

POSCO and Subsidiaries

**Condensed Consolidated Interim Financial Statements
(Unaudited)
March 31, 2016**

(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, 2016, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2016 and 2015, 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, 2015, 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, 2016, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2015, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
May 13, 2016

This report is effective as of May 13, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of March 31, 2016 and December 31, 2015
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Assets			
Cash and cash equivalents	21	₩ 4,480,381	4,870,185
Trade accounts and notes receivable, net	4,21,32	9,346,136	9,595,935
Other receivables, net	5,21,32	1,784,770	1,679,879
Other short-term financial assets	6,21	4,103,762	3,910,387
Inventories	7	7,786,685	8,225,205
Current income tax assets		36,983	33,765
Assets held for sale	8	37,586	57,281
Other current assets	14	1,013,687	808,252
Total current assets		<u>28,589,990</u>	<u>29,180,889</u>
Long-term trade accounts and notes receivable, net	4,21	65,243	120,338
Other receivables, net	5,21	810,421	863,258
Other long-term financial assets	6,21	2,346,059	2,341,460
Investments in associates and joint ventures	9	4,080,372	3,945,333
Investment property, net	11	1,071,445	1,084,292
Property, plant and equipment, net	12	34,188,609	34,522,855
Intangible assets, net	13	6,346,206	6,405,754
Deferred tax assets		1,331,156	1,315,580
Other non-current assets	14,19	623,990	629,000
Total non-current assets		<u>50,863,501</u>	<u>51,227,870</u>
Total assets		<u>₩ 79,453,491</u>	<u>80,408,759</u>

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, 2016 and December 31, 2015
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Liabilities			
Trade accounts and notes payable	21,32	₩ 2,954,292	3,125,348
Short-term borrowings and current installments of long-term borrowings	4,15,21	11,776,480	12,371,032
Other payables	16,21,32	2,434,857	2,129,093
Other short-term financial liabilities	17,21	181,281	202,117
Current income tax liabilities		361,236	377,962
Liabilities of disposal group held for sale	8	-	34,202
Provisions	18,33	121,561	102,320
Other current liabilities	20	1,986,440	1,788,852
Total current liabilities		19,816,147	20,130,926
Long-term trade accounts and notes payable	21	9,633	11,098
Long-term borrowings	15,21	12,226,540	12,849,199
Other payables	16,21	215,847	134,470
Other long-term financial liabilities	17,21	70,752	54,696
Defined benefit liabilities, net	19	231,972	182,025
Deferred tax liabilities		1,703,300	1,676,658
Long-term provisions	18,33	219,163	221,692
Other non-current liabilities	20	81,330	77,773
Total non-current liabilities		14,758,537	15,207,611
Total liabilities		34,574,684	35,338,537
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,384,068	1,383,623
Hybrid bonds	23	996,919	996,919
Reserves	24	(552,476)	(594,756)
Treasury shares	25	(1,533,875)	(1,533,898)
Retained earnings		40,362,714	40,501,059
Equity attributable to owners of the controlling company		41,139,753	41,235,350
Non-controlling interests	23	3,739,054	3,834,872
Total equity		44,878,807	45,070,222
Total liabilities and equity	₩	79,453,491	80,408,759

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month periods ended March 31, 2016 and 2015

(Unaudited)

(in millions of Won, except per share information)

	Notes	March 31, 2016	March 31, 2015
Revenue	32,35	₩ 12,461,199	15,100,912
Cost of sales	7,29,32	(10,919,765)	(13,303,312)
Gross profit		1,541,434	1,797,600
Selling and administrative expenses	26,29		
Administrative expenses		(496,236)	(627,559)
Selling expenses		(385,432)	(438,801)
Operating profit		659,766	731,240
Share of profit (loss) of equity-accounted investees, net	9	49,917	(62,927)
Finance income and costs	21,27		
Finance income		834,295	608,686
Finance costs		(986,940)	(730,921)
Other non-operating income and expenses	28		
Other non-operating income		51,177	196,119
Other non-operating expenses	29	(63,321)	(138,093)
Profit before income tax	35	544,894	604,104
Income tax expense	30,35	(206,528)	(268,904)
Profit		338,366	335,200
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss :			
Remeasurements of defined benefit plans	19	(13,209)	(54,562)
Items that are or may be reclassified subsequently to profit or loss :			
Capital adjustment arising from investments in equity-accounted investees		22,423	(117,388)
Net changes in unrealized fair value of available-for-sale investments	21	(3,001)	10,696
Foreign currency translation differences		14,920	(55,863)
Other comprehensive income (loss), net of tax		21,133	(217,117)
Total comprehensive income		₩ 359,499	118,083
Profit attributable to :			
Owners of the controlling company		₩ 359,671	338,584
Non-controlling interests		(21,305)	(3,384)
Profit		₩ 338,366	335,200
Total comprehensive income attributable to :			
Owners of the controlling company		₩ 395,856	137,628
Non-controlling interests		(36,357)	(19,545)
Total comprehensive income		₩ 359,499	118,083
Basic and diluted earnings per share (in Won)	31	4,391	4,131

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, 2016 and 2015
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
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 (loss)									
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	(50,451)	(50,451)	(4,111)	(54,562)
Capital adjustment arising from investments in equity-accounted Investees, 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)
Total comprehensive income	-	-	-	(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 interest 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 Changes in Equity, Continued For the three-month periods ended March 31, 2016 and 2015 (Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company							Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Subtotal		
Balance as of January 1, 2016	₩ 482,403	1,383,623	996,919	(594,756)	(1,533,898)	40,501,059	41,235,350	3,834,872	45,070,222
Comprehensive income:									
Profit	-	-	-	-	-	359,671	359,671	(21,305)	338,366
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(5,259)	(5,259)	(7,950)	(13,209)
Capital adjustment arising from investments in equity-accounted Investees, net of tax	-	-	-	29,014	-	-	29,014	(6,591)	22,423
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	(3,268)	-	-	(3,268)	267	(3,001)
Foreign currency translation differences, net of tax	-	-	-	15,698	-	-	15,698	(778)	14,920
Total comprehensive income	-	-	-	41,444	-	354,412	395,856	(36,357)	359,499
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(479,974)	(479,974)	(49,478)	(529,452)
Changes in subsidiaries	-	-	-	-	-	-	-	(6,620)	(6,620)
Changes in ownership interest in subsidiaries	-	813	-	-	-	-	813	4,680	5,493
Interest of hybrid bonds	-	-	-	-	-	(11,082)	(11,082)	(6,031)	(17,113)
Disposal of treasury shares	-	(4)	-	-	23	-	19	-	19
Others	-	(364)	-	836	-	(1,701)	(1,229)	(2,012)	(3,241)
Total transactions with owners of the controlling company	-	445	-	836	23	(492,757)	(491,453)	(59,461)	(550,914)
Balance as of March 31, 2016	₩ 482,403	1,384,068	996,919	(552,476)	(1,533,875)	40,362,714	41,139,753	3,739,054	44,878,807

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, 2016 and 2015
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Cash flows from operating activities			
Profit	₩	338,366	335,200
Adjustments for:			
Depreciation		707,414	720,859
Amortization		97,581	95,090
Finance income		(441,391)	(320,791)
Finance costs		583,817	461,343
Income tax expenses		206,528	268,904
Impairment loss on property, plant and equipment		-	10,002
Gain on disposal of property, plant and equipment		(11,184)	(6,858)
Loss on disposal of property, plant and equipment		15,510	11,385
Impairment loss on goodwill and intangible assets		444	12
Share of loss (profit) of equity-accounted investees		(49,917)	62,927
Impairment loss on assets held for sale		-	11,996
Gain on disposals of assets held for sale		(19,353)	(163,209)
Costs for defined benefit plans		59,507	67,172
Bad debt expenses (reversal of bad debt expenses)		(10,005)	42,568
Loss on valuation of inventories		135,802	73,084
Contribution to provisions		38,460	22,672
Others, net		2,810	16,299
		<u>1,316,023</u>	<u>1,373,455</u>
Changes in operating assets and liabilities	34	369,538	(89,484)
Interest received		58,854	61,489
Interest paid		(139,638)	(186,185)
Dividends received		6,550	35,019
Income taxes paid		(166,904)	(205,691)
Net cash provided by operating activities	₩	<u>1,782,789</u>	<u>1,323,803</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, 2016 and 2015
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(4,977,650)	(2,620,929)
Proceeds from disposal of short-term financial instruments		4,708,346	1,563,048
Increase in loans		(140,150)	(124,550)
Collection of loans		57,646	46,919
Acquisitions of available-for-sale investments		(30,235)	(10,981)
Proceeds from disposal of available-for-sale investments		4,760	5,371
Acquisitions of investment in associates and joint ventures		(70,569)	(573)
Proceeds from disposal of investment in associates and joint ventures		-	947
Acquisitions of investment property		(1,979)	(56,645)
Acquisitions of property, plant and equipment		(621,737)	(928,261)
Proceeds from disposal of property, plant and equipment		8,961	23,736
Acquisitions of intangible assets		(43,697)	(81,413)
Proceeds from disposal of intangible assets		1,796	3,913
Proceeds from disposal of assets held for sale		150	4,397
Cash received from disposal of business, net of cash transferred		13,946	385,106
Others, net		9,224	8,795
		<u>(1,081,188)</u>	<u>(1,781,120)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		201,657	476,307
Repayment of borrowings		(1,258,248)	(1,027,759)
Proceeds from short-term borrowings, net		13,300	1,209,642
Payment of cash dividends		(3,021)	(148,406)
Payment of interest of hybrid bonds		(17,087)	(16,348)
Others, net		(258)	3,657
		<u>(1,063,657)</u>	<u>497,093</u>
Net cash provided by (used in) financing activities			
Effect of exchange rate fluctuation on cash held		<u>(28,747)</u>	<u>(15,625)</u>
Net increase (decrease) in cash and cash equivalents		<u>(390,803)</u>	<u>24,151</u>
Cash and cash equivalents at beginning of the period	8	<u>4,871,184</u>	<u>4,022,136</u>
Cash and cash equivalents at end of the period	₩	<u>4,480,381</u>	<u>4,046,287</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, 2016
(Unaudited)

1. General Information

General information about POSCO, its 39 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd. 170 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 98 associates and joint ventures are as follows:

(a) The controlling company

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

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

As of March 31, 2016, the shares of the POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchanges.

(b) Consolidated subsidiaries included for the first time during the three-month period ended March 31, 2016 were as follows:

Company	Date of inclusion	Ownership (%)	Reason
Daewoo Minerals Canada Corporation	March 2016	100.00	New establishment

(c) Subsidiaries excluded from consolidation during the three-month period ended March 31, 2016 were as follows:

Company	Date of exclusion	Reason
Tamra Offshore Wind Power Co., Ltd.	January 2016	Disposal
POSCO Investment Co., Ltd.	January 2016	Merged into POSCO Asia Co., Ltd.
Xenesys Inc.	February 2016	Disposal
POSCO LED Co., Ltd.	March 2016	Disposal
POSHIMETAL Co., Ltd.	March 2016	Merged into POSCO

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

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, 2015. 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) Judgments, assumptions and estimation uncertainties

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

In preparing these condensed 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, 2015.

(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.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

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

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

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

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 *"Interim Financial Reporting"*, 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, 2015.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Trade accounts and notes receivable	₩	8,627,683	8,953,245
Finance lease receivables		19,086	21,042
Unbilled due from customers for contract work		1,269,519	1,218,031
Less: Allowance for doubtful accounts		(570,152)	(596,383)
	₩	<u>9,346,136</u>	<u>9,595,935</u>
Non-current			
Trade accounts and notes receivable	₩	74,965	126,200
Finance lease receivables		19,160	22,758
Less: Allowance for doubtful accounts		(28,882)	(28,620)
	₩	<u>65,243</u>	<u>120,338</u>

The trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩926,584 million and ₩846,676 million as of March 31, 2016 and December 31, 2015, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and trade accounts and notes receivable are included in short-term borrowings from financial institutions (Note 15).

5. Other Receivables

Other receivables as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Loans	₩	473,983	405,281
Other accounts receivable		1,277,963	1,255,075
Accrued income		145,244	136,762
Deposits		100,017	89,444
Others		19,966	20,383
Less: Allowance for doubtful accounts		(232,403)	(227,066)
	₩	<u>1,784,770</u>	<u>1,679,879</u>
Non-current			
Loans	₩	708,244	725,968
Other accounts receivable		113,928	142,290
Accrued income		1,285	1,236
Deposits		134,935	141,373
Less: Allowance for doubtful accounts		(147,971)	(147,609)
	₩	<u>810,421</u>	<u>863,258</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

6. Other Financial Assets

Other financial assets as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	March 31, 2016	December 31, 2015
Current		
Derivatives assets held for trading	₩ 70,394	94,603
Available-for-sale securities	18,005	17,994
Current portion of held-to-maturity securities	21,870	21,490
Short-term financial instruments(*1,2)	3,993,493	3,776,300
	<u>₩ 4,103,762</u>	<u>3,910,387</u>
Non-current		
Derivatives assets held for trading	₩ 113,281	93,886
Available-for-sale securities(equity instruments)(*3,4)	2,085,591	2,095,206
Available-for-sale securities(bonds)	41,223	36,914
Available-for-sale securities(others)	59,498	59,630
Held-to-maturity securities	1,581	1,889
Long-term financial instruments(*2)	44,885	53,935
	<u>₩ 2,346,059</u>	<u>2,341,460</u>

(*1) As of March 31, 2016 and December 31, 2015, ₩7,236 million and ₩6,593 million, respectively, are restricted for the use in a government project.

(*2) As of March 31, 2016 and December 31, 2015, financial instruments amounting to ₩90,069 million and ₩105,195 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) During the three-month period ended March 31, 2016, there were objective evidences of impairment for listed equity securities such as KB Financial Group Inc. and others due to the significant or prolonged decline in the fair value of the shares and for non-listed equity securities such as Troika Foreign Resource Development Fund and others since its carrying amount significantly exceeded its fair value. As a result, an impairment loss of ₩29,491 million was recognized in profit or loss during the three-month period ended March 31, 2016.

(*4) As of March 31, 2016 and December 31, 2015, ₩124,982 million and ₩124,541 million of available-for-sale securities, respectively, have been provided as collateral for borrowings, construction projects and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

7. Inventories

Inventories as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Finished goods	₩	1,214,445	1,381,018
Merchandise		687,342	715,951
Semi-finished goods		1,310,834	1,390,382
Raw materials		1,816,208	1,868,773
Fuel and materials		822,495	810,516
Construction inventories		795,538	828,071
Materials-in-transit		1,258,914	1,382,291
Others		67,221	79,581
		<u>7,972,997</u>	<u>8,456,583</u>
Less: Allowance for inventories valuation		<u>(186,312)</u>	<u>(231,378)</u>
	₩	<u><u>7,786,685</u></u>	<u><u>8,225,205</u></u>

The amounts of loss on valuation of inventories recognized within cost of sales during the three-month periods ended March 31, 2016 and the year ended December 31, 2015 were ₩135,802 million and ₩152,952 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

8. Assets Held for Sale

Details of assets held for sale and related liabilities as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	March 31, 2016			December 31, 2015		
	The controlling company(*1)	Subsidiaries (*2)	Total	The controlling company(*1)	Subsidiaries (*2,3)	Total
Assets						
Cash and cash equivalents(*4)	₩ -	-	-	-	999	999
Trade accounts and notes receivable and other receivables	-	-	-	-	7,724	7,724
Inventories	-	-	-	-	2,129	2,129
Property, plant and equipment	25,892	11,694	37,586	25,892	10,383	36,275
Intangible assets	-	-	-	-	1,049	1,049
Other assets	-	-	-	-	9,105	9,105
	₩ 25,892	11,694	37,586	25,892	31,389	57,281
Liabilities						
Trade accounts and notes payable and other payables	₩ -	-	-	-	6,028	6,028
Borrowings	-	-	-	-	26,500	26,500
Other liabilities	-	-	-	-	1,674	1,674
	₩ -	-	-	-	34,202	34,202

- (*1) During the year ended December 31, 2015, the Company determined to exchange 1FINEX facilities with the shares of newly established company in India, and has signed in Memorandum of Association (MOA) with Uttam Galva Steels Limited in India. The Company has classified the related facilities of ₩25,892 million as assets held for sale.
- (*2) Besides the above, the controlling company and subsidiaries of the Company (POSCO Energy Co., Ltd., POSCO M-TECH, POSCO COATED & COLOR STEEL Co., Ltd., POSCO CHEMTECH and POSCO AST) determined to dispose of certain tangible assets including land and disused facilities and classified them as assets held for sale.
- (*3) During the year ended December 31, 2015, the Company determined to dispose of its shares in POSCO LED Co., Ltd., a subsidiary of the Company, to Armitron consortium, and reclassified related assets and liabilities as assets held for sale. Disposal of the assets and liabilities held for sale was completed during the period ended March 31, 2016, and the Company recognized ₩19,353 million of gain on disposal of assets held for sale.
- (*4) Cash and cash equivalents classified as assets held for sale are included in the beginning balance of statement of cash flows for the three-month period ended March 31, 2016.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

Company	March 31, 2016				December 31, 2015
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF	178,565	28.93	₩ 178,566	₩ 175,321	175,676
SeAH Changwon Integrated Special Steel(*1,2)	7,190,000	19.94	159,978	168,172	165,754
POSCO PLANTEC CO., LTD(*1)	133,711,880	73.94	217,282	132,386	171,218
SNNC	18,130,000	49.00	90,650	105,322	111,326
QSONE Co., Ltd.	200,000	50.00	84,395	84,780	83,919
Chuncheon Energy Corp.	10,539,989	29.90	52,700	48,185	30,420
UITrans LRT Co., Ltd.(*3)	6,656,517	38.37	33,283	42,353	40,903
Incheon-Gimpo Expressway Co., Ltd(*3)	9,032,539	21.82	45,163	38,678	39,447
BLUE OCEAN Private Equity Fund	333	27.52	33,300	36,009	35,437
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund(*2)	17,350	12.50	17,350	16,543	14,829
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	13,800,000	40.45	13,800	13,438	13,015
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.(*3)	2,008,000	29.55	10,040	12,429	12,265
KONES, Corp.	3,250,000	41.67	6,893	5,598	5,775
Others (31 companies)(*3)				50,915	47,933
				<u>930,129</u>	<u>947,917</u>
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	189,097	222,269
AES-VCM Mong Duong Power Company Limited	-	30.00	74,161	151,579	153,271
7623704 Canada Inc.(*2)	114,452,000	10.40	124,341	130,888	134,034
Eureka Moly LLC	-	20.00	240,123	86,491	87,878
Nickel Mining Company SAS	3,234,698	49.00	157,585	75,343	76,445
AMCI (WA) PTY LTD.	49	49.00	209,664	74,136	72,289
KOREA LNG LTD.	2,400	20.00	135,205	54,869	53,548
NCR LLC	-	29.41	32,348	35,014	35,447
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	18,474	19,311
PT. Batutua Tembaga Raya	128,285	24.10	14,785	15,314	15,382
PT. Wampu Electric Power(*3)	8,708,400	20.00	10,044	8,292	8,855
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	7,037	7,061
Others (23 companies)(*3)				53,797	42,264
				<u>900,331</u>	<u>928,054</u>
				<u>₩ 1,830,460</u>	<u>1,875,971</u>

(*1) During the year ended December 31, 2015, it was reclassified from a subsidiary to an associate.

(*2) As of March 31, 2016, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

(*3) Investments in associates are provided as collateral related to associates' borrowings amounting to ₩101,642 million and ₩101,360 million as of March 31, 2016 and December 31, 2015, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Details of investments in joint ventures as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

Company	March 31, 2016				December 31, 2015
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 97,154	104,970
POSCO ES MATERIALS	1,000,000	50.00	43,000	38,343	38,447
				<u>135,497</u>	<u>143,417</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,217,898	1,153,434
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	375,020	381,461
CSP - Companhia Siderurgica do Pecem	929,571,230	20.00	499,557	172,011	80,805
DMSA/AMSA(*2)	-	4.00	286,537	118,028	105,964
BX STEEL POSCO					
Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	99,484	100,908
KOBRASCO	2,010,719,185	50.00	32,950	91,045	78,364
Others (11 companies)				40,929	25,009
				<u>2,114,415</u>	<u>1,925,945</u>
				<u>₩ 2,249,912</u>	<u>2,069,362</u>

(*1) As of March 31, 2016 and December 31, 2015, investments in joint ventures amounting to ₩1,217,898 million and ₩1,153,434 million, respectively, are provided as collateral in relation to loan.

(*2) As of March 31, 2016 and December 31, 2015, investments in joint ventures amounting to ₩118,028 and ₩105,964 million are 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, 2016 (Unaudited)

(c) The movements of investments in associates and joint ventures for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

1) For the three-month period ended March 31, 2016

(in millions of Won)

in millions of won

Company	December 31, 2015		Acquisition	Dividend	Share of profits (losses)	Other increase (decrease)(*1)	March 31, 2016 Book value
	Book value						
[Domestic]							
EQP POSCO Global NO1							
Natural Resources PEF	₩	175,676	-	-	(355)	-	175,321
SeAH Changwon Integrated Special Steel		165,754	-	-	2,180	238	168,172
POSCO PLANTEC CO., LTD		171,218	-	-	(38,832)	-	132,386
SNNC		111,326	-	-	(6,006)	2	105,322
QSONE Co.,Ltd.		83,919	-	-	861	-	84,780
Chuncheon Energy Corp.		30,420	19,832	-	(2,067)	-	48,185
UITrans LRT Co., Ltd.		40,903	1,528	-	(78)	-	42,353
Incheon-Gimpo Expressway Co., Ltd		39,447	-	-	(908)	139	38,678
BLUE OCEAN Private Equity Fund		35,437	-	-	1,090	(518)	36,009
KoFC POSCO HANHWA KB Shared							
Growth NO. 2. Private Equity Fund		14,829	1,875	-	(161)	-	16,543
Keystone-HYUNDAI SECURITIES							
NO. 1. Private Equity Fund		13,015	-	-	423	-	13,438
CHUNGJU ENTERPRISE CITY							
DEVELOPMENT Co., Ltd.		12,265	-	-	164	-	12,429
KONES, Corp.		5,775	-	-	(177)	-	5,598
POSCO MITSUBISHI CARBON							
TECHNOLOGY		104,970	-	-	(7,816)	-	97,154
POSCO ES MATERIALS		38,447	-	-	(104)	-	38,343
Others (31 companies)		47,933	1,500	-	3,354	(1,872)	50,915
		1,091,334	24,735	-	(48,432)	(2,011)	1,065,626
[Foreign]							
South-East Asia Gas							
Pipeline Company Ltd.		222,269	-	(44,602)	14,946	(3,516)	189,097
AES-VCM Mong Duong							
Power Company Limited		153,271	-	-	7,086	(8,778)	151,579
7623704 Canada Inc.		134,034	-	-	(1,052)	(2,094)	130,888
Eureka Moly LLC		87,878	-	-	-	(1,387)	86,491
Nickel Mining Company SAS		76,445	-	-	(2,906)	1,804	75,343
AMCI (WA) PTY LTD.		72,289	-	-	(771)	2,618	74,136
KOREA LNG LTD.		53,548	-	(1,327)	(1,875)	4,523	54,869
NCR LLC		35,447	-	-	(16)	(417)	35,014
Zhongyue POSCO (Qinhuangdao)							
Tinplate Industrial Co., Ltd		19,311	-	-	(505)	(332)	18,474
PT. Batutua Tembaga Raya		15,382	-	-	-	(68)	15,314
PT. Wampu Electric Power		8,855	-	-	(457)	(106)	8,292
POSCO SeAH Steel Wire(Nantong)							
Co., Ltd.		7,061	-	-	160	(184)	7,037
Roy Hill Holdings Pty Ltd		1,153,434	-	-	30,725	33,739	1,217,898
POSCO-NPS Niobium LLC		381,461	-	(2,869)	2,630	(6,202)	375,020
CSP - Compania							
Siderurgica do Pecem		80,805	29,667	-	51,803	9,736	172,011
DMSA/AMSA		105,964	20,926	-	(6,205)	(2,657)	118,028
BX STEEL POSCO							
Cold Rolled Sheet Co., Ltd.		100,908	-	-	66	(1,490)	99,484
KOBRASCO		78,364	-	-	5,963	6,718	91,045
Others (34 companies)		67,273	16,167	(887)	(1,243)	13,416	94,726
		2,853,999	66,760	(49,685)	98,349	45,323	3,014,746
₩		3,945,333	91,495	(49,685)	49,917	43,312	4,080,372

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

2) For the year ended December 31, 2015

(in millions of Won)

Company	December 31, 2014 Book value	Acquisition	Dividend	Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2015 Book value
[Domestic]						
EQP POSCO Global NO1						
Natural Resources PEF	₩ 176,899	-	-	(1,223)	-	175,676
SeAH Changwon Integrated Special Steel	-	159,978	-	6,464	(688)	165,754
POSCO PLANTEC CO., LTD	-	217,282	-	(46,058)	(6)	171,218
SNNC	131,671	-	-	(20,566)	221	111,326
QSONE Co., Ltd.	83,849	-	-	70	-	83,919
Chuncheon Energy Corp.	-	32,853	-	(2,433)	-	30,420
UITrans LRT Co., Ltd.	30,098	9,777	-	1,086	(58)	40,903
Incheon-Gimpo Expressway Co., Ltd	43,045	-	-	(3,910)	312	39,447
BLUE OCEAN Private Equity Fund	31,439	-	-	5,645	(1,647)	35,437
KoFC POSCO HANHWA KB Shared						
Growth NO. 2. Private Equity Fund	12,268	3,725	-	211	(1,375)	14,829
Keystone-HYUNDAI SECURITIES						
NO. 1. Private Equity Fund	-	13,800	-	(451)	(334)	13,015
CHUNGJU ENTERPRISE CITY						
DEVELOPMENT Co., Ltd.	19,801	-	-	(7,536)	-	12,265
KONES, Corp.	5,430	-	-	311	34	5,775
POSCO MITSUBISHI CARBON						
TECHNOLOGY	112,837	-	-	(7,841)	(26)	104,970
POSCO ES MATERIALS	38,021	-	-	440	(14)	38,447
Others (31 companies)	33,511	17,800	-	2,877	(6,255)	47,933
	<u>718,869</u>	<u>455,215</u>	<u>-</u>	<u>(72,914)</u>	<u>(9,836)</u>	<u>1,091,334</u>
[Foreign]						
South-East Asia Gas						
Pipeline Company Ltd.	172,805	-	(18,602)	54,351	13,715	222,269
AES-VCN Mong Duong						
Power Company Limited	93,021	23,146	-	29,561	7,543	153,271
7623704 Canada Inc.	117,100	-	(1,775)	10,875	7,834	134,034
Eureka Moly LLC	228,004	-	-	(147,270)	7,144	87,878
Nickel Mining Company SAS	107,408	-	-	(25,562)	(5,401)	76,445
AMCI (WA) PTY LTD.	88,050	-	-	(11,222)	(4,539)	72,289
KOREA LNG LTD.	72,089	-	(12,195)	12,362	(18,708)	53,548
NCR LLC	32,598	-	-	(62)	2,911	35,447
Zhongyue POSCO (Qinhuangdao)						
Tinplate Industrial Co., Ltd	21,032	-	(376)	(1,787)	442	19,311
PT. Batutua Tembaga Raya	14,653	-	-	-	729	15,382
PT. Wampu Electric Power	7,611	1,015	-	(261)	490	8,855
POSCO SeAH Steel Wire(Nantong)						
Co., Ltd.	6,969	-	-	(76)	168	7,061
CAML RESOURCES PTY LTD.	38,240	-	-	(34,987)	(3,253)	-
Roy Hill Holdings Pty Ltd	1,268,678	-	-	(61,589)	(53,655)	1,153,434
POSCO-NPS Niobium LLC	357,874	-	(13,177)	12,967	23,797	381,461
CSP - Companhia						
Siderurgica do Pecem	260,906	-	-	(145,206)	(34,895)	80,805
DMSA/AMSA	165,094	72,430	-	(137,723)	6,163	105,964
BX STEEL POSCO						
Cold Rolled Sheet Co., Ltd.	98,893	-	-	291	1,724	100,908
KOBRASCO	99,787	-	(24,380)	31,124	(28,167)	78,364
Others (33 companies)	90,826	2,839	(5,506)	(18,926)	(1,960)	67,273
	<u>3,341,638</u>	<u>99,430</u>	<u>(76,011)</u>	<u>(433,140)</u>	<u>(77,918)</u>	<u>2,853,999</u>
₩	<u>4,060,507</u>	<u>554,645</u>	<u>(76,011)</u>	<u>(506,054)</u>	<u>(87,754)</u>	<u>3,945,333</u>

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the three-month period March 31, 2016 and the year ended December 31, 2015 are as follows:

1) March 31, 2016

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1					
Natural Resources PEF ₩	606,604	847	605,757	-	(1,227)
SeAH Changwon Integrated Special Steel	1,320,346	584,047	736,299	204,463	10,606
POSCO PLANTEC CO., LTD	586,076	716,415	(130,339)	86,596	3,756
SNNC	758,280	526,575	231,705	125,809	(9,945)
QSONE Co., Ltd.	249,908	80,347	169,561	1,404	1,722
Chuncheon Energy Corp.	243,822	71,819	172,003	-	(937)
UITrans LRT Co., Ltd.	346,080	266,514	79,566	-	(202)
Incheon-Gimpo Expressway Co., Ltd	774,024	579,517	194,507	-	(532)
BLUE OCEAN Private Equity Fund	372,032	234,271	137,761	111,149	3,961
KoFC POSCO HANHWA KB Shared					
Growth NO. 2. Private Equity Fund	132,868	525	132,343	724	(1,215)
Keystone-HYUNDAI SECURITIES					
NO. 1. Private Equity Fund	68,409	31,159	37,250	-	1,044
CHUNGJU ENTERPRISE CITY					
DEVELOPMENT Co., Ltd.	148,121	136,342	11,779	(24)	555
KONES, Corp.	2,430	1,427	1,003	701	(426)
POSCO MITSUBISHI CARBON					
TECHNOLOGY	471,530	310,556	160,974	2,176	(13,027)
POSCO ES MATERIALS	85,108	39,978	45,130	9,173	(209)
[Foreign]					
South-East Asia Gas					
Pipeline Company Ltd.	2,226,559	1,468,236	758,323	139,892	59,683
7623704 Canada Inc.	1,270,703	6	1,270,697	-	(10,119)
Nickel Mining Company SAS	460,352	262,444	197,908	21,620	(13,309)
KOREA LNG LTD.	294,002	18,710	275,292	10,336	(9,376)
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	95,188	35,265	59,923	27,825	(1,473)
PT. Batutua Tembaga Raya	319,372	301,825	17,547	-	-
PT. Wampu Electric Power	199,101	160,732	38,369	1,241	(2,287)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	64,576	36,904	27,672	18,977	487
Roy Hill Holdings Pty Ltd	9,772,190	7,017,242	2,754,948	-	245,789
POSCO-NPS Niobium LLC	749,836	-	749,836	-	9,079
CSP - Companhia					
Siderurgica do Pecem	4,477,230	3,481,682	995,548	-	259,117
DMSA/AMSA	6,271,120	4,337,422	1,933,698	143,516	(146,012)
BX STEEL POSCO					
Cold Rolled Sheet Co., Ltd.	706,326	336,008	370,318	210,276	265
KOBRASCO	192,205	10,114	182,091	22,439	11,927

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

2) December 31, 2015

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1					
Natural Resources PEF ₩	607,966	1,043	606,923	-	(1,231)
SeAH Changwon Integrated Special Steel	1,293,143	568,639	724,504	971,557	23,403
POSCO PLANTEC CO., LTD	609,655	725,406	(115,751)	457,180	(330,819)
SNNC	793,480	551,830	241,650	509,044	(57,156)
QSONE Co., Ltd.	249,482	81,644	167,838	15,068	140
Chuncheon Energy Corp.	149,025	42,094	106,931	-	(2,389)
UITrans LRT Co., Ltd.	343,744	267,543	76,201	-	(846)
Incheon-Gimpo Expressway Co., Ltd	648,602	458,137	190,465	-	(1,567)
BLUE OCEAN Private Equity Fund	380,000	244,316	135,684	492,065	24,422
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	119,747	1,112	118,635	5,012	1,804
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	68,315	31,626	36,689	-	(1,956)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	154,695	137,471	17,224	21,518	(30,023)
KONES, Corp.	3,544	2,114	1,430	5,337	746
POSCO MITSUBISHI CARBON TECHNOLOGY	489,393	315,392	174,001	-	(13,068)
POSCO ES MATERIALS	84,719	39,381	45,338	29,214	880
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	2,223,846	1,333,048	890,798	554,927	220,203
7623704 Canada Inc.	1,300,951	7	1,300,944	76,114	118,007
Nickel Mining Company SAS	445,685	238,695	206,990	155,980	(45,748)
KOREA LNG LTD.	257,773	36	257,737	63,574	61,806
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	107,874	45,534	62,340	114,994	(5,783)
PT. Batutua Tembaga Raya	286,761	268,933	17,828	-	-
PT. Wampu Electric Power	201,383	160,159	41,224	17,473	(1,304)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	65,973	38,336	27,637	67,700	(403)
CAML RESOURCES PTY LTD.	136,112	41,768	94,344	146,909	(20,110)
Roy Hill Holdings Pty Ltd	9,295,492	6,584,536	2,710,956	-	(492,709)
POSCO-NPS Niobium LLC	762,719	-	762,719	-	25,935
CSP - Compania Siderurgica do Pecem	3,839,967	3,319,880	520,087	-	(721,937)
DMSA/AMSA	6,415,380	4,812,244	1,603,136	737,604	(3,308,836)
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	703,408	327,391	376,017	936,590	1,162
KOBRASCO	187,823	31,094	156,729	94,169	62,248

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (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, 2016 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
Arctos Anthracite coal project	Mine development	50.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
CD J/V	Mine development	5.00	Australia
RUM J/V	Mine development	10.00	Australia

11. Investment Property, Net

Changes in the carrying value of investment property for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

(a) For the three-month period ended March 31, 2016

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩	346,879	1,055	(36)	-	(370)	347,528
Buildings		696,526	620	-	(5,846)	(7,890)	683,410
Structures		1,819	1	-	(41)	(15)	1,764
Construction-in-progress		39,068	303	-	-	(628)	38,743
	₩	<u>1,084,292</u>	<u>1,979</u>	<u>(36)</u>	<u>(5,887)</u>	<u>(8,903)</u>	<u>1,071,445</u>

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

(b) For the year ended December 31, 2015

(in millions of Won)		Beginning	Acquisitions	Business combination	Disposals	Depreciation (*1)	Others(*2)	Ending
Land	₩	415,512	2,665	5,964	(433)	(85)	(76,744)	346,879
Buildings		591,647	49,281	26,750	(909)	(25,391)	55,148	696,526
Structures		2,060	40	-	-	(173)	(108)	1,819
Construction-in-progress		46,373	9,492	-	-	-	(16,797)	39,068
	₩	<u>1,055,592</u>	<u>61,478</u>	<u>32,714</u>	<u>(1,342)</u>	<u>(25,649)</u>	<u>(38,501)</u>	<u>1,084,292</u>

(*1) Impairment loss on investment property amounting to ₩85 million are included.

(*2) Includes reclassifications resulting from changing purpose of use, adjustments of foreign currency translation difference and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (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, 2016 and the year ended December 31, 2015 were as follows:

(a) For the three-month period ended March 31, 2016

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩	2,572,807	166	(178)	-	813	2,573,608
Buildings		5,165,725	3,781	(1,683)	(88,516)	9,902	5,089,209
Structures		2,949,413	8,585	(11)	(53,076)	4,928	2,909,839
Machinery and equipment		21,093,743	49,944	(5,102)	(532,052)	10,067	20,616,600
Vehicles		52,005	2,449	(635)	(4,335)	(85)	49,399
Tools		73,478	3,080	(101)	(6,776)	882	70,563
Furniture and fixtures		148,099	5,129	(69)	(13,360)	690	140,489
Finance lease assets		92,796	77,423	(9)	(3,412)	485	167,283
Construction-in-progress		2,374,789	404,050	(188)	-	(207,032)	2,571,619
	₩	<u>34,522,855</u>	<u>554,607</u>	<u>(7,976)</u>	<u>(701,527)</u>	<u>(179,350)</u>	<u>34,188,609</u>

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

(b) For the year ended December 31, 2015

<i>(in millions of Won)</i>		Beginning	Acquisitions	Business combination	Disposals	Depreciation (*1)	Others(*2)	Ending
Land	₩	2,801,288	47,858	12,520	(30,222)	(1,517)	(257,120)	2,572,807
Buildings		5,359,324	57,042	56,156	(20,759)	(349,774)	63,736	5,165,725
Structures		3,030,163	23,149	-	(3,819)	(213,550)	113,470	2,949,413
Machinery and equipment		21,199,885	239,430	301	(74,445)	(2,244,183)	1,972,755	21,093,743
Vehicles		56,695	9,735	-	(1,601)	(18,221)	5,397	52,005
Tools		64,069	25,230	1,714	(1,169)	(29,401)	13,035	73,478
Furniture and fixtures		143,782	43,697	1,497	(1,502)	(63,754)	24,379	148,099
Finance lease assets		80,081	598	157	(98)	(9,026)	21,084	92,796
Construction-in-progress		2,505,908	2,245,729	-	(4,418)	(17,846)	(2,354,584)	2,374,789
	₩	<u>35,241,195</u>	<u>2,692,468</u>	<u>72,345</u>	<u>(138,033)</u>	<u>(2,947,272)</u>	<u>(397,848)</u>	<u>34,522,855</u>

(*1) Impairment loss on property, plant and equipment amounting to ₩136,269 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, 2016 (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, 2016 and the year ended December 31, 2015 were as follows:

(a) For the three-month period ended March 31, 2016

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,461,954	-	-	-	-	(422)	1,461,532
Intellectual property rights	2,667,086	4,541	(2)	(51,067)	-	(4,763)	2,615,795
Premium in rental(*1)	127,949	62	(2,118)	(36)	(556)	131	125,432
Development expense	135,796	1,631	-	(13,661)	-	71	123,837
Port facilities usage rights	264,801	-	-	(3,818)	-	-	260,983
Exploration and evaluation assets	151,144	30,563	-	-	-	(27,608)	154,099
Mining development assets	-	-	-	-	-	27,645	27,645
Customer relationships	559,809	-	-	(11,893)	-	348	548,264
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	497,810	13,780	(6)	(17,106)	112	(5,376)	489,214
₩	6,405,754	50,577	(2,126)	(97,581)	(444)	(9,974)	6,346,206

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

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

(b) For the year ended December 31, 2015

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,795,144	-	-	-	(99,052)	(234,138)	1,461,954
Intellectual property rights	2,762,679	127,112	(3,921)	(192,660)	(20,725)	(5,399)	2,667,086
Premium in rental(*1)	130,942	13,530	(10,594)	(171)	(2,413)	(3,345)	127,949
Development expense	168,746	6,749	(1,084)	(53,740)	(3,034)	18,159	135,796
Port facilities usage rights	156,444	-	-	(11,810)	-	120,167	264,801
Exploration and evaluation assets	92,459	61,427	-	-	-	(2,742)	151,144
Customer relationships	641,625	-	-	(51,808)	(28,402)	(1,606)	559,809
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	597,545	88,105	(488)	(71,394)	(7,531)	(108,427)	497,810
₩	6,884,989	296,923	(16,087)	(381,583)	(161,157)	(217,331)	6,405,754

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

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

14. Other Assets

Other current assets and other non-current assets as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

		March 31, 2016	December 31, 2015
Current			
Advance payments	₩	850,109	696,839
Prepaid expenses		159,269	107,379
Others		4,309	4,034
	₩	<u>1,013,687</u>	<u>808,252</u>
Non-current			
Long-term advance payment	₩	3,309	3,467
Long-term prepaid expenses		393,834	403,536
Net defined benefit asset		7,298	-
Others(*1)		219,549	221,997
	₩	<u>623,990</u>	<u>629,000</u>

(*1) As of March 31, 2016 and December 31, 2015, the Company recognized tax assets amounting to ₩127,482 million and ₩132,489 million, respectively, based on the Company's best estimate of the tax amounts to be refunded when the results of the Company's appeal in connection with the additional income tax payment for prior years as a result of tax audits that were finalized in 2014 and claim for rectification are finalized.

15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	Bank	Interest rate (%)	March 31, 2016	December 31, 2015
Short-term borrowings				
Bank overdrafts	Bank of America and others	0.3~5.0	₩ 75,498	129,891
Short-term borrowings	HSBC and others	0.1~11.2	<u>8,215,672</u>	<u>8,285,869</u>
			<u>8,291,170</u>	<u>8,415,760</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.5~8.5	1,589,035	1,318,276
Current portion of foreign loan(*1)	NATIXIS	2.0	409	401
Current portion of debentures	Korea Development Bank and others	0.9~5.9	1,896,422	2,637,614
Less: Current portion of discount on debentures issued			<u>(556)</u>	<u>(1,019)</u>
			<u>3,485,310</u>	<u>3,955,272</u>
			₩ <u>11,776,480</u>	<u>12,371,032</u>

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Long-term borrowings, excluding current portion as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	Bank	Interest rate (%)	March 31, 2016	December 31, 2015
Long-term borrowings	Export-Import Bank of Korea and others	0.4~9.8	₩ 6,230,999	6,814,753
Less: Present value discount			(60,791)	(76,828)
Foreign loan	-	-	-	200
Debentures	Korea Development Bank and others	1.4~6.3	6,077,752	6,134,132
Less: Discount on debentures issued			(21,420)	(23,058)
			₩ <u>12,226,540</u>	<u>12,849,199</u>

(c) Property, plant and equipment including investment property, trade accounts and notes receivable, financial assets, available-for-sale financial assets, inventories and other assets amounting to ₩7,439,024 million, ₩17,730 million (96 sheets of note receivable), ₩60,728 million, ₩24,118 million, ₩83,378 million and ₩154,120 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

16. Other Payables

Other payables as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Current		
Accounts payable	₩ 873,968	983,408
Accrued expenses	664,603	759,598
Dividend payable	532,909	6,453
Finance lease liabilities	26,314	26,876
Withholdings	337,063	352,758
	₩ <u>2,434,857</u>	<u>2,129,093</u>
Non-current		
Long-term accounts payable	₩ 22,856	22,665
Long-term accrued expenses	31,483	30,221
Finance lease liabilities	93,574	14,409
Long-term withholdings	67,934	67,175
	₩ <u>215,847</u>	<u>134,470</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

17. Other Financial Liabilities

Other financial liabilities as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Current			
Derivatives liabilities	₩	116,397	117,841
Financial guarantee liabilities		64,884	84,276
	₩	<u>181,281</u>	<u>202,117</u>
Non-current			
Derivatives liabilities	₩	34,681	37,661
Financial guarantee liabilities		36,071	17,035
	₩	<u>70,752</u>	<u>54,696</u>

18. Provisions

(a) Provisions as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016		December 31, 2015	
		Current	Non-current	Current	Non-current
Provision for bonus payments	₩	26,400	-	42,602	-
Provision for construction warranties		18,067	66,982	10,656	70,790
Provision for legal contingencies and claims(*1)		452	51,932	-	52,610
Provision for the restoration(*2)		16,682	23,036	15,569	26,357
Others(*3,4)		59,960	77,213	33,493	71,935
	₩	<u>121,561</u>	<u>219,163</u>	<u>102,320</u>	<u>221,692</u>

(*1) The Company recognized probable outflow of resources amounting to ₩31,829 million and ₩32,220 million as provisions for legal contingencies and asserted claims in relation to lawsuits against the Company as of March 31, 2016 and December 31, 2015, 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 2.36% to assess present value of these costs.

(*3) As of March 31, 2016 and December 31, 2015, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩45,697 million and ₩41,638 million of provisions for warranties, respectively, for the service contract on fuel cell cased on its estimate of probable outflow of resources.

(*4) As of March 31, 2016 and December 31, 2015, the amount includes a provision of ₩23,600 million for expected outflow of resources in connection with the performance guarantee for the Hwaseong-Dongtan complexes development project of POSCO ENGINEERING & CONSTRUCTION Co., Ltd.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Changes in provisions for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

1) For the three-month period ended March 31, 2016

<i>(in millions of Won)</i>		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	42,602	10,092	(25,632)	(289)	(373)	26,400
Provision for construction warranties		81,446	6,923	(3,013)	(286)	(21)	85,049
Provision for legal contingencies and claims		52,610	191	-	(77)	(340)	52,384
Provision for the restoration		41,926	388	(2,522)	-	(74)	39,718
Others		105,428	34,337	(2,954)	(3,016)	3,378	137,173
	₩	<u>324,012</u>	<u>51,931</u>	<u>(34,121)</u>	<u>(3,668)</u>	<u>2,570</u>	<u>340,724</u>

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

2) For the year ended December 31, 2015

<i>(in millions of Won)</i>		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	49,505	46,420	(49,563)	(1,493)	(2,267)	42,602
Provision for construction warranties		80,348	33,698	(21,166)	(4,822)	(6,612)	81,446
Provision for legal contingencies and claims		50,424	15,998	(2,467)	(4,058)	(7,287)	52,610
Provision for the restoration		74,798	2,293	(35,461)	-	296	41,926
Others		118,194	59,219	(46,994)	(15,425)	(9,566)	105,428
	₩	<u>373,269</u>	<u>157,628</u>	<u>(155,651)</u>	<u>(25,798)</u>	<u>(25,436)</u>	<u>324,012</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, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	March 31, 2015
Expense related to post-employment benefit plans under defined contribution plans	₩	7,685	6,874

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Defined benefit plan

- 1) The amounts recognized in relation to defined benefit obligations in the statement of financial position as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Present value of funded obligations	₩	1,720,574	1,702,735
Fair value of plan assets(*1)		(1,511,518)	(1,532,090)
Present value of non-funded obligations		15,618	11,380
Net defined benefit liabilities	₩	<u>224,674</u>	<u>182,025</u>

(*1) As of March 31, 2016, the Company recognized net defined benefit assets amounting to ₩7,298 million since there is a subsidiary whose fair value of plan assets exceeds present value of the defined benefit obligations (Note 14).

- 2) Changes in present value of defined benefit obligations for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Defined benefit obligation			
at the beginning of period	₩	1,714,115	1,718,243
Current service costs		58,999	239,508
Interest costs		10,056	47,039
Remeasurements		17,878	(63,364)
Benefits paid		(66,256)	(157,983)
Others		1,400	(69,328)
Defined benefit obligation at the end of period	₩	<u>1,736,192</u>	<u>1,714,115</u>

- 3) Changes in fair value of plan assets for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	December 31, 2015
Fair value of plan assets			
at the beginning of period	₩	1,532,090	1,427,918
Interest on plan assets		9,548	41,145
Remeasurement of plan assets		(813)	(8,515)
Contributions to plan assets		26,092	243,082
Benefits paid		(54,928)	(127,808)
Others		(471)	(43,732)
Fair value of plan assets at the end of period	₩	<u>1,511,518</u>	<u>1,532,090</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Current service costs	₩ 58,999	65,732
Net interest costs	508	1,440
	<u>₩ 59,507</u>	<u>67,172</u>

20. Other Liabilities

Other liabilities as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Current		
Due to customers for contract work	₩ 834,374	812,120
Advances received	945,233	780,357
Unearned revenue	11,430	11,684
Withholdings	169,511	153,562
Others	25,892	31,129
	<u>₩ 1,986,440</u>	<u>1,788,852</u>
Non-current		
Unearned revenue	₩ 20,773	20,838
Others	60,557	56,935
	<u>₩ 81,330</u>	<u>77,773</u>

21. Financial Instruments

(a) Classification of financial instruments

- 1) Financial assets as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss		
Derivatives assets held for trading	₩ 183,675	188,489
Available-for-sale financial assets	2,204,317	2,209,744
Held-to-maturity financial assets	23,451	23,379
Loans and receivables	20,205,038	20,601,109
	<u>₩ 22,616,481</u>	<u>23,022,721</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

2) Financial liabilities as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Financial liabilities at fair value through profit or loss		
Derivatives liabilities held for trading	₩ 151,078	155,502
Financial liabilities measured at amortized cost		
Trade accounts and note payable	2,963,925	3,136,446
Borrowings	24,003,020	25,220,231
Financial guarantee liabilities	100,955	101,311
Others	2,469,940	2,197,463
	<u>29,537,840</u>	<u>30,655,451</u>
	₩ <u>29,688,918</u>	<u>30,810,953</u>

3) Finance income and costs by category of financial instrument for the three-month periods ended March 31, 2016 and 2015 were as follows:

① For the three-month period ended March 31, 2016

<i>(in millions of Won)</i>	Finance income and costs							Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total	
Financial assets at fair value through profit or loss	₩ -	99,566	-	114,321	-	-	213,887	-
Available-for-sale financial assets	243	-	-	88	(29,491)	20,679	(8,481)	(3,001)
Held-to-maturity financial assets	105	-	-	-	-	9	114	-
Loans and receivables	52,180	-	(114,290)	(3,803)	-	(44)	(65,957)	-
Financial liabilities at fair value through profit or loss	-	(56,341)	-	(128,828)	-	-	(185,169)	-
Financial liabilities measured at amortized cost	(177,340)	-	73,641	-	-	(3,340)	(107,039)	-
	₩ <u>(124,812)</u>	<u>43,225</u>	<u>(40,649)</u>	<u>(18,222)</u>	<u>(29,491)</u>	<u>17,304</u>	<u>(152,645)</u>	<u>(3,001)</u>

② For the three-month period ended March 31, 2015

<i>(in millions of Won)</i>	Finance income and costs							Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	Total	
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 financial assets	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 measured 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>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of March 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	March 31, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 1,830,300	1,830,300	1,854,784	1,854,784
Derivatives assets held for trading(*2)	183,675	183,675	188,489	188,489
	<u>2,013,975</u>	<u>2,013,975</u>	<u>2,043,273</u>	<u>2,043,273</u>
Assets measured at amortized cost(*3)				
Cash and cash equivalents	4,480,381	4,480,381	4,870,185	4,870,185
Trade accounts and notes receivable, net	9,411,379	9,411,379	9,716,273	9,716,273
Loans and other receivables, net	6,313,278	6,313,278	6,014,651	6,014,651
Held-to-maturity financial assets	23,451	23,451	23,379	23,379
	<u>20,228,489</u>	<u>20,228,489</u>	<u>20,624,488</u>	<u>20,624,488</u>
Liabilities measured at fair value				
Derivatives liabilities held for trading(*2)	151,078	151,078	155,502	155,502
Liabilities measured at amortized cost(*3)				
Trade accounts and notes payable	2,963,925	2,963,925	3,136,446	3,136,446
Borrowings	24,003,020	24,380,643	25,220,231	25,413,577
Financial guarantee liabilities	100,955	100,955	101,311	101,311
Others	2,469,940	2,469,940	2,197,463	2,197,463
	<u>₩ 29,537,840</u>	<u>29,915,463</u>	<u>30,655,451</u>	<u>30,848,797</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 discount rates. Available-for-sale financial assets which are not measured at fair value are 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 discount rates.

(*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 their carrying amounts approximate fair value.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

2) The fair value hierarchy

The fair values of financial instruments by fair value hierarchy as of March 31, 2016 and December 31, 2015 are as follows:

① March 31, 2016

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,449,918	-	380,382	1,830,300
Derivatives assets held for trading		-	84,167	99,508	183,675
	₩	<u>1,449,918</u>	<u>84,167</u>	<u>479,890</u>	<u>2,013,975</u>
Financial liabilities					
Derivatives liabilities held for trading	₩	-	149,863	1,215	151,078

② December 31, 2015

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,458,551	-	396,233	1,854,784
Derivatives assets held for trading		-	110,197	78,292	188,489
	₩	<u>1,458,551</u>	<u>110,197</u>	<u>474,525</u>	<u>2,043,273</u>
Financial liabilities					
Derivatives liabilities held for trading	₩	-	147,384	8,118	155,502

(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, 2015.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

22. Share Capital and Capital Surplus

(a) Share capital as of March 31, 2016 and December 31, 2015 are as follows:

<i>(Share, in Won)</i>	March 31, 2016	December 31, 2015
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, 2016, total shares of ADRs of 49,982,260, outstanding in overseas stock market, are equivalent to 12,495,565 shares of common stock.

(*2) As of March 31, 2016, 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, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,752	783,756
Other capital surplus	136,491	136,042
	₩ 1,384,068	1,383,623

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

23. Hybrid Bonds

(a) Hybrid bonds classified as equity as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		March 31, 2016	December 31, 2015
Hybrid bond 1-1(*1)	2013-06-13	2043-06-13	4.30	₩	800,000	800,000
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60		200,000	200,000
Issuance cost					(3,081)	(3,081)
				₩	<u>996,919</u>	<u>996,919</u>

(*1) Details of hybrid bond as of March 31, 2016 are as follows:

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

The interest accumulated but not paid on the hybrid bonds as of March 31, 2016 amounts to ₩2,488 million.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued hybrid bonds which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		March 31, 2016	December 31, 2015
Hybrid bond 1-1(*1)	2013-08-29	2043-08-29	4.66	₩	165,000	165,000
Hybrid bond 1-2(*1)	2013-08-29	2043-08-29	4.72		165,000	165,000
Hybrid bond 1-3(*1)	2013-08-29	2043-08-29	4.72		30,000	30,000
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21		140,000	140,000
Issuance cost					(1,532)	(1,532)
				₩	<u>498,468</u>	<u>498,468</u>

(*1) Details of hybrid bonds of POSCO ENERGY Co., Ltd. as of March 31, 2016 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

The interest accumulated but not paid on the hybrid bonds as of March 31, 2016 amounts to ₩1,938 million.

24. Reserves

Reserves as of March 31, 2016 and December 31, 2015 are as follows:

<i>(in millions of Won)</i>	March 31, 2016	December 31, 2015
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (397,346)	(426,360)
Changes in unrealized fair value of available-for-sale investments	(41,553)	(38,294)
Currency translation differences	(93,948)	(109,646)
Others	(19,629)	(20,456)
	₩ <u>(552,476)</u>	<u>(594,756)</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

25. Treasury Shares

As of March 31, 2016, the Company holds 7,191,077 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

26. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Wages and salaries	₩ 207,971	213,730
Expenses related to post-employment benefits	21,709	30,351
Other employee benefits	46,483	60,698
Travel	10,701	11,156
Depreciation	26,667	34,119
Amortization	36,577	51,841
Communication	2,809	3,146
Electricity expenses	2,093	2,721
Taxes and public dues	17,207	19,796
Rental	22,151	33,461
Repairs	2,947	2,608
Entertainment	3,573	4,455
Advertising	16,847	21,756
Research & development	20,789	24,822
Service fees	46,940	78,413
Supplies	1,942	2,588
Vehicles maintenance	2,475	3,011
Industry association fee	3,580	3,631
Conference	3,389	4,536
Contribution to provisions	3,196	3,846
Bad debt expenses (reversal of bad debt expenses)	(12,726)	6,594
Others	8,916	10,280
	₩ <u>496,236</u>	<u>627,559</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) Selling expenses

Selling expenses for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Freight and custody expenses	₩ 343,217	399,162
Operating expenses for distribution center	2,580	2,692
Sales commissions	20,949	14,636
Sales advertising	621	558
Sales promotion	3,800	4,781
Sample	781	751
Sales insurance premium	6,694	7,872
Contract cost	5,213	6,950
Others	1,577	1,399
	<u>₩ 385,432</u>	<u>438,801</u>

27. Finance Income and Costs

Details of finance income and costs for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	March 31, 2016	March 31, 2015
Finance income		
Interest income	₩ 52,528	64,571
Dividend income	20,679	37,972
Gain on foreign currency transactions	278,518	209,662
Gain on foreign currency translations	241,888	140,950
Gain on derivatives transactions	114,386	78,233
Gain on valuations of derivatives	125,357	73,938
Gain on disposals of available-for-sale financial assets	221	2,564
Others	718	796
	<u>₩ 834,295</u>	<u>608,686</u>
Finance costs		
Interest expenses	₩ 177,340	214,343
Loss on foreign currency transactions	268,435	208,653
Loss on foreign currency translations	292,620	150,960
Loss on derivatives transactions	128,893	50,096
Loss on valuation of derivatives	82,132	70,947
Impairment loss on available-for-sale financial assets	29,491	24,536
Others	8,029	11,386
	<u>₩ 986,940</u>	<u>730,921</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

28. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	March 31, 2015
Other non-operating income			
Gain on disposals of assets held for sale	₩	19,353	163,209
Gain on disposals of investment in subsidiaries, associates and joint ventures		1,857	57
Gain on disposals of property, plant and equipment		11,184	6,858
Gain on insurance proceeds		1,779	4,988
Others		17,004	21,007
	₩	<u>51,177</u>	<u>196,119</u>
Other non-operating expenses			
Impairment losses on assets held for sale	₩	-	11,996
Loss on disposals of property, plant and equipment		15,510	11,385
Impairment loss on property, plant and equipment		-	10,002
Contribution to provisions		14,689	8,045
Other bad debt expenses		2,721	35,974
Donations		14,798	16,576
Others		15,603	44,115
	₩	<u>63,321</u>	<u>138,093</u>

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 ended March 31, 2016 and 2015 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>		March 31, 2016	March 31, 2015
Raw material used, changes in inventories and others	₩	6,969,260	9,043,718
Employee benefits expenses		827,681	844,469
Outsourced processing cost		1,739,859	2,241,933
Electricity expenses		279,180	327,669
Depreciation expenses(*1)		707,414	720,859
Amortization expenses		97,581	95,090
Freight and custody expenses		343,217	399,162
Sales commissions		20,949	14,636
Loss on disposals of property, plant and equipment		15,510	11,385
Donations		14,798	16,576
Other expenses		849,305	792,268
	₩	<u>11,864,754</u>	<u>14,507,765</u>

(*1) Includes depreciation expense of investment property.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

30. Income Taxes

The effective tax rate of the Company for the three-month periods ended March 31, 2016 and 2015 was 37.9% and 44.5%, respectively. The effective tax rate for the three-month period ended March 31, 2016 was higher than the statutory tax rate of 24.2% for the controlling company mainly due to the effect of deductible temporary difference in the Company's investments in subsidiaries and associates, for which no deferred tax assets are recognized due to the expectations on repatriation of the investments. The effective tax rate for the three-month period ended March 31, 2015 was higher than the statutory tax rate of 24.2% 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.

31. Earnings per Share

Basic and diluted earnings per share for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in Won, except per share information)</i>	March 31, 2016	March 31, 2015
Profit attribute to controlling interest	₩ 359,670,890,256	338,584,368,962
Interests of hybrid bonds	(8,400,426,066)	(8,111,100,867)
	<u>351,270,464,190</u>	<u>330,473,268,095</u>
Weighted-average number of common shares outstanding(*1)	79,995,736	79,993,057
Basic and diluted earnings per share	<u>₩ 4,391</u>	<u>4,131</u>

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

<i>(Share)</i>	March 31, 2016	March 31, 2015
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	<u>(7,191,099)</u>	<u>(7,193,778)</u>
Weighted-average number of common shares outstanding	<u>79,995,736</u>	<u>79,993,057</u>

Since there were no potential shares of common stock which had dilutive effects as of March 31, 2016 and 2015, 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, 2016 (Unaudited)

32. Related Party Transactions

(a) Significant transactions between the controlling company and related parties for the three month periods ended March 31, 2016 and 2015 were as follows:

1) For the three-month period ended March 31, 2016

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries(*3)						
POSCO ENGINEERING & CONSTRUCTION., LTD. ₩	1,542	16,603	-	111,588	-	12,362
POSCO Processing&Service	224,059	5,777	98,335	-	-	245
POSCO COATED & COLOR STEEL Co., Ltd.	73,942	2,559	-	-	3,244	32
POSCO ICT(*4)	301	91	-	24,311	6,629	44,307
eNtoB Corporation	-	-	58,783	635	20	3,538
POSCO CHEMTECH	89,070	12,582	128,022	2,236	69,939	1,785
POSCO ENERGY CO., LTD.	45,184	308	-	-	-	-
POSCO TMC Co., Ltd.	69,740	-	1	-	468	311
POSCO AST	75,633	1	-	-	8,503	744
POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)(*5)	794,022	34,341	23,805	-	-	198
POSCO Thainox Public Company Limited	54,966	-	1,957	-	-	-
PT. KRAKATAU POSCO	-	-	3,140	-	-	-
POSCO America Corporation	124,816	-	-	-	-	-
POSCO Canada Ltd.	-	-	24,777	-	-	-
POSCO Asia Co., Ltd.	480,849	-	58,986	-	21	178
Qingdao Pohang Stainless Steel Co., Ltd.	24,538	-	-	-	-	229
POSCO JAPAN Co., Ltd.	272,231	-	5,691	368	28	152
POSCO MEXICO S.A. DE C.V.	78,000	-	-	-	-	-
POSCO Maharashtra Steel Private Limited	101,482	-	-	-	-	-
Others	211,453	8,243	42,561	14,758	50,765	19,184
	<u>2,721,828</u>	<u>80,505</u>	<u>446,058</u>	<u>153,896</u>	<u>139,617</u>	<u>83,265</u>
Associates and joint ventures(*3)						
SeAH Changwon Integrated Special Steel(*6)	5	-	452	-	138	-
POSCO PLANTEC Co., Ltd.(*6)	1,096	20	832	43,309	4,017	2,735
SNNC	1,225	166	107,790	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	7,855	-	-	-	-	-
Others	3,646	3,070	12,815	-	-	-
	<u>13,827</u>	<u>3,256</u>	<u>121,889</u>	<u>43,309</u>	<u>4,155</u>	<u>2,735</u>
₩	<u>2,735,655</u>	<u>83,761</u>	<u>567,947</u>	<u>197,205</u>	<u>143,772</u>	<u>86,000</u>

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

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

(*3) As of March 31, 2016, 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 period ended March 31, 2016, Daewoo International Corporation was renamed POSCO DAEWOO CORPORATION.

(*6) During the period ended December 31, 2015, it was reclassified from a subsidiary to an associate.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

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

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION., LTD. ₩	925	64	19	157,537	1,286	22,005
POSCO Processing&Service	279,876	-	144,443	-	-	1,307
POSCO COATED & COLOR STEEL Co., Ltd.	101,441	-	-	-	3,267	24
POSCO ICT	294	4	-	35,250	7,435	44,453
eNtoB Corporation	-	-	77,990	527	26	5,550
POSCO CHEMTECH	128,365	11,800	133,444	1,733	74,784	372
POSCO ENERGY CO., LTD.	47,602	302	-	-	-	13
POSCO TMC Co., Ltd.	54,534	-	-	-	259	279
POSCO AST	105,115	3	2,775	-	8,872	35
POSHIMETAL Co., Ltd.	3,171	34	37,133	-	-	33
POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)	897,936	34,335	11,713	-	-	-
SeAH Changwon Integrated Special Steel	2,811	176,904	8,239	-	515	75
POSCO PLANTEC Co., Ltd.	2,373	18	878	27,827	5,626	5,655
POSCO Thainox Public Company Limited	71,957	10	1,869	-	-	-
PT. KRAKATAU POSCO	-	-	83,636	-	-	-
POSCO America Corporation	175,927	-	-	-	-	36
POSCO Canada Ltd.	-	-	32,997	-	-	-
POSCO Asia Co., Ltd.	465,146	-	50,819	-	-	92
Qingdao Pohang Stainless Steel Co., Ltd.	36,729	-	-	-	-	-
POSCO JAPAN Co., Ltd.	266,240	9,383	5,223	957	-	269
POSCO MEXICO S.A. DE C.V.	77,743	152	-	-	-	-
POSCO Maharashtra Steel Private Limited	102,395	-	-	-	-	-
Others	227,151	5,343	62,371	25,199	53,414	23,781
	<u>3,047,731</u>	<u>238,352</u>	<u>653,549</u>	<u>249,030</u>	<u>155,484</u>	<u>103,979</u>
Associates and joint ventures						
SNNC	638	206	97,176	-	-	-
POSCHROME (PROPRIETARY) LIMITED	-	-	13,933	-	-	-
CSP - Companhia Siderurgica do Pecem	3,358	-	-	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	6,306	-	-	-	-	-
Others	2,123	6,429	380	-	-	-
	<u>12,425</u>	<u>6,635</u>	<u>111,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
₩	<u>3,060,156</u>	<u>244,987</u>	<u>765,038</u>	<u>249,030</u>	<u>155,484</u>	<u>103,979</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(b) The related account balances of significant transactions between the controlling company and related companies as of March 31, 2016 and December 31, 2015 are as follows:

1) March 31, 2016

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION., LTD.	₩ 51	20,348	20,399	-	35,648	497	36,145
POSCO Processing&Service	85,627	5,985	91,612	10,726	531	-	11,257
POSCO COATED & COLOR STEEL Co., Ltd.	38,748	81	38,829	-	5	1,944	1,949
POSCO ICT	-	207	207	845	45,127	5,925	51,897
eNtoB Corporation	-	-	-	10,325	7,093	14	17,432
POSCO CHEMTECH	29,180	11,849	41,029	54,863	11,483	20,206	86,552
POSCO ENERGY CO., LTD.	14,978	3,151	18,129	-	-	1,945	1,945
POSCO TMC Co., Ltd.	72,196	39	72,235	-	47	261	308
POSCO AST	31,933	67	32,000	-	1,368	3,708	5,076
POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)	83,550	34,341	117,891	187	-	48	235
POSCO Thainox Public Company Limited	54,963	-	54,963	-	-	-	-
POSCO America Corporation	33,088	-	33,088	-	-	-	-
POSCO Asia Co., Ltd.	353,336	124	353,460	5,464	-	-	5,464
Qingdao Pohang Stainless Steel Co., Ltd.	17,793	-	17,793	-	229	-	229
POSCO MEXICO S.A. DE C.V.	106,884	-	106,884	-	-	-	-
POSCO Maharashtra Steel Private Limited	168,211	28	168,239	-	-	-	-
Others	133,271	10,292	143,563	8,012	21,275	23,720	53,007
	<u>1,223,809</u>	<u>86,512</u>	<u>1,310,321</u>	<u>90,422</u>	<u>122,806</u>	<u>58,268</u>	<u>271,496</u>
Associates and joint ventures							
SeAH Changwon Integrated Special Steel	-	-	-	99	-	71	170
POSCO PLANTEC Co., Ltd.	141	20	161	2,166	17,482	18	19,666
SNNC	256	29	285	26,625	-	-	26,625
Others	700	12	712	-	-	-	-
	<u>1,097</u>	<u>61</u>	<u>1,158</u>	<u>28,890</u>	<u>17,482</u>	<u>89</u>	<u>46,461</u>
₩	<u>1,224,906</u>	<u>86,573</u>	<u>1,311,479</u>	<u>119,312</u>	<u>140,288</u>	<u>58,357</u>	<u>317,957</u>

2) December 31, 2015

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION., LTD.	₩ 508	30,368	30,876	-	42,159	1,002	43,161
POSCO Processing & Service	74,985	175	75,160	10,868	603	-	11,471
POSCO COATED & COLOR STEEL Co., Ltd.	43,669	66	43,735	-	-	1,262	1,262
POSCO ICT	-	6,832	6,832	1,060	94,865	5,880	101,805
eNtoB Corporation	-	-	-	8,683	14,209	12	22,904
POSCO CHEMTECH	32,670	4,500	37,170	54,636	11,398	18,062	84,096
POSCO ENERGY CO., LTD.	18,680	2,585	21,265	-	-	-	-
POSCO TMC Co., Ltd.	63,521	31	63,552	-	180	195	375
POSCO AST	54,844	54	54,898	-	1,915	3,294	5,209
POSHIMETAL Co., Ltd.	707	9	716	-	10,148	-	10,148
POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)	144,970	-	144,970	-	-	-	-
POSCO Thainox Public Company Limited	65,152	2	65,154	542	-	-	542
POSCO America Corporation	38,715	-	38,715	-	-	-	-
POSCO Asia Co., Ltd.	299,608	235	299,843	21,198	69	-	21,267
Qingdao Pohang Stainless Steel Co., Ltd.	16,689	-	16,689	-	-	-	-
POSCO MEXICO S.A. DE C.V.	94,588	-	94,588	-	-	-	-
POSCO Maharashtra Steel Private Limited	205,390	20	205,410	-	-	-	-
Others	172,019	5,035	177,054	18,208	45,476	23,985	87,669
	<u>1,326,715</u>	<u>49,912</u>	<u>1,376,627</u>	<u>115,195</u>	<u>221,022</u>	<u>53,692</u>	<u>389,909</u>
Associates and joint ventures							
SeAH Changwon Integrated Special Steel	1,201	-	1,201	161	15	-	176
POSCO PLANTEC Co., Ltd.	123	19	142	1,901	46,159	-	48,060
SNNC	298	20	318	639	2	-	641
Others	740	12,200	12,940	-	145	-	145
	<u>2,362</u>	<u>12,239</u>	<u>14,601</u>	<u>2,701</u>	<u>46,321</u>	<u>-</u>	<u>49,022</u>
₩	<u>1,329,077</u>	<u>62,151</u>	<u>1,391,228</u>	<u>117,896</u>	<u>267,343</u>	<u>53,692</u>	<u>438,931</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(c) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended March 31, 2016 and 2015 were as follows:

1) For the three-month period ended March 31, 2016

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
SeAH Changwon Integrated Special Steel	₩ 6,444	-	10,654	-
POSCO PLANTEC Co., Ltd.	3,042	-	41	1,143
New Songdo International City Development, LLC	48,412	-	-	8
SNNC	5,570	-	10,084	374
Posco e&c Songdo International Building	1,411	-	-	6,424
VSC POSCO Steel Corporation	8,379	-	452	-
USS-POSCO Industries	70,909	-	160	-
CSP - Companhia Siderurgica do Pecem	87,990	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	15,664	-	19,116	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	10,264	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	3,149	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,195	-	15	-
Zhangjiagang Pohang Refractories Co., Ltd.	92	14	193	549
Sebang Steel	-	-	5,210	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	22,184	-	3,116	-
DMSA/AMSA	-	-	30,367	-
South-East Asia Gas Pipeline Company Ltd.	-	51,925	-	-
Others	164,031	2,279	5,896	147
	₩ 444,472	54,218	95,568	8,645

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
New Songdo International City Development, LLC	₩ 108,182	-	-	21
SNNC	8,608	38	-	46,837
Posco e&c Songdo International Building	1,553	-	-	6,383
VSC POSCO Steel Corporation	2,637	-	1,197	3
USS-POSCO Industries	120,398	-	72	-
CSP - Companhia Siderurgica do Pecem	257,745	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	25,846	-	4,913	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	2,658	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	2,934	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,171	-	-	-
Zhangjiagang Pohang Refractories Co., Ltd.	305	7	5,610	-
Sebang Steel	-	-	9,292	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	58,386	-	-	-
DMSA/AMSA	7	-	-	-
South-East Asia Gas Pipeline Company Ltd.	-	7,390	-	-
Others	8,674	563	99	845
	₩ 601,446	7,998	23,841	54,089

(d) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of March 31, 2016 and December 31, 2015 are as follows:

1) March 31, 2016

(in millions of Won)

	Receivables				Payables		
	Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures							
SeAH Changwon Integrated Special Steel	₩ 6,959	-	-	6,959	3,281	21	3,302
POSCO PLANTEC Co., Ltd.	1,459	-	12	1,471	1,326	8,930	10,256
New Songdo International City Development, LLC	132,415	-	25,965	158,380	-	13	13
Posco e&c Songdo International Building	5,769	-	13,380	19,149	-	-	-
VSC POSCO Steel Corporation	8,879	-	-	8,879	-	-	-
USS-POSCO Industries	99,852	-	-	99,852	45	-	45
Nickel Mining Company SAS	140	46,140	90	46,370	-	-	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.	63,704	57,675	666	122,045	149	4,266	4,415
CSP - Companhia Siderurgica do Pecem	485,990	-	104,119	590,109	-	182,311	182,311
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	708	10,612	7	11,327	2,240	-	2,240
PT. Batutua Tembaga Raya	-	36,249	-	36,249	45	-	45
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,601	11,535	53	17,189	17	-	17
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.	80,607	-	-	80,607	-	-	-
DMSA/AMSA	-	78,438	3,922	82,360	-	-	-
South-East Asia Gas Pipeline Company Ltd.	-	275,768	43,996	319,764	-	-	-
Others	276,868	57,275	15,383	349,526	5,119	18,055	23,174
	₩ 1,168,951	573,692	207,593	1,950,236	12,222	213,596	225,818

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2016

(Unaudited)

2) December 31, 2015

(in millions of Won)

(in millions of Won)		Receivables				Payables		
		Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes receivable	Others	Total
Associates and joint ventures								
SeAH Changwon Integrated Special Steel	₩	8,721	-	-	8,721	3,489	19	3,508
POSCO PLANTEC Co., Ltd.		9,853	-	6	9,859	6,263	8,908	15,171
New Songdo International City Development, LLC		168,646	-	25,964	194,610	-	14	14
Posco e&c Songdo International Building		5,821	-	-	5,821	-	-	-
VSC POSCO Steel Corporation		17,283	-	-	17,283	34	-	34
USS-POSCO Industries		170,170	-	-	170,170	9	-	9
Nickel Mining Company SAS		2,353	17,580	67	20,000	-	-	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		63,132	58,600	642	122,374	-	3,982	3,982
CSP - Companhia Siderurgica do Pecem		410,005	-	118,112	528,117	-	138,111	138,111
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		9,455	10,782	6	20,243	3,999	-	3,999
PT. Batutua Tembaga Raya		-	36,830	-	36,830	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		8,961	11,720	48	20,729	4	-	4
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.		90,195	-	-	90,195	921	-	921
DMSA/AMSA		-	99,854	-	99,854	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	283,954	-	283,954	-	-	-
Others		192,621	52,034	13,648	258,303	12,591	21,181	33,772
	₩	1,157,216	571,354	158,493	1,887,063	27,310	172,215	199,525

(e) The details of significant financial transactions between the Company, excluding the controlling company, and related companies for the three-month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

1) For the three-month period ended March 31, 2016

(in millions of Won)

		Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures						
METAPOLIS Co., Ltd.	₩	26,000	-	-	-	26,000
DMSA/AMSA(*1)		99,854	-	-	(21,415)	78,439
South-East Asia Gas Pipeline Company Ltd.		283,954	-	(3,859)	(4,327)	275,768
PT. Batutua Tembaga Raya		36,830	-	-	(581)	36,249
PT. Tanggamus Electric Power		2,359	-	-	(38)	2,321
PT. Wampu Electric Power		4,454	-	-	(71)	4,383
PT. POSMI Steel Indonesia		4,688	-	-	(74)	4,614
Nickel Mining Company SAS		17,580	30,046	-	(1,486)	46,140
POSK(Pinghu) Steel Processing Center Co., Ltd.		5,743	5,889	-	(328)	11,304
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		58,600	-	-	(925)	57,675
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		10,782	-	-	(170)	10,612
Hamparan Mulia		3,516	-	-	(55)	3,461
POS-SEAHSTEELWIRE (TIANJIN)CO.,Ltd		5,274	-	-	(83)	5,191
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		11,720	-	-	(185)	11,535
	₩	571,354	35,935	(3,859)	(29,738)	573,692

(*1) During the period ended March 31, 2016, loans amounting to ₩20,926 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

2) For the year ended December 31, 2015

(in millions of Won)

	Beginning	Lend	Collect	Others(*2)	Ending
Associates and jointventures					
METAPOLIS Co.,Ltd.	₩ 26,000	-	-	-	26,000
DMSA/AMSA(*1)	140,544	21,653	-	(62,343)	99,854
South-East Asia Gas Pipeline Company Ltd.	295,352	-	(29,885)	18,487	283,954
PT. Batutua Tembaga Raya	34,342	-	-	2,488	36,830
PT. Tanggamus Electric Power	1,733	493	-	133	2,359
PT. Wampu Electric Power	-	4,299	-	155	4,454
VSC POSCO Steel Corporation	2,024	-	(2,024)	-	-
PT. POSMI Steel Indonesia	4,397	-	-	291	4,688
Nickel Mining Company SAS	16,488	-	-	1,092	17,580
POSK(Pinghu) Steel					
Processing Center Co., Ltd.	10,772	-	(5,543)	514	5,743
AN KHANH NEW CITY					
DEVELOPMENT J.V CO., LTD.	54,960	-	-	3,640	58,600
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	11,212	-	(1,132)	702	10,782
Hampanan Mulia	3,298	-	-	218	3,516
POS-SEAHSTEELWIRE (TIANJIN)CO.,Ltd	4,946	-	-	328	5,274
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	10,992	-	-	728	11,720
	₩ 617,060	26,445	(38,584)	(33,567)	571,354

(*1) During the year ended December 31, 2015, loans amounting to ₩72,430 have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

(f) For the three-month periods ended March 31, 2016 and 2015, details of compensation to key management officers were as follows:

(in millions of Won)

	March 31, 2016	March 31, 2015
Short-term benefits	₩ 27,148	32,228
Long-term benefits	3,864	6,702
Retirement benefits	4,614	9,136
	₩ 35,626	48,066

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of March 31, 2016

(Unaudited)

33. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of March 31, 2016 are as follows:

(in millions of Won)									
Guarantor	Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount				
			Foreign currency	Won equivalent	Foreign currency	Won equivalent			
[The Company] POSCO	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	169,019	USD	131,874,750	152,118	
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	180,048	THB	5,501,000,000	180,048	
	POSCO Electrical Steel India Private Limited	ING and others	USD	83,784,000	96,645	USD	83,784,000	96,645	
	POSCO Asia Co., Ltd.	BOA and others	USD	335,000,000	386,423	USD	272,000,000	313,751	
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	566,069,000	652,961	USD	452,262,100	521,686	
	POSCO MEXCO S.A. DE C.V.	HSBC and others	USD	284,725,000	328,431	USD	234,725,000	270,756	
	POSCO SS-VINA	Export-Import Bank of Korea and others	USD	354,351,050	408,744	USD	354,351,050	408,744	
	POSCO VST CO., LTD.	ANZ and others	USD	65,000,000	74,978	USD	32,500,000	37,489	
	POSCO(Guangdong)								
	Automotive Steel Co., Ltd.	SMBC and others	USD	65,000,000	74,978	USD	65,000,000	74,978	
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	226,086	USD	196,000,000	226,086	
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,557,574	USD	1,234,532,175	1,424,032	
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	MIZUHO and others	USD	130,000,000	149,955	USD	130,000,000	149,955	
	POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)	Daewoo International INDIA Private Ltd.	Shinhan Bank and others	USD	50,000,000	57,675	USD	32,949,219	38,007
		Daewoo Paper Manufacturing Co., Ltd.	HSBC	USD	12,500,000	14,419	USD	12,500,000	14,419
		DAEWOO TEXTILE BUKHARA LLC	Export-Import Bank of Korea	USD	12,000,000	13,842	USD	12,000,000	13,842
		POSCO ASSAN TST STEEL INDUSTRY PT. Bio Inti Agrindo	ING and others	USD	14,652,750	16,902	USD	14,652,750	16,902
		Export-Import Bank of Korea and others	USD	59,500,000	68,633	USD	59,500,000	68,633	
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	EPC EQUITIES LLP	SG BANK SEOUL and others	USD	59,000,000	68,057	USD	59,000,000	68,057	
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori Bank and others	USD	147,000,000	169,565	USD	142,500,000	164,374	
	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	16,500,000	19,033	USD	16,500,000	19,033	
	POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	HSBC	USD	100,000,000	115,350	USD	100,000,000	115,350	
	POSCO Engineering and Construction India Private Limited	Shinhan Bank	USD	2,163,000	2,495	USD	2,163,000	2,495	
POSCO ICT POSCO ENGINEERING Co., Ltd.	SANTOS CMI INC. USA	Citi New York	USD	8,000,000	9,228	USD	8,000,000	9,228	
	SANTOS CMI S.A.	Citi Ecuador	USD	3,000,000	3,461	USD	1,500,000	1,730	
	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	2,100,000	2,422	USD	2,100,000	2,422	
POSCO M-TECH POSCO CHEMTECH	POSCO ENGINEERING(THAILAND) CO., LTD.	HSBC	USD	16,000,000	18,456	USD	16,000,000	18,456	
	PT PEN INDONESIA	POSCO Asia Co., Ltd.	USD	5,000,000	5,768	USD	5,000,000	5,768	
	PT. POSCO MTECH INDONESIA	POSCO Asia Co., Ltd.	USD	12,500,000	14,419	USD	12,500,000	14,419	
POSCO Processing&Service	KRAKATAU POS-CHEM DONG-SUH CHEMICAL	Hana Bank	USD	5,883,750	6,787	USD	3,989,741	4,602	
	PT.Krakatau Posco Chemtech Calcination	KEB Bank	USD	33,600,000	38,758	USD	27,294,118	31,484	
	POSCO Canada Ltd.	KDB Bank	USD	9,051,263	10,441	USD	8,620,250	9,943	
	POSCO Gulf SFC LLC	KEB Bank and others	USD	33,000,000	38,066	USD	29,500,000	34,028	
	Pos-Sea Pte Ltd	Woori Bank	USD	10,000,000	11,535	USD	9,600,000	11,074	
DAEWOO TEXTILE BUKHARA LLC DAEWOO TEXTILE FERGANA LLC POSCO E&C CHINA CO., LTD.	DAEWOO TEXTILE FERGANA LLC	National Bank of Uzbekistan	USD	6,127,060	7,068	USD	6,127,060	7,068	
	DAEWOO TEXTILE BUKHARA LLC	Bukhara TEX	USD	2,266,442	2,614	USD	2,266,442	2,614	
POSCO-China Holding Corp.	INVESTMENT Co., Ltd.	Woori Bank	USD	17,000,000	19,610	USD	17,000,000	19,610	
	DONG FANG JIN HONG	Bank of Communications and others	CNY	1,850,000,000	328,727	CNY	1,604,614,736	285,124	
POSCO-Japan Co., Ltd.	POSCO-JEPC Co., Ltd.	The Bank of Yokohama, Ltd. and others	JPY	22,867,510	235	JPY	22,867,510	235	
		Higo Bank and others	JPY	745,600,000	7,650	JPY	745,600,000	7,650	
SANTOS CMI S.A.	POSCO-JWPC Co., Ltd.	Banco de Guayaquil and others	USD	670,000	773	USD	570,000	657	
	COMPANIADEAUTOMATIZACION & CONTROL GENESYS S.A.	POSCO Asia Co., Ltd. and others	USD	13,986,947	16,134	USD	13,986,947	16,134	
POSCO COATED & COLOR STEEL Co., Ltd. POSCO Energy CO., LTD	Myanmar POSCO C&C Company, Limited.	Export-Import Bank of Korea and others	USD	193,900,000	223,664	USD	169,724,685	195,777	
	PT. Krakatau Posco Energy								
POSCO-India Pune Processing Center. Pvt. Ltd.	POSCO India Steel Distribution Center Private Ltd.	HSBC	INR	13,600,000	236	INR	13,600,000	236	

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(in millions of Won)			Guarantee limit			Guarantee amount		
Guarantor	Guarantee beneficiary	Financial institution	Foreign currency		Won equivalent	Foreign currency		Won equivalent
[Associates and joint ventures]								
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	484,472	USD	382,676,413	441,419
			BRL	464,060,000	148,731	BRL	332,807,261	106,665
			USD	15,000,000	17,303	USD	15,000,000	17,303
POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)	LLP POSUK Titanium	KB Bank	USD	15,000,000	17,303	USD	15,000,000	17,303
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	GLOBAL KOMSCO Daewoo LLC	ICBC and others	USD	8,225,000	9,488	USD	8,225,000	9,488
POSCO ICT	New Songdo City Development, LLC	Others	KRW	696,600	696,600	KRW	689,100	689,100
POSCO CHEMTECH	INCHEON GIMPO EXPRESSWAY CO.,LTD	KDB Bank	KRW	100,000	100,000	KRW	100,000	100,000
		KB Bank	KRW	76,000	76,000	KRW	76,000	76,000
POSCO CHEMTECH	PT.INDONESIA POS CHEMTECH							
DAEWOO (CHINA) CO., LTD.	CHOSUN Ref	KEB Bank	USD	4,500,000	5,191	USD	4,500,000	5,191
		Bank of Communications	CNY	30,000,000	5,331	CNY	30,000,000	5,331
			SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO INTL TRADING CO., LTD.	Bank of Communications	CNY	50,000,000	8,885	CNY
[Others]								
POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea and others	USD	142,152,727	163,973	USD	74,666,981	86,128
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Ecocity CO.,LTD and others	Others	KRW	834,350	834,350	KRW	503,322	503,322
POSCO ICT	THE GALE INVESTMENTS COMPANY, L.L.C.	Woori Bank	USD	50,000,000	57,675	USD	50,000,000	57,675
		Hyochun CO., LTD	KRW	39,575	39,575	KRW	39,575	39,575
		SMS Energy and others	KRW	295,420	295,420	KRW	177,587	177,587
		BLT Enterprise and others	KRW	1,823,015	1,823,015	KRW	1,823,015	1,823,015
		and others	KRW	22,440	22,440	KRW	11,894	11,894
POSCO ENGINEETING Co., Ltd.	SAMJIN SOLAR ENERGY and others	Hana Bank and others	KRW	22,440	22,440	KRW	11,894	11,894
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank	AUD	8,023,765	7,094	AUD	8,023,765	7,094
POSCO(Suzhou) Automotive Processing Center Co.,Ltd.	POS INFRA AUTO	Shinhan Bank	CNY	2,925,000	520	CNY	2,242,500	398
		KDB Bank	USD	405,000	467	USD	405,000	467
			USD	5,062,440,489	5,839,538	USD	4,508,046,681	5,200,037
			KRW	3,887,400	3,887,400	KRW	3,420,493	3,420,493
			CNY	1,932,925,000	343,463	CNY	1,686,857,236	299,738
			THB	5,501,000,000	180,048	THB	5,501,000,000	180,048
			JPY	768,467,510	7,885	JPY	768,467,510	7,885
			AUD	8,023,765	7,094	AUD	8,023,765	7,094
			BRL	464,060,000	148,731	BRL	332,807,261	106,665
			INR	13,600,000	236	INR	13,600,000	236

- (b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided completion guarantees for Samsung C&T Corporation amounting to ₩1,060,465 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 ₩718,338 million as of March 31, 2016.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(c) Other commitments

Details of other commitments of the Company as of March 31, 2016 are as follows:

Company	Description
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, 2016, 157 million tons of iron ore and 24 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, 2016, POSCO entered into a commitment with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 24.50 million, USD 8.25 million and USD 6.49 million. The borrowings are related to POSCO's 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 amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of March 31, 2016, the ending balance of the borrowing amounts to USD 12.35 million.</p> <p>POSCO has provided a supplemental funding agreement to POSCO Energy Co., Ltd., as the largest shareholder, at the request of the creditors including Norddeutsche Landesbank, to guarantee successful funding for construction of new power plant.</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of March 31, 2016, POSCO ENGINEERING & CONSTRUCTION Co., LTD. has comprehensive loan agreements of up to ₩203.5 billion and USD 218 million with Woori Bank and ₩90 billion and USD 800 million with Korea Exchange Bank. Also, POSCO E&C Co.,Ltd. has bank overdraft agreements of up to ₩20 billion with Woori Bank which is included in the limit of comprehensive loan agreements and ₩3 billion with Korea Exchange Bank.</p>
POSCO ICT	<p>As of March 31, 2016, in relation to contract enforcement, POSCO ICT Co., Ltd. was provided with ₩69,766 million and ₩55,220 million guaranties from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.</p>

(d) Litigation in progress

The Company is involved in 191 lawsuits and claims for alleged damages aggregating to ₩642.2 billion as defendant as of March 31, 2016, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩31.8 billion for 9 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for other 182 lawsuits and claims since the Company believes that it does not have a present obligation as of March 31, 2016.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

(e) Other contingencies

Company	Description
POSCO	POSCO has provided two blank checks to Korea Resources Corporation as collateral for long-term domestic borrowings, and has provided six blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for long-term foreign currency borrowings.
POSCO DAEWOO CORPORATION (formerly, Daewoo International Corporation)	As of March 31, 2016, Daewoo International Corporation has provided thirty-five blank promissory notes and sixteen blank checks to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	As of March 31, 2016, POSCO E&C Co., Ltd. has provided thirty-five blank checks and eight blank promissory notes as collateral for agreements and outstanding loans.
POSCO ICT	As of March 31, 2016, 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.

34. Cash Flows from Operating Activities

Adjustments for operating cash flows for the three-month periods ended March 31, 2016 and 2015 were as follows:

(in millions of Won)

	March 31, 2016	March 31, 2015
Trade accounts and notes receivable	₩ 359,908	(169,299)
Other receivables	77,888	375,770
Inventories	310,155	290,255
Other current assets	(172,168)	(20,608)
Other non-current assets	(11,478)	(7,038)
Trade accounts and notes payable	(214,364)	(266,876)
Other payables	(51,392)	(82,562)
Other current liabilities	134,613	(61,490)
Provisions	(34,405)	(76,373)
Payment of severance benefits	(66,256)	(78,319)
Plan assets	28,836	16,336
Other non-current liabilities	8,201	(9,280)
	₩ 369,538	(89,484)

35. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, trading, construction and others. The steel segment includes production of steel products and revenue of such products. 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. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2015.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of March 31, 2016 (Unaudited)

Segment assets, liabilities and profit (loss) are measured based on separate financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") of the subsidiaries that organize reportable operating segments.

(a) Information about reportable segments for the three-month periods ended March 31, 2016 and 2015 were as follows:

1) For the three-month period ended March 31, 2016

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	6,234,549	3,972,721	1,590,756	663,173	12,461,199
Internal revenues		3,817,101	2,174,805	200,557	587,556	6,780,019
Inter segment revenue		2,201,202	1,196,420	174,749	561,013	4,133,384
Total revenues		10,051,650	6,147,526	1,791,313	1,250,729	19,241,218
Segment profits (loss)		314,451	95,971	(37,502)	18,720	391,640

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

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
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
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 (loss)		351,597	94,840	(81,599)	62,024	426,862

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the three-month periods ended March 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		March 31, 2016	March 31, 2015
Total profit for reportable segments	₩	391,640	426,862
Corporate fair value adjustments		(21,212)	(31,453)
Elimination of inter-segment profits		(32,062)	(60,209)
Income tax expense		206,528	268,904
Profit before income tax expense	₩	544,894	604,104