24% for the controlling company due to the effect of additional income tax payment due to tax investigation and non-deductible expense primarily related to additional VAT payment (Note 28).

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 31. Earnings per Share

(a) Basic and diluted earnings per share for the three-month periods ended March 31, 2015 and 2014 were as follows:

(in Won except per share information)

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Profit attributable to controlling interest	₩ 338,584,368,962	69,841,295,973
Interests of hybrid bonds	(8,111,100,867)	(8,111,100,867)
	<u>330,473,268,095</u>	<u>61,730,195,106</u>
Weighted-average number of common shares outstanding (*1)	79,993,057	79,783,754
Basic and diluted earnings per share	₩ <u>4,131</u>	<u>774</u>

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

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
(Share)		
Total number of common shares issued	₩ 87,186,835	87,186,835
Weighted-average number of treasury shares	(7,193,778)	(7,403,081)
Weighted-average number of common shares outstanding	₩ <u>79,993,057</u>	<u>79,783,754</u>

Since there were no potential shares of common stock which had dilutive effects as of March 31, 2015 and 2014, diluted earnings per share is equal to basic earnings per share.

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

### 32. Related Party Transactions

(a) Significant transactions with related companies for the three-month periods ended March 31, 2015 and 2014 were as follows:

1) For the three-month period ended March 31, 2015

(in millions of Won)

	Sales and others (*1)			Purchase and others (*2)				
	Sales	Others	Total	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others	Total
<b>Subsidiaries (*3)</b>								
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	₩ 925	64	989	19	157,537	1,286	22,005	180,847
POSCO Processing & Service Co., Ltd.	279,876	-	279,876	144,443	-	-	1,307	145,750
POSCO COATED & COLOR STEEL Co., Ltd.	101,441	-	101,441	-	-	3,267	24	3,291
POSCO ICT(*4)	294	4	298	-	35,250	7,435	44,453	87,138
POSMATE Co., Ltd.	180	2,365	2,545	136	-	3,456	7,705	11,297
eNtoB Corporation	-	-	-	77,990	527	26	5,550	84,093
POSCO CHEMTECH	128,365	11,800	140,165	133,444	1,733	74,784	372	210,333
POSCO M-TECH	50	12	62	24,758	570	46,756	7	72,091
POSCO Energy CO., LTD	47,602	302	47,904	-	-	-	13	13
POSCO TMC Co., Ltd.	54,534	-	54,534	-	-	259	279	538
POSCO AST	105,115	3	105,118	2,775	-	8,872	35	11,682
POSHIMETAL Co., Ltd.	3,171	34	3,205	37,133	-	-	33	37,166
Daewoo International Corporation	897,936	34,335	932,271	11,713	-	-	-	11,713
SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Steel Co., Ltd.)(*5)	2,811	176,904	179,715	8,239	-	515	75	8,829
POSCO PLANTEC Co., Ltd.	2,373	18	2,391	878	27,827	5,626	5,655	39,986
POSCO Thainox Public Company Limited	71,967	10	71,967	1,869	-	-	-	1,869
PT. KRAKATAU POSCO	-	-	-	83,636	-	-	-	83,636
POSCO America Corporation	175,927	-	175,927	-	-	-	36	36
POSCO Canada Ltd.	-	-	-	32,997	-	-	-	32,997
POSCO Asia Co., Ltd.	465,146	-	465,146	50,819	-	-	92	50,911
POSCO (Thailand) Company Ltd.	13,633	8	13,641	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	36,729	-	36,729	-	-	-	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	29,506	-	29,506	-	-	-	-	-
POSCO-Japan Co., Ltd.	266,240	9,383	275,623	5,223	957	-	269	6,449
POSCO-India Pune Processing Center. Pvt. Ltd.	16,461	-	16,461	-	-	-	4	4
POSCO-MEXICO S.A. DE C.V.	77,743	152	77,895	-	-	-	-	-
POSCO Maharashtra Steel Pvt. Ltd.	102,395	-	102,395	-	-	-	-	-
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.	-	-	-	12,598	-	-	-	12,598
Others	167,321	2,958	170,279	24,879	24,629	3,202	16,065	68,775
	3,047,731	238,352	3,286,083	653,549	249,030	155,484	103,979	1,162,042
<b>Associates and joint ventures (*3)</b>								
SNNC Co., Ltd.	638	206	844	97,176	-	-	-	97,176
POSCHROME (PROPRIETARY) LIMITED	-	-	-	13,933	-	-	-	13,933
PT. POSMI Steel Indonesia	830	-	830	-	-	-	-	-
POSK (PingHu) Steel Processing Center Co., Ltd.	634	-	634	-	-	-	-	-
CSP-Compania Siderurgica do Pecem	3,358	-	3,358	-	-	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center Co., Ltd.	6,306	-	6,306	-	-	-	-	-
Others	659	6,429	7,088	380	-	-	-	380
	12,425	6,635	19,060	111,489	-	-	-	111,489
₩	3,060,156	244,987	3,305,143	765,038	249,030	155,484	103,979	1,273,531

(\*1) Sales and others include sales and insignificant other non-operating income. Sales are mainly sales of steel products and these 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 March 31, 2015, the Company provided guarantees to related parties (Note 33).

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

(\*5) During the three-month period ended March 31, 2015, SeAH Changwon Integrated Special Steel Corp. (formerly, POSCO Specialty Steel Co., Ltd) was reclassified as an associate from subsidiary (Note 9).

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

### 2) For the three-month period ended March 31, 2014

(in millions of Won)

	Sales and others			Purchase and others				
	Sales	Others	Total	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others	Total
<b>Subsidiaries</b>								
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	₩ 1,505	16,583	18,088	-	427,486	2,090	10,972	440,548
POSCO Processing & Service Co., Ltd.	255,304	8,578	263,882	260,449	-	-	106	260,555
POSCO COATED & COLOR STEEL Co., Ltd.	122,752	-	122,752	-	-	2,429	30	2,459
POSCO ICT	227	4	231	-	75,084	6,265	37,465	118,814
POSMATE Co., Ltd.	129	1	130	132	-	3,286	8,270	11,688
eNtoB Corporation	-	35	35	58,213	660	13	5,250	64,136
POSCO CHEMTECH	129,572	4,941	134,513	132,202	1,450	75,916	386	209,954
POSCO M-TECH	20	535	555	36,970	493	50,426	56	87,945
POSCO Energy CO., LTD	36,133	299	36,432	-	1,592	-	20	1,612
POSCO TMC Co., Ltd.	49,887	-	49,887	-	-	277	421	698
POSCO AST Co., Ltd.	132,400	-	132,400	1,722	-	14,898	250	16,870
POSHIMETAL Co., Ltd.	3,009	1,185	4,194	40,447	-	-	-	40,447
Daewoo International Corporation	890,600	20,604	911,204	47,077	-	-	1,552	48,629
POSCO America Corporation	169,609	2	169,611	-	-	-	5	5
POSCO Canada Ltd.	-	-	-	47,370	-	-	-	47,370
POSCO Asia Co., Ltd.	514,542	23	514,565	40,194	-	1,379	79	41,652
POSCO (Thailand) Company Ltd.	22,236	4	22,240	-	-	-	7	7
Qingdao Pohang Stainless Steel Co., Ltd.	14,084	-	14,084	-	-	-	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	62,811	-	62,811	-	-	-	-	-
POSCO-Japan Co., Ltd.	361,108	-	361,108	2,275	-	-	197	2,472
POSCO-India Pune Processing Center. Pvt. Ltd.	45,766	59	45,825	-	-	-	-	-
POSCO-MEXICO S.A. DE C.V.	61,124	775	61,899	-	-	-	-	-
POSCO Maharashtra Steel Pvt. Ltd.	64,467	214	64,681	-	-	-	-	-
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.	-	-	-	28,578	-	-	-	28,578
Others	474,111	134	474,245	25,225	4,569	5,952	14,864	50,610
	<u>3,411,396</u>	<u>53,976</u>	<u>3,465,372</u>	<u>720,854</u>	<u>511,334</u>	<u>162,931</u>	<u>79,930</u>	<u>1,475,049</u>
<b>Associates and joint ventures</b>								
SNNC Co., Ltd.	563	63	626	88,246	-	-	5	88,251
POSCO PLANTEC Co., Ltd.	2,820	18	2,838	572	13,383	2,960	714	17,629
POSCHROME (PROPRIETARY) LIMITED	-	-	-	15,580	-	-	-	15,580
PT. POSMI Steel Indonesia	5,812	-	5,812	-	-	-	-	-
POSK (PingHu) Steel Processing Center Co., Ltd.	4,270	-	4,270	-	-	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center Co., Ltd.	2,539	-	2,539	-	-	-	-	-
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	319	-	319	-	-	-	-	-
Others	3	1	4	1,033	-	-	-	1,033
	<u>16,326</u>	<u>82</u>	<u>16,408</u>	<u>105,431</u>	<u>13,383</u>	<u>2,960</u>	<u>719</u>	<u>122,493</u>
₩	<u>3,427,722</u>	<u>54,058</u>	<u>3,481,780</u>	<u>826,285</u>	<u>524,717</u>	<u>165,891</u>	<u>80,649</u>	<u>1,597,542</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

(b) The related account balances of significant transactions with related companies as of March 31, 2015 and December 31, 2014 are as follows:

### 1) March 31, 2015

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
<b>Subsidiaries</b>							
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	₩ 66	50,328	50,394	-	58,089	20	58,109
POSCO Processing & Service Co., Ltd.	82,491	23	82,514	13,442	818	-	14,260
POSCO COATED & COLOR STEEL Co., Ltd.	69,848	16	69,864	-	-	1,549	1,549
POSCO ICT	-	46	46	983	32,249	6,260	39,492
POSIMATE Co., Ltd.	227	3,926	4,153	123	2,239	3,864	6,226
eNtoB Corporation	-	-	-	12,472	13,414	14	25,900
POSCO CHEMTECH	44,765	9,922	54,687	59,447	18,439	17,538	95,424
POSCO M-TECH	-	22	22	7,278	8,038	17,331	32,647
POSCO Energy CO., LTD	18,407	784	19,191	-	-	1,336	1,336
POSCO TMC Co., Ltd.	37,526	8	37,534	-	16	100	116
POSCO AST Co., Ltd.	41,806	15	41,821	-	3,174	2,836	6,010
POSHIMETAL Co., Ltd.	1,228	14	1,242	-	25,094	-	25,094
Daewoo International Corp.	143,049	34,341	177,390	3,817	46	-	3,863
POSCO PLANTEC Co., Ltd.	370	8	378	8,335	6,250	17	14,602
POSCO Thainox Public Company Limited	71,957	-	71,957	607	-	-	607
POSCO America Corporation	45,269	-	45,269	-	-	-	-
POSCO Canada Ltd.	-	-	-	-	9,512	-	9,512
POSCO Asia Co., Ltd.	135,441	-	135,441	2,666	-	-	2,666
POSCO (Thailand) Company Ltd.	4,196	-	4,196	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	26,675	96	26,771	-	-	-	-
POSCO-Japan Co., Ltd.	18,357	-	18,357	935	-	-	935
POSCO-India Pune Processing Center, Pvt. Ltd.	5,726	-	5,726	-	-	-	-
POSCO MEXICO S.A. DE C.V.	104,824	-	104,824	-	-	-	-
POSCO Maharashtra Steel Pvt. Ltd.	253,154	3,009	256,163	-	-	-	-
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.	-	-	-	203	-	-	203
Others	69,764	2,999	72,763	5,760	24,906	3,507	34,173
	<u>1,175,146</u>	<u>105,557</u>	<u>1,280,703</u>	<u>116,068</u>	<u>202,284</u>	<u>54,372</u>	<u>372,724</u>
<b>Associates and joint ventures</b>							
SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Steel Co., Ltd.)	1,440	-	1,440	3,959	77	187	4,223
SNNC Co., Ltd.	237	10	247	24,062	-	-	24,062
CSP-Compania Siderurgica do Pecem	-	69,658	69,658	-	-	-	-
Others	261	11	272	91	-	1	92
	<u>1,938</u>	<u>69,679</u>	<u>71,617</u>	<u>28,112</u>	<u>77</u>	<u>188</u>	<u>28,377</u>
₩	<u>1,177,084</u>	<u>175,236</u>	<u>1,352,320</u>	<u>144,180</u>	<u>202,361</u>	<u>54,560</u>	<u>401,101</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

2) December 31, 2014

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
<b>Subsidiaries</b>							
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	₩ 42	71,967	72,009	-	41,878	-	41,878
POSCO Processing & Service Co., Ltd.	94,790	92	94,882	15,202	867	-	16,069
POSCO COATED & COLOR STEEL Co., Ltd.	69,314	67	69,381	-	5	1,936	1,941
POSCO ICT	13	103	116	920	70,823	5,425	77,168
POSMATE Co., Ltd.	-	1,673	1,673	600	2,007	4,828	7,435
eNtoB Corporation	-	-	-	12,564	28,432	43	41,039
POSCO CHEMTECH	49,456	4,283	53,739	57,610	9,890	17,864	85,364
POSCO M-TECH	-	37	37	7,311	12,231	22,703	42,245
POSCO Energy CO., LTD	17,326	2,809	20,135	-	-	1,962	1,962
POSCO TMC Co., Ltd.	27,429	30	27,459	-	117	115	232
POSCO AST Co., Ltd.	44,281	54	44,335	-	2,458	3,364	5,822
POS-HIMETAL Co., Ltd.	1,269	14	1,283	-	12,846	-	12,846
Daewoo International Corp.	164,029	3,178	167,207	8	210	1	219
SeAH Changwon Integrated Special Steel (formerly, POSCO Specialty Steel Co., Ltd.)	822	201,823	202,645	4,800	140	184	5,124
POSCO America Corporation	57,164	-	57,164	-	1,511	-	1,511
POSCO Canada Ltd.	-	-	-	-	4,534	-	4,534
POSCO Asia Co., Ltd.	197,104	221	197,325	10,995	-	-	10,995
POSCO (Thailand) Company Ltd.	7,407	266	7,673	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	14,748	41	14,789	-	-	-	-
POSCO-Japan Co., Ltd.	42,692	89	42,781	344	1,552	-	1,896
POSCO-India Pune Processing Center. Pvt. Ltd.	6,401	5	6,406	-	-	-	-
POSCO MEXICO S.A. DE C.V.	96,800	-	96,800	-	-	-	-
POSCO Maharashtra Steel Pvt. Ltd.	364,899	7,714	372,613	-	-	-	-
Others	126,474	56,788	183,262	7,239	54,727	1,545	63,511
	<u>1,382,460</u>	<u>351,254</u>	<u>1,733,714</u>	<u>117,593</u>	<u>244,228</u>	<u>59,970</u>	<u>421,791</u>
<b>Associates and joint ventures</b>							
SNNC Co., Ltd.	219	125	344	7,017	-	-	7,017
POSCHROME (PROPRIETARY) LIMITED	-	-	-	1,162	-	-	1,162
LLP POSUK Titanium	-	4,235	4,235	-	-	-	-
Others	258	18	276	234	-	-	234
	<u>477</u>	<u>4,378</u>	<u>4,855</u>	<u>8,413</u>	<u>-</u>	<u>-</u>	<u>8,413</u>
₩	<u>1,382,937</u>	<u>355,632</u>	<u>1,738,569</u>	<u>126,006</u>	<u>244,228</u>	<u>59,970</u>	<u>430,204</u>

(c) For the three-month periods ended March 31, 2015 and 2014, details of compensation to key management officers were as follows:

(in millions of Won)

	March 31, 2015	March 31, 2014
Short-term benefits	₩ 32,228	32,655
Retirement benefits	9,136	9,195
Long-term benefits	6,702	4,751
₩	<u>48,066</u>	<u>46,601</u>

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

### 33. Commitments and Contingencies

#### (a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of March 31, 2015, are as follows:

(in millions of Won)						
Guarantor	Guarantee beneficiary	Financial institution	Foreign currency		Won equivalent	
[The Company]						
POSCO	Zhangjiagang Pohang Stainless Steel Co., Ltd.	MIZUHO and others	USD	130,000,000	143,650	
	POSCO(Guangdong) Automotive Steel Co., Ltd.	SMBC and others	USD	65,000,000	71,825	
	POSCO Investment Co., Ltd.	BOA and others	USD	330,000,000	364,650	
		BOC	CNY	350,000,000	62,307	
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea and others	USD	196,000,000	216,580	
	POSCO MEXICO S.A. DE C.V.	HSBC and others	USD	284,725,000	314,621	
	POSCO VST CO., LTD.	ANZ and others	USD	65,000,000	71,825	
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	566,069,000	625,506	
	POSCO SS-VINA	Export-Import Bank of Korea and others	USD	354,351,050	391,558	
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,492,082	
	POSCO Electrical Steel India Private Limited	ING and others	USD	83,784,000	92,581	
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	188,392,500	208,174	
	Daewoo International Corporation	PT. Bio Inti Agrindo	Export-Import Bank of Korea	USD	56,000,000	61,880
DAEWOO TEXTILE BUKHARA LLC		Export-Import Bank of Korea	USD	16,000,000	17,680	
Daewoo Paper Manufacturing Co., Ltd.		HSBC	USD	12,500,000	13,813	
DAEWOO INTERNATIONAL MEXICO S.A. DE C.V.		NOVA SCOTIA	USD	30,000,000	33,150	
Daewoo International INDIA Private Ltd.		Shinhan Bank	USD	49,271,000	54,444	
Brazil Sao Paulo Steel Processing Center		HSBC and others	USD	52,000,000	57,460	
POSCO ASSAN TST STEEL INDUSTRY		ING and others	USD	18,839,250	20,817	
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.		POSCO E&C Vietnam Co., Ltd.	USD	16,500,000	18,233	
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	POSCO Engineering and Construction India Private Limited	Shinhan Bank	INR	383,201,941	6,775	
	SANTOSCM I S.A.	CITI Ecuador and others	USD	55,000,000	60,775	
	POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	HSBC	USD	100,000,000	110,500	
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co.,Ltd.	Woori Bank and others	USD	110,000,000	121,550	
	POSCO Processing&Service	POSCO Gulf SFC LLC	USD	30,000,000	33,150	
	POSCO ENERGY CO., LTD.	PT. KRAKATAU POSCO ENERGY	USD	185,888,942	205,407	
	POSCO Engineering CO.,Ltd	PT PEN INDONESIA	POSCO Investment	USD	6,000,000	6,630
		POSCO ENGINEERING (THAILAND) CO., LTD.	CITI Bank	USD	15,300,000	16,907
POSCO COATED & COLOR STEEL Co., Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Investment	USD	7,986,947	8,826	
	POSCO ICT	KEB Bank	USD	3,000,000	3,315	
POSCO-Japan Co., Ltd.	VECTUS LIMITED	KEB Bank	GBP	3,500,000	5,727	
	PT.POSCO ICT INDONESIA	POSCO Investment	USD	2,700,000	2,984	
	POSCO-JWPC Co., Ltd.	Higo Bank and others	JPY	974,000,000	8,963	
	POSCO-JEPC Co., Ltd.	MIZUHO and others	JPY	1,021,811,730	9,403	
	Xenesys Inc.	Aozora Bank	JPY	250,000,000	2,301	
DAEWOO TEXTILE FERGANA LLC	DAEWOO TEXTILE BUKHARA LLC	Bukhara TEX	USD	2,618,231	2,893	
DAEWOO TEXTILE BUKHARA LLC	DAEWOO TEXTILE FERGANA LLC	NBU	USD	6,127,060	6,770	
POSCO-China Holding Corp.	DONG FANG JIN HONG	Bank of Communications and others	CNY	1,300,000,000	231,426	
POSCO CHEMTECH	PT.Krakatau Posco Chemtech Calcination	KEB Bank	USD	33,600,000	37,128	
	KRAKATAU POS-CHEM DONG-SUH CHEMICAL	Hana Bank	USD	5,883,750	6,502	
POSCO Investment Co., Ltd.	Zhangjiagang Pohang Stainless Steel Co., Ltd.	BOA and others	USD	148,000,000	163,540	
	POSCO PLANTEC Thailand CO. LTD	BOC	CNY	350,000,000	62,307	
POSCO PLANTEC Co., Ltd.	COMPANIADEAUTOMATIZACION &CONTROL, GENESYS S.A.	Woori Bank	THB	45,000,000	1,526	
SANTOSCM I S.A.	SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA	Banco de Guayaquil and others	USD	400,000	442	
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA	MILLS ESTRUTURAS E SERVICOS DE ENGENHARIA S.A		BRL	2,000,000	685	

# POSCO and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

(in millions of Won)

Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency	Won Equivalent
<b>[Associates and joint ventures]</b>				
POSCO	LLP POSUK Titanium	KB Bank	USD 15,000,000	16,575
	CSP - Companhia Siderurgica do Pecem	KDB Bank	USD 180,000,001	198,901
Daewoo International Corporation	DMSA/AMSA	Export-Import Bank of Korea and others	USD 165,133,333	182,472
	GLOBAL KOMSCO Daewoo LLC	Export-Import Bank of Korea and others	USD 11,112,500	12,279
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Posco e&c Songdo International Building	Others	KRW 356,600	356,600
	New Songdo International City Development, LLC	Others	KRW 340,000	340,000
POSCO Processing&Service	Sebang Steel	Shinhan Bank	JPY 245,000,000	2,255
POSCO Engineering CO., Ltd	PT. Wampu Electric Power	Export-Import Bank of Korea and others	USD 7,996,848	8,837
	PT. Tanggamus Electric Power	Woori Bank and others	USD 4,700,341	5,194
POSCO ICT	UITrans LRT Co., Ltd.	KB Bank	KRW 76,000	76,000
	Incheon-Gimpo Expressway Co., Ltd.	KDB Bank	KRW 100,000	100,000
Daewoo (China) Co., Ltd.	SHANGHAI LANSHENG DAEWOO CORP.	Bank of Communications	CNY 100,000,000	17,802
POSCO CHEMTECH	PT.INDONESIA POS			
	CHEMTECH CHOSUN Ref	KEB Bank	USD 6,000,000	6,630
<b>[Others]</b>				
Daewoo International Corporation	Ambatovy Project Investments Limited	Export-Import Bank of Korea	USD 65,454,545	72,327
	Sherritt International Corporation	Export-Import Bank of Korea	USD 21,818,182	24,109
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	The union of City environment improvement for Kukje building and others	Others	KRW 745,350	745,350
	THE GALE INVESTMENTS COMPANY, L.L.C.	Others	USD 50,000,000	55,250
POSCO Engineering CO., Ltd	Samjin Solar Energy and others	Hana Bank and others	KRW 57,430	57,430
POSCO ICT	BTL business and others	Kyobo Life Insurance Co., Ltd and others	KRW 2,063,966	2,063,966
	SMS Energy and others	Hana Bank and others	KRW 158,860	158,860
POSCO PLANTEC Co., Ltd.	SKY Calabria Co., Ltd.	NH Investment & Securities Co., Ltd. and others	KRW 161,980	161,980
	POSCO PLANTEC Taiwan Branch	Hana Bank	TWD 303,500,000	10,726
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank	AUD 8,023,765	6,785
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	SEIL DO BRASIL CONSTRUCAO LTDA	MILLS ESTRUTURAS E SERVICOS DE ENGENHARIA S.A	BRL 1,100,000	376
HUME COAL PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank	AUD 804,000	680
POSCO(Suzhou)			USD 487,500	539
Automotive Steel Co., Ltd.	POS Infra auto	Shinhan Bank	CNY 2,925,000	521
BLUE O&M Co., Ltd.	Korea Electric Power Corporation	Seoul Guarantee Insurance Co., Ltd.	KRW 2	2
POS-HIAL	Kumho Rent-a-car Co., Ltd.	Seoul Guarantee Insurance Co., Ltd.	KRW 11	11
			USD 5,104,939,980	5,640,961
			KRW 4,060,199	4,060,199
			CNY 2,102,925,000	374,363
			THB 45,000,000	1,526
			JPY 2,490,811,730	22,922
			TWD 303,500,000	10,726
			AUD 8,827,765	7,465
			INR 383,201,941	6,775
			GBP 3,500,000	5,727
			BRL 3,100,000	1,061

(b) POSCO ENGINEERING & CONSTRUCTION Co., Ltd. has provided completion guarantees for Samsung C&T Corporation amounting to ₩1,154,593 million while Samsung C&T Corporation has provided construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION Co., Ltd. amounting to ₩801,823 million as of March 31, 2015.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

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#### (c) Other commitments

Details of other commitments of the Company as of March 31, 2015, 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 March 31, 2015, 88 million tons of iron ore and 30 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 March 31, 2015, 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 6.58 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 Norddeutsche Landesbank, for seamless funding to POSCO Energy Co., Ltd. under construction of new power plant.</p>
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	<p>As of March 31, 2015, POSCO ENGINEERING &amp; CONSTRUCTION Co., LTD. has comprehensive loan agreements of up to <del>₩</del>283.5 billion and USD 268 million with Woori Bank and <del>₩</del>98 billion and USD 843 million with Korea Exchange Bank. Also, POSCO E&amp;C Co.,Ltd. has bank overdraft agreements of up to <del>₩</del>20 billion with WooriBank which is included in the limit of comprehensive loan agreements and <del>₩</del>3 billion with Korea Exchange Bank.</p>
POSCO ICT	<p>As of March 31, 2015, in relation to contract enforcement, POSCO ICT Co., Ltd. was provided with <del>₩</del>64,692 million and <del>₩</del>35,687 million guaranties from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.</p>

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

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#### (d) Litigation in progress

As of March 31, 2015, 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 April, 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 ₩907.4 billion. Through trials up to March 31, 2015, the Company has submitted its responses that the Japan court shall not have jurisdiction over this case but the judgment shall be based on the Korean law, and the Company developed grain oriented electrical steel sheets using the Company's own technologies. As of March 31, 2015, the Japan court has not made any judgments on this matter. Since the Company does not believe that it has any present obligation, the Company has not recorded any provision for this lawsuit as of March 31, 2015.

##### 2) Other lawsuits and claims

The Company is involved in 214 other lawsuits and claims for alleged damages aggregating to ₩451.7 billion as defendant as of March 31, 2015, which arose in the ordinary course of business. The Company has recognized provisions amounting to ₩46 billion for four lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company believes that it does not have a present obligation as of March 31, 2015.

#### (e) Other contingencies

Company	Description
POSCO	POSCO has provided two blanks check to Korea Resources Corporation and six blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for outstanding loans.
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	As of March 31, 2015, POSCO E&C Co., Ltd. has provided thirty-five blank checks and eight blank promissory notes as collateral for agreements and outstanding loans.
Daewoo International Corporation	As of March 31, 2015, Daewoo International Corporation has provided forty-five blank promissory notes and seventeen blank checks to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.
POSCO ICT	As of March 31, 2015, POSCO ICT has provided two blank promissory notes and sixteen blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

#### 34. Cash Flows from Operating Activities

Adjustments for operating cash flows for the three-month periods ended March 31, 2015 and 2014 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>	<b>March 31, 2014</b>
Trade accounts and notes receivable	₩	(119,481)	(834,306)
Other financial assets		375,770	210,579
Inventories		290,255	(1,015,565)
Other current assets		(20,608)	(122,189)
Other long-term assets		(7,038)	(24,359)
Trade accounts payable		(266,876)	74,714
Other financial liabilities		(82,562)	102,149
Other current liabilities		(61,490)	25,963
Provisions		(76,373)	(6,141)
Payment of severance benefits		(78,319)	(63,300)
Plan assets		16,336	3,645
Other long-term liabilities		(9,280)	(298)
	₩	<u>(39,666)</u>	<u>(1,649,108)</u>

#### 35. Operating Segments

(a) The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments— steel, construction, trading and other. 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 in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segment includes 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.

(b) Information about reportable segments for the three-month periods ended March 31, 2015 and 2014 was as follows:

1) For the three-month period ended March 31, 2015

<i>(in millions of Won)</i>		<b>Steel</b>	<b>Trading</b>	<b>Construction</b>	<b>Others</b>	<b>Total</b>
External revenues	₩	7,346,619	4,844,768	2,037,986	871,539	15,100,912
Internal revenues		4,416,959	2,158,138	396,957	686,770	7,658,824
Including inter segment revenue		2,370,895	1,122,252	334,248	661,073	4,488,468
Total revenues		11,763,578	7,002,906	2,434,943	1,558,309	22,759,736
Segment profits		351,597	94,840	(81,599)	62,024	426,862

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2015 (Unaudited)

2) For the three-month period ended March 31, 2014

<i>(in millions of Won)</i>		<b>Steel</b>	<b>Trading</b>	<b>Construction</b>	<b>Others</b>	<b>Total</b>
External revenues	₩	7,299,181	5,126,718	1,974,765	1,039,464	15,440,128
Internal revenues		4,655,173	2,211,504	706,742	735,457	8,308,876
Including inter segment revenue		2,500,922	1,123,940	656,975	698,963	4,980,800
Total revenues		11,954,354	7,338,222	2,681,507	1,774,921	23,749,004
Segment profits		92,489	29,427	41,876	51,866	215,658

(c) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the three-month periods ended March 31, 2015 and 2014 were as follows:

<i>(in millions of Won)</i>		<b>March 31, 2015</b>	<b>March 31, 2014</b>
Total profit for reportable segments	₩	426,862	215,658
Corporate fair value adjustments		(31,453)	(20,725)
Elimination of inter-segment profits		(60,209)	(139,287)
Income tax expense		268,904	212,428
Profit before income tax expense	₩	604,104	268,074