

POSCO and Subsidiaries

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

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of September 30, 2017, the condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2017 and 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed 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".

Emphasis of matter

Without qualifying our opinion, we draw attention to the following key audit matters related to production-to-order transactions.

Pursuant to “Practical Guide to Korean Standards on Auditing 2016-1”, audit matters related to entities engaged in production-to-order transactions are of significance in our review of the condensed consolidated financial statements, which determination is based on our professional judgment and communications with those charged with governance. These matters were addressed in the context of our review of the condensed consolidated financial statements as of and for the nine-month period ended September 30, 2017 as a whole, and we do not provide a separate opinion on these matters.

In addition, as mentioned in “Auditors’ Review Responsibility” section, our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews in accordance with Review Standards for Quarterly and Semi-annual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. We have inquired primarily of personnel responsible for financial and accounting matters, and applied analytical and other review procedures on the review matter in connection with production-to-order transactions.

(a) Overview

An overview of key audit matters related to the industry with production-to-order transactions described in this review report is as follows.

Certain subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD. and POSCO ICT are engaged in production-to-order transactions. Sales in relation to production-to-order transactions are approximately 11% of consolidated sales for the nine-month period ended September 30, 2017.

When the outcome of a construction contract can be estimated reliably, the Company recognizes contract revenues and contract costs associated with the construction contract as revenue and expenses, respectively, based on the percentage-of-completion method at the end of the reporting period. The percentage-of-completion is calculated based on the ratio of contract costs incurred for work performed to date to estimated total contract costs. The gross amount due from customers for contract work is presented for all contracts in which costs incurred plus recognized profits (less recognized losses) exceeded progress billings. The gross amount due to customers for contract work is presented for all contracts in which progress billings exceed costs incurred plus recognized profits (less recognized losses).

(b) Identification of significant risks and review procedures

We identified the significant risks through discussions with auditors of certain subsidiaries in industry with production-to-order transactions and review of their review documentation of identified significant risks. We also reviewed their review procedures in responding to those significant risks, which were conducted based on their professional judgments. Our procedures include the review of the subsidiary auditors’ review results, inquiries and application of analytical and other procedures on their review results. The identified significant risks and major review procedures for the Company’s production-to-order transactions are as follows:

1) Revenues recognized by the input method

We identified significant risks associated with revenues recognized by the input method. The variation of estimated amounts has significant impact on profit for the nine-month period ended September 30, 2017 and future periods because the uncertainty of estimated total contract revenues and costs is high for large-scale development constructions at initial stage, constructions with delays and possibility of being discontinued.

The following review procedures were performed regarding revenues recognized by the input method.

- Review of appropriateness of accounting treatments in relation to revenue recognition by the input method
- Obtain and review the contracts for major construction contracts which are newly commenced
- Analytical review and inquiries of construction progress and significant changes of major construction contracts
- Analytical review of key financial indicators (contract amounts, estimated costs, ratio of costs, ratio of due from customer for contract work, and others)

2) Uncertainty of estimated total contract costs

Construction contracts are generally performed for long-term duration, and total contract costs are estimated based on future estimated figures such as material costs, labor costs, outsourcing costs and others which are expected to be incurred during construction duration. The estimated total contract costs have uncertainty and changed by ₩117,280 million for the nine-month period ended September 30, 2017 (see note 26(d) to the condensed consolidated financial statements). We identified significant risks regarding uncertainty of estimated total contract costs based on the impact on profit or loss for the nine-month period ended September 30, 2017.

The following review procedures were performed regarding the impact of uncertainty of estimated total contract costs on the condensed consolidated interim financial statements.

- Inquiries as to the cause of the changes for projects in which significant changes in estimated total contract costs were made
- Inquiries and inspection of document for construction projects which were completed if there was a significant difference between the rate of actual costs and the rate of estimated costs
- Inquiries regarding whether there are construction projects in which the probability that the estimated total contract costs will be increased due to delay or extension of construction duration
- Inquiries and analytical review to identify construction sites where input costs exceed the estimated contract cost for each cost element

3) Assessment of the percentage-of-completion

The changes in the percentage-of-completion have significant influence on current and future profit of construction contract and may result in misstatement of profit or loss of construction contract. We identified significant risks regarding assessment of the percentage-of-completion as uncertainty of assessment of the percentage-of-completion has significant influence on profit or loss of construction contract in case the Company fails to assess the percentage-of-completion reliably.

The following review procedures were performed regarding total contract costs and cumulative incurred contract costs in assessment of the percentage-of-completion.

- Identify whether there were construction contracts that the percentage-of-completion has changed and inquiries of the cause of the change
- Inquiries whether there were costs incurred but excluded when calculating the percentage-of-completion and accounting treatment regarding such excluded costs
- Recalculation of the percentage-of-completion of major projects
- Comparison of the difference between the percentage-of-completion confirmed by other available information obtained and the actual percentage-of-completion used in the calculation and review the appropriateness of the rationale of the difference

4) Recoverability of due from customers for contract work

As of September 30, 2017 and December 31, 2016, the amounts of due from customers for contract work are ₩915,160 million and ₩964,304 million, respectively, or approximately 9% and 10% of consolidated trade accounts and note receivable (note 26(b) to the condensed consolidated financial statements). We identified significant risks regarding the recoverability of due from customers for contract work as the amounts of due from customers for contract work are significant.

The following review procedures were performed regarding the recoverability of due from customers for contract work.

- Identify whether there were any construction sites which indicates abnormally significant amount of due from customers for contract work as compared to billing and payment conditions in the construction contracts
- Inquiries of the cause of a significant difference between the percentage-of-completion and the billing rate of construction contract
- Inquiries and identify of the possibility of financial risk of customers through obtaining of other related information
- Inquiries whether there were specific reasons such as litigation and others for the construction site which shows that the amount of due from customers for contract work has not changed for an extended period

5) Accounting for the variation of construction work

The variation of construction contracts has occurred during the nine-month period ended September 30, 2017 and had significant impact on profits or loss of the construction (see note 26(d) to the condensed consolidated financial statements). We identified significant risks regarding the accounting for the variation of construction work.

The following review procedures were performed regarding accounting of the variation of construction work and disclosures.

- Inquiries of the cause on significant changes in contract revenue of construction contracts
- Inquiries of the possibility of penalties incurred for the sites of which the completion of construction was delayed or completion due date is approaching
- Inquiries whether the customer is likely to approve the change of the contract amount due to changes in construction
- Confirm whether the additional estimated contract costs incurred due to the changes in construction are appropriately reflected in the estimated total contract costs and calculation of the percentage-of-completion

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, 2016, 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 March 2, 2017, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2016, 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
November 14, 2017

This report is effective as of November 14, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of September 30, 2017 and December 31, 2016
(Unaudited)

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Assets			
Cash and cash equivalents	21	₩ 2,955,477	2,447,619
Trade accounts and notes receivable, net	4,21,26,33	9,759,151	9,786,927
Other receivables, net	5,21,33	1,813,717	1,539,742
Other short-term financial assets	6,21	5,625,867	5,224,911
Inventories	7	9,819,917	9,051,721
Current income tax assets		45,142	46,473
Assets held for sale	8	428	311,958
Other current assets	14	875,592	894,484
Total current assets		<u>30,895,291</u>	<u>29,303,835</u>
Long-term trade accounts and notes receivable, net	4,21	386,420	51,124
Other receivables, net	5,21	1,003,735	762,912
Other long-term financial assets	6,21	2,148,648	2,657,692
Investments in associates and joint ventures	9	3,779,992	3,882,389
Investment property, net	11	1,117,886	1,117,720
Property, plant and equipment, net	12	32,613,570	33,770,339
Intangible assets, net	13	6,082,264	6,088,729
Defined benefit assets, net	19	1,456	83,702
Deferred tax assets		1,396,555	1,476,873
Other non-current assets	14	554,918	567,680
Total non-current assets		<u>49,085,444</u>	<u>50,459,160</u>
Total assets		<u>₩ 79,980,735</u>	<u>79,762,995</u>

See accompanying notes to the condensed consolidated interim financial statements.

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

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Liabilities			
Trade accounts and notes payable	21,33	₩ 3,283,212	4,073,286
Short-term borrowings and current installments of long-term borrowings	4,15,21	11,157,949	10,194,807
Other payables	16,21,33	1,572,856	1,851,659
Other short-term financial liabilities	17,21	115,151	149,748
Current income tax liabilities		479,588	446,071
Provisions	18,34	105,899	114,865
Other current liabilities	20,26	1,707,957	2,084,961
Total current liabilities		<u>18,422,612</u>	<u>18,915,397</u>
Long-term trade accounts and notes payable	21	30,876	44,512
Long-term borrowings, excluding current installments	15,21	11,311,914	12,510,191
Other payables	16,21	184,799	208,559
Other long-term financial liabilities	17,21	49,207	81,309
Defined benefit liabilities, net	19	153,654	123,604
Deferred tax liabilities		1,807,634	1,642,939
Long-term provisions	18,34	390,928	337,739
Other non-current liabilities	20	55,515	60,351
Total non-current liabilities		<u>13,984,527</u>	<u>15,009,204</u>
Total liabilities		<u>32,407,139</u>	<u>33,924,601</u>
Equity			
Share capital	22	482,403	482,403
Capital surplus	22	1,401,872	1,397,791
Hybrid bonds	23	996,919	996,919
Reserves	24	(240,865)	(143,985)
Treasury shares	25	(1,533,220)	(1,533,468)
Retained earnings		42,667,117	41,173,778
Equity attributable to owners of the controlling company		<u>43,774,226</u>	<u>42,373,438</u>
Non-controlling interests	22,23	<u>3,799,370</u>	<u>3,464,956</u>
Total equity		<u>47,573,596</u>	<u>45,838,394</u>
Total liabilities and equity		<u>₩ 79,980,735</u>	<u>79,762,995</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month and nine-month periods ended September 30, 2017 and 2016

(Unaudited)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
	Notes	2017	2016	2017	2016
(in millions of Won, except per share information)					
Revenue	26,33,36 ₩	15,036,118	12,747,560	45,057,705	38,066,142
Cost of sales	7,26,30,33	(13,037,442)	(10,785,558)	(38,932,047)	(32,993,682)
Gross profit		1,998,676	1,962,002	6,125,658	5,072,460
Selling and administrative expenses	27,30				
Administrative expenses		(491,695)	(561,799)	(1,529,893)	(1,585,197)
Selling expenses		(381,289)	(365,907)	(1,125,996)	(1,114,688)
Operating profit		1,125,692	1,034,296	3,469,769	2,372,575
Share of profit (loss) of equity-accounted investees, net	9	54,188	(71,134)	61,553	90,622
Finance income and costs	21,28				
Finance income		624,776	585,673	1,737,412	1,674,086
Finance costs		(521,951)	(713,705)	(1,783,837)	(2,464,056)
Other non-operating income and expenses	29				
Other non-operating income		22,710	31,277	146,805	156,795
Other non-operating expenses	30	(74,134)	(203,063)	(301,807)	(353,331)
Profit before income tax	36	1,231,281	663,344	3,329,895	1,476,691
Income tax expense	31,36	(324,658)	(187,807)	(916,334)	(442,249)
Profit		906,623	475,537	2,413,561	1,034,442
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	1,298	14,057	(7,135)	(59,425)
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		64,447	(154,627)	(82,621)	(96,515)
Net changes in unrealized fair value of available-for-sale investments	21	(231,029)	89,272	(6,670)	217,520
Foreign currency translation differences		80,978	(227,268)	(3,989)	(255,620)
Gain or losses on valuation of derivatives	21	(339)	-	(339)	-
Other comprehensive income (loss), net of tax		(84,645)	(278,566)	(100,754)	(194,040)
Total comprehensive income	₩	821,978	196,971	2,312,807	840,402
Profit attributable to:					
Owners of the controlling company	₩	869,422	545,689	2,233,159	1,197,014
Non-controlling interests		37,201	(70,152)	180,402	(162,572)
Profit	₩	906,623	475,537	2,413,561	1,034,442
Total comprehensive income attributable to :					
Owners of the controlling company	₩	780,579	301,715	2,128,647	1,062,204
Non-controlling interests		41,399	(104,744)	184,160	(221,802)
Total comprehensive income	₩	821,978	196,971	2,312,807	840,402
Basic and diluted earnings per share (in Won)	32 ₩	10,764	6,717	27,607	14,653

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the nine-month periods ended September 30, 2017 and 2016
(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	-	-	-	-	-	1,197,014	1,197,014	(162,572)	1,034,442
Other comprehensive income (loss)									
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	(51,006)	(51,006)	(8,419)	(59,425)
Capital adjustment arising from investments in equity-accounted Investees, net of tax	-	-	-	(80,192)	-	-	(80,192)	(16,323)	(96,515)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	219,029	-	-	219,029	(1,509)	217,520
Foreign currency translation differences, net of tax	-	-	-	(222,641)	-	-	(222,641)	(32,979)	(255,620)
Total comprehensive income	-	-	-	(83,804)	-	1,146,008	1,062,204	(221,802)	840,402
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(479,974)	(479,974)	(50,333)	(530,307)
Interim dividends	-	-	-	-	-	(119,994)	(119,994)	-	(119,994)
Changes in subsidiaries	-	-	-	-	-	-	-	6,898	6,898
Changes in ownership interest in subsidiaries	-	5,019	-	-	-	-	5,019	(5,982)	(963)
Interest of hybrid bonds	-	-	-	-	-	(32,724)	(32,724)	(18,156)	(50,880)
Disposal of treasury shares	-	6	-	-	150	-	156	-	156
Others	-	150	-	1,184	-	(42)	1,292	(3,797)	(2,505)
Total transactions with owners of the controlling company	-	5,175	-	1,184	150	(632,734)	(626,225)	(71,370)	(697,595)
Balance as of September 30, 2016	₩ 482,403	1,388,798	996,919	(677,376)	(1,533,748)	41,014,333	41,671,329	3,541,700	45,213,029

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity, Continued
For the nine-month periods ended September 30, 2017 and 2016
(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, 2017	₩ 482,403	1,397,791	996,919	(143,985)	(1,533,468)	41,173,778	42,373,438	3,464,956	45,838,394
Comprehensive income:									
Profit	-	-	-	-	-	2,233,159	2,233,159	180,402	2,413,561
Other comprehensive income (loss)									
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(8,301)	(8,301)	1,166	(7,135)
Capital adjustment arising from investments in equity-accounted Investees, net of tax	-	-	-	(67,188)	-	-	(67,188)	(15,433)	(82,621)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	(6,034)	-	-	(6,034)	(636)	(6,670)
Foreign currency translation differences, net of tax	-	-	-	(22,667)	-	-	(22,667)	18,678	(3,989)
Gain or losses on valuation of derivatives	-	-	-	(322)	-	-	(322)	(17)	(339)
Total comprehensive income	-	-	-	(96,211)	-	2,224,858	2,128,647	184,160	2,312,807
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)	(42,152)	(502,139)
Interim dividends	-	-	-	-	-	(239,995)	(239,995)	-	(239,995)
Changes in subsidiaries	-	-	-	-	-	-	-	(4,277)	(4,277)
Changes in ownership interest in subsidiaries	-	5,972	-	-	-	-	5,972	213,276	219,248
Interest of hybrid bonds	-	-	-	-	-	(32,490)	(32,490)	(18,091)	(50,581)
Disposal of treasury shares	-	53	-	-	248	-	301	-	301
Others	-	(1,944)	-	(669)	-	953	(1,660)	1,498	(162)
Total transactions with owners of the controlling company	-	4,081	-	(669)	248	(731,519)	(727,859)	150,254	(577,605)
Balance as of September 30, 2017	₩ 482,403	1,401,872	996,919	(240,865)	(1,533,220)	42,667,117	43,774,226	3,799,370	47,573,596

See accompanying notes to the condensed consolidated interim financial statements.

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

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Cash flows from operating activities			
Profit	₩	2,413,561	1,034,442
Adjustments for:			
Depreciation		2,168,576	2,142,737
Amortization		293,555	276,615
Finance income		(989,761)	(646,857)
Finance costs		993,822	1,354,590
Income tax expense		916,334	442,249
Impairment losses on property, plant and equipment		7,426	74,026
Gain on disposal of property, plant and equipment		(26,254)	(22,467)
Loss on disposal of property, plant and equipment		115,498	61,073
Impairment losses on goodwill and intangible assets		24,898	14,660
Gain on disposal of investments			
in subsidiaries, associates and joint ventures		(55,565)	(8,592)
Loss on disposal of investments			
in subsidiaries, associates and joint ventures		20,967	1,505
Share of profit of equity-accounted investees		(61,553)	(90,622)
Impairment losses on assets held for sale		-	24,759
Gain on disposal of assets held for sale		(1,180)	(22,269)
Expenses related to post-employment benefits		148,735	219,713
Bad debt expenses		95,662	80,028
Loss on valuation of inventories		91,325	128,621
Increase to provisions		112,609	152,143
Others, net		(16,618)	9,934
		<u>3,838,476</u>	<u>4,191,846</u>
Changes in operating assets and liabilities	35	(2,351,747)	759,528
Interest received		116,098	152,563
Interest paid		(471,785)	(472,339)
Dividends received		146,249	107,380
Income taxes paid		(636,053)	(579,842)
		<u>3,054,799</u>	<u>5,193,578</u>
Net cash provided by operating activities	₩		

See accompanying notes to the condensed consolidated interim financial statements.

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

(in millions of Won)

	<u>Notes</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(15,270,479)	(14,479,425)
Proceeds from disposal of short-term financial instruments		14,856,312	13,627,927
Increase in loans		(919,634)	(720,280)
Collection of loans		312,201	290,596
Acquisitions of available-for-sale investments		(47,964)	(87,081)
Proceeds from disposal of available-for-sale investments		774,336	24,208
Acquisitions of investment in associates and joint ventures		(24,671)	(169,084)
Proceeds from disposal of investment in associates and joint ventures		33,354	4,754
Acquisitions of investment property		(17,084)	(36,012)
Proceeds from disposal of investment property		977	9,735
Acquisitions of property, plant and equipment		(1,561,790)	(1,991,060)
Proceeds from disposal of property, plant and equipment		27,710	36,020
Acquisitions of intangible assets		(254,268)	(106,826)
Proceeds from disposal of intangible assets		26,135	7,810
Proceeds from disposal of assets held for sale		203,958	174,993
Cash received (decrease in cash) from disposal of business, net of cash transferred		(53,075)	17,021
Others, net		(28,657)	35,583
Net cash used in investing activities		<u>(1,942,639)</u>	<u>(3,361,121)</u>
Cash flows from financing activities			
Proceeds from borrowings		989,803	1,888,899
Repayment of borrowings		(2,118,070)	(3,520,653)
Proceeds from (repayment of) short-term borrowings, net		1,074,920	(887,631)
Capital contribution from non-controlling interests		254,407	24,422
Payment of cash dividends		(742,726)	(643,045)
Payment of interest of hybrid bonds		(50,820)	(51,135)
Others, net		(17,807)	(33,884)
Net cash used in financing activities		<u>(610,293)</u>	<u>(3,223,027)</u>
Effect of exchange rate fluctuation		<u>5,991</u>	<u>(79,317)</u>
Net increase (decrease) in cash and cash equivalents		507,858	(1,469,887)
Cash and cash equivalents at beginning of the period		<u>2,447,619</u>	<u>4,871,184</u>
Cash and cash equivalents at end of the period	₩	<u><u>2,955,477</u></u>	<u><u>3,401,297</u></u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As of September 30, 2017

(Unaudited)

1. General Information

General information about POSCO, its 38 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 142 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 109 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 seven of its overseas liaison offices.

As of September 30, 2017, the shares of the POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York Stock Exchange.

(b) Consolidated subsidiaries included for the first time during the nine-month period ended September 30, 2017 were as follows:

Company	Date of inclusion	Ownership (%)	Reason
POSCO RU Limited Liability Company	January 2017	100.00	New establishment
Golden Lace DAEWOO Company Limited	April 2017	100.00	New establishment
POSCO Research & Technology	June 2017	100.00	New establishment
POSCO DAEWOO UKRAINE LLC	July 2017	100.00	New establishment
Zhangjiagang Pohang Refractories Co., Ltd.	July 2017	51.00	Reclassification from associate

POSCO and Subsidiaries

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

(c) Subsidiaries excluded from consolidation during the nine-month period ended September 30, 2017 were as follows:

Company	Date of exclusion	Reason
POSCO MAPC SA DE CV	January 2017	Merged into POSCO MPPC S.A de C.V.
POSCO (Zhangjiagang) STS Processing Center Co., Ltd	January 2017	Merged into Zhangjiagang Pohang Stainless Steel So., Ltd
POSCO ENGINEERING CO., LTD	February 2017	Merged into POSCO ENGINEERING & CONSTRUCTION CO., LTD.
POSCO YongXin Rare Earth Metal Co., Ltd.	March 2017	Disposal
SANTOS CMI S.A.	March 2017	Disposal
EPC EQUITIES LLP	March 2017	Disposal
SANTOS CMI Guatemala S.A.	March 2017	Disposal
COINSA INGENIERIA Y PETROQUIMICA S.R.L	March 2017	Disposal
SANTOS CMI CONSTRUCTION TRADING LLP	March 2017	Disposal
SANTOS CMI INC. USA	March 2017	Disposal
SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA	March 2017	Disposal
SANTOS CMI PERU S.A.	March 2017	Disposal
SANTOS CMI CONSTRUCCIONES S.A.	March 2017	Disposal
GENTECH INTERNATIONAL INC.	March 2017	Disposal
SANTOS CMI CONSTRUCCIONES DE CHILE S.A	March 2017	Disposal
COMPANIADEAUTOMATIZACION &CONTROL, GENESYS S.A	March 2017	Disposal
POSCO Electrical Steel India Private Limited	March 2017	Merged into POSCO Maharashtra Steel Private Limited
POSEC Hawaii, Inc.	May 2017	Liquidation
PT. POSCO MTECH INDONESIA	May 2017	Disposal
POSCO VIETNAM HOLDINGS CO., LTD	July 2017	Merged into POSCO VIETNAM HOLDINGS CO., LTD(formerly, POSCO-VNPC(VIETNAM HANOI PROCESSING CENTER) CO., LTD.)
POSCO-Vietnam Processing Center Co., Ltd.	July 2017	Merged into POSCO VIETNAM HOLDINGS CO., LTD(formerly, POSCO-VNPC(VIETNAM HANOI PROCESSING CENTER) CO., LTD.)
Yingkou Puxiang Trade Co.,Ltd.	July 2017	Merged into Zhangjiagang Pohang Refractories Co., Ltd
Chongqing POSCO CISL Automotive Steel Co., Ltd.	September 2017	Loss of control

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2017 (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, 2016. 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 consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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, 2016.

(b) Measurement of fair value

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

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

Significant valuation issues are reported to the Company's Audit Committee.

POSCO and Subsidiaries

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

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

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

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

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

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2016.

Changes in Accounting Policies

The Company has applied the following amendments to standards for the first time for their interim reporting period beginning on January 1, 2017. The Company will apply the accounting policies set out below for their annual reporting period ending December 31, 2017.

(a) Amendments to K-IFRS No. 1007 "Statement of Cash Flows"

For the year beginning on January 1, 2017, the Company applied the amendments to K-IFRS No. 1007 "Statement of Cash Flows". K-IFRS No. 1007 requires liabilities related to the cash flows that were classified as a financing activity in the statement of cash flows or will be classified as a financing activity in the future should be disclosed as follows:

- Fluctuations in financing cash flows
- Changes in the acquisition or loss of control of a subsidiary or other business
- Exchange rate effect
- Fair value changes
- Other changes

K-IFRS No. 1007 does not require the disclosure of comparative information of prior period, and the Company will disclose the related disclosures in its annual financial statements for the year ending December 31, 2017.

POSCO and Subsidiaries

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

(b) Amendments to K-IFRS No. 1012 “Income Taxes”

For the year beginning on January 1, 2017, the Company applied the amendments to K-IFRS No. 1012 “Income Taxes”. In accordance with K-IFRS No. 1012, in the case of debt instruments measured at fair value, deferred tax accounting treatment is clarified. The difference between the carrying amount and taxable base amount of the debt liabilities is considered as temporary differences, regardless of the expected recovery method. When reviewing the recoverability of deferred tax assets, the estimated of probable future taxable income may include the recovery of some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will recover the asset for more than its carrying amount. In addition, the estimated of probable future taxable income are determined as the amount before considering the deductible effect from reversal of the deductible temporary differences.

The Company believes that the effect of the amendments to the consolidated financial statements is not significant. Therefore, the Company has not retrospectively applied the amendments in accordance with the transitional requirements.

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published but are not mandatory for the Company for annual period beginning on January 1, 2017, and the Company has not early adopted them.

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

K-IFRS No. 1109 “Financial Instruments”, published on September 25, 2015, is effective for annual period beginning on or after January 1, 2018, with earlier adoption permitted. It replaces existing guidance in K-IFRS No. 1039 “Financial Instruments: Recognition and Measurement”. The Company plans to adopt K-IFRS No. 1109 for the year beginning on January 1, 2018.

K-IFRS No. 1109 will generally be applied retrospectively, however the Company plans to take advantage of the exemption allowing it not to restate the comparative information for prior periods with respect to classification and measurement including impairment changes. New hedge accounting requirements will generally be applied prospectively except for certain exemptions including the accounting for the time value of options.

POSCO and Subsidiaries

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

Key features of the new standard, K-IFRS No. 1109, are 1) classification and measurement of financial assets that reflects the business model in which the assets are managed and their cash flow characteristics, 2) impairment methodology that reflects 'expected credit loss' (ECL) model for financial assets, and 3) expanded scope of hedged items and hedging instruments which qualify for hedge accounting and changes in assessment method for effect of hedging relationships.

The Company has initiated procedures to prepare for changes related to K-IFRS No. 1109, and the Company is proceeding analysis of the impact on the financial statements resulting from the application of K-IFRS No. 1109. The Company will complete the analysis of financial impacts arising from applying this standard in 2017.

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

K-IFRS No. 1115 "Revenue from Contracts with Customers", published on November 6, 2015, is effective for annual period beginning on or after January 1, 2018, with earlier adoption permitted. It replaces existing revenue recognition guidance, including K-IFRS No. 1018 "Revenue", K-IFRS No. 1011 "Construction Contracts", K-IFRS No. 2031 "Revenue-Barter transactions involving advertising services", K-IFRS No. 2113 "Customer Loyalty Programs", K-IFRS No. 2115 "Agreements for the construction of real estate", and K-IFRS No. 2118 "Transfers of assets from customers". The Company shall apply this standard using one of the following two methods; (a) retrospectively to each prior reporting period presented in accordance with K-IFRS No. 1008 "Accounting Policies, Changes in Accounting Estimates and Errors" but using the practical expedients for completed contracts- i.e. completed contracts for the earliest prior period presented are not restated; or (b) retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. The Company plans to adopt K-IFRS No. 1115 in its consolidated financial statements for the year ending December 31, 2018, applying retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

Existing K-IFRS standards and interpretations including K-IFRS No. 1018 provide revenue recognition guidance by transaction types such as sales of goods, rendering of services, interest income, royalty income, dividend income and construction revenue; however, under the new standard, K-IFRS No. 1115, the five-step approach (Step 1: Identify the contract(s) with a customer, Step 2: Identify the performance obligations in the contract, Step 3: Determine the transaction price, Step 4: Allocate the transaction price to the performance obligations in the contract, Step 5: Recognize revenue when the entity satisfied a performance obligation) is applied for all types of contracts or agreements.

The Company has initiated procedures to prepare for changes related to K-IFRS No. 1115, and the Company is proceeding analysis of the impact on the financial statements resulting from the application of K-IFRS No. 1115. The Company will complete the analysis of financial impacts arising from applying this standard in 2017.

POSCO and Subsidiaries

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

4. Trade Accounts and Notes Receivable

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

(in millions of Won)

	September 30, 2017	December 31, 2016
Current		
Trade accounts and notes receivable	₩ 9,363,473	9,329,799
Finance lease receivables	10,511	10,300
Due from customers for contract work	915,160	964,304
Less: Allowance for doubtful accounts	(529,993)	(517,476)
	<u>₩ 9,759,151</u>	<u>9,786,927</u>
Non-current		
Trade accounts and notes receivable	₩ 444,060	80,447
Finance lease receivables	3,389	11,326
Less: Allowance for doubtful accounts	(61,029)	(40,649)
	<u>₩ 386,420</u>	<u>51,124</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩458,953 million and ₩344,410 million as of September 30, 2017 and December 31, 2016, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and recognized as short-term borrowings from financial institutions (Note 15).

5. Other Receivables

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

(in millions of Won)

	September 30, 2017	December 31, 2016
Current		
Loans	₩ 724,112	421,818
Other accounts receivable	1,092,425	1,131,492
Accrued income	176,212	139,618
Deposits	102,304	93,891
Others	14,249	13,606
Less: Allowance for doubtful accounts	(295,585)	(260,683)
	<u>₩ 1,813,717</u>	<u>1,539,742</u>
Non-current		
Loans	₩ 958,615	733,974
Other accounts receivable	87,079	81,938
Accrued income	1,743	1,746
Deposits	124,539	104,217
Less: Allowance for doubtful accounts	(168,241)	(158,963)
	<u>₩ 1,003,735</u>	<u>762,912</u>

POSCO and Subsidiaries

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

6. Other Financial Assets

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Current		
Derivative assets	₩ 30,655	49,281
Available-for-sale securities(bonds)	4,702	2,952
Current portion of held-to-maturity securities	418	422
Short-term financial instruments(*1,2)	5,590,092	5,172,256
	<u>₩ 5,625,867</u>	<u>5,224,911</u>
Non-current		
Derivative assets	₩ 25,363	98,301
Available-for-sale securities(equity instruments)(*3,4)	1,949,503	2,392,534
Available-for-sale securities(bonds)	46,591	46,330
Available-for-sale securities(others)	63,038	73,108
Held-to-maturity securities	4,104	2,048
Long-term financial instruments(*2)	60,049	45,371
	<u>₩ 2,148,648</u>	<u>2,657,692</u>

(*1) As of September 30, 2017 and December 31, 2016, ₩10,079 million and ₩6,813 million, respectively, are restricted for the use in a government project.

(*2) As of September 30, 2017 and December 31, 2016, financial instruments amounting to ₩87,335 million and ₩82,008 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) During the nine-month period ended September 30, 2017, there were objective evidences of impairment for listed equity securities such as FINEBESTEEL CO., LTD and others, and for non-listed equity securities such as Congonhas Minerios S.A and others due to the significant or prolonged decline in the fair value of the shares. As a result, impairment losses of ₩106,203 million were recognized in profit or loss during the nine-month period ended September 30, 2017.

(*4) As of September 30, 2017 and December 31, 2016, ₩134,226 million and ₩123,220 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 September 30, 2017 (Unaudited)

7. Inventories

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

<i>(in millions of Won)</i>		September 30, 2017	December 31, 2016
Finished goods	₩	1,341,370	1,200,344
Merchandise		930,642	851,325
Semi-finished goods		1,695,283	1,552,988
Raw materials		2,327,241	1,939,539
Fuel and materials		838,634	817,397
Construction inventories		849,746	990,941
Materials-in-transit		1,881,633	1,807,816
Others		90,025	94,535
		<u>9,954,574</u>	<u>9,254,885</u>
Less: Allowance for inventories valuation		<u>(134,657)</u>	<u>(203,164)</u>
	₩	<u>9,819,917</u>	<u>9,051,721</u>

The amounts of loss on valuation of inventories recognized within cost of sales during the nine-month period ended September 30, 2017 and the year ended December 31, 2016 were ₩91,325 million and ₩152,249 million, respectively.

8. Assets Held for Sale

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

<i>(in millions of Won)</i>	September 30, 2017			December 31, 2016		
	The controlling company	Subsidiaries	Total	The controlling company	Subsidiaries (*1)	Total
Assets						
Property, plant and equipment	₩ 392	-	392	764	305,864	306,628
Other assets	-	36	36	-	5,330	5,330
	<u>₩ 392</u>	<u>36</u>	<u>428</u>	<u>764</u>	<u>311,194</u>	<u>311,958</u>

(*1) During the year ended December 31, 2016, Posco e&c Songdo International Building, a subsidiary of the Company, entered into the disposal contract for the office building of POSCO ENGINEERING & CONSTRUCTION CO., LTD. in Songdo and classified the related property, plant and equipment as assets held for sale. During the nine-month period ended September 30, 2017, disposal of the assets held for sale was completed.

POSCO and Subsidiaries

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

9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of September 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

Company	September 30, 2017				December 31, 2016
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1	178,713,975,892	31.14	₩ 178,787	₩ 175,937	175,690
Natural Resources PEF					
SNNC	18,130,000	49.00	90,650	103,676	107,859
QSONE Co., Ltd.	200,000	50.00	84,395	85,083	84,799
Chun-cheon Energy Corp.(*1)	10,539,989	29.90	52,700	47,813	45,077
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.26	45,163	33,471	37,372
BLUE OCEAN Private Equity Fund	333	27.52	33,300	25,951	35,752
UITrans LRT Co., Ltd.(*1)	7,714,380	38.19	38,572	16,434	17,851
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	2,008,000	29.53	10,040	19,613	12,551
Daesung Steel(*3)	108,038	17.54	14,000	14,957	12,302
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	13,800,000	40.45	13,800	12,903	13,314
KoFC POSCO HANWHA KB Shared Growth NO.2. Private Equity Fund(*3)	11,350	12.50	11,350	11,516	11,890
KONES, Corp.	3,250,000	41.67	6,893	2,774	5,641
Others (39 companies)(*1)				69,299	55,061
				<u>619,427</u>	<u>615,159</u>
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	205,629	215,996
AES-VCM Mong Duong Power Company Limited(*2)	-	30.00	164,303	158,776	167,141
7623704 Canada Inc.(*3)	114,452,000	10.40	124,341	130,882	137,512
Eureka Moly LLC	-	20.00	240,123	84,991	89,601
AMCI (WA) PTY LTD.	49	49.00	209,664	69,814	70,501
KOREA LNG LTD.	2,400	20.00	135,205	51,240	63,058
Nickel Mining Company SAS	3,234,698	49.00	157,585	46,442	45,138
NCR LLC	-	29.41	37,564	36,212	36,738
PT. Batutua Tembaga Raya	128,285	22.00	21,824	21,563	22,723
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	16,663	18,008
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	10,291	8,706
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	7,039	6,840
Others (27 companies)(*1)				118,357	98,320
				<u>957,899</u>	<u>980,282</u>
				<u>₩ 1,577,326</u>	<u>1,595,441</u>

(*1) Investments in associates are provided as collateral related to associates' borrowings amounting to ₩130,782 million and ₩124,963 million as of September 30, 2017 and December 31, 2016, respectively.

(*2) Shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, is provided as collateral related to associates' borrowings as of September 30, 2017 and December 31, 2016.

(*3) As of September 30, 2017, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

POSCO and Subsidiaries

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

(b) Details of investments in joint ventures as of September 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

Company	September 30, 2017				December 31, 2016
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 90,143	83,113
[Foreign]					
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,232,186	1,186,859
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	372,795	393,570
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	215,548	330,463
BX STEEL POSCO	-	-	-	-	-
Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	92,503	97,369
KOBRASCO	2,010,719,185	50.00	32,950	103,543	88,308
DMSA/AMSA(*2)	-	4.00	299,492	58,259	74,935
Others (12 companies)	-	-	-	37,689	32,331
				<u>2,112,523</u>	<u>2,203,835</u>
				₩ <u>2,202,666</u>	<u>2,286,948</u>

(*1) As of September 30, 2017 and December 31, 2016, investments in joint ventures amounting to ₩1,232,186 million and ₩1,186,859 million, respectively, are provided as collateral in relation to borrowings of the joint venture.

(*2) As of September 30, 2017 and December 31, 2016, investments in joint ventures amounting to ₩58,259 million and ₩74,935 million, respectively, are provided as collateral for guarantees.

POSCO and Subsidiaries

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

(c) The movements of investments in associates and joint ventures for the nine-month period ended September 30, 2017 and the year ended December 31, 2016 were as follows:

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

(in millions of Won)

Company	December 31, 2016 Book value	Acquisition	Dividend	Share of profits (losses)	Other increase (decrease)(*1)	September 30, 2017 Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources PEF ₩	175,690	-	-	802	(555)	175,937
SNNC	107,859	-	-	(4,142)	(41)	103,676
QSONE Co., Ltd.	84,799	-	(368)	652	-	85,083
Chun-cheon Energy Corp.	45,077	-	-	2,736	-	47,813
Incheon-Gimpo Expressway Co., Ltd	37,372	-	-	(4,652)	751	33,471
BLUE OCEAN Private Equity Fund	35,752	-	-	(6,848)	(2,953)	25,951
UITrans LRT Co., Ltd.	17,851	-	-	(1,417)	-	16,434
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	12,551	-	-	7,062	-	19,613
Daesung Steel	12,302	-	-	2,655	-	14,957
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	13,314	-	-	(362)	(49)	12,903
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	11,890	-	-	(374)	-	11,516
KONES, Corp.	5,641	-	-	(2,867)	-	2,774
POSCO MITSUBISHI CARBON TECHNOLOGY	83,113	-	-	7,030	-	90,143
Others (39 companies)	55,061	21,954	-	(6,396)	(1,320)	69,299
	<u>698,272</u>	<u>21,954</u>	<u>(368)</u>	<u>(6,121)</u>	<u>(4,167)</u>	<u>709,570</u>
[Foreign]						
South-East Asia Gas Pipeline Company Ltd.	215,996	-	(21,677)	22,415	(11,105)	205,629
AES-VCM Mong Duong Power Company Limited	167,141	-	(15,090)	14,178	(7,453)	158,776
7623704 Canada Inc.	137,512	-	(7,563)	8,060	(7,127)	130,882
Eureka Moly LLC	89,601	-	-	(23)	(4,587)	84,991
AMCI (WA) PTY LTD.	70,501	-	-	(2,858)	2,171	69,814
KOREA LNG LTD.	63,058	-	(5,004)	5,613	(12,427)	51,240
Nickel Mining Company SAS	45,138	-	-	(1,403)	2,707	46,442
NCR LLC	36,738	206	-	(43)	(689)	36,212
PT. Batutua Tembaga Raya	22,723	-	-	(898)	(262)	21,563
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	18,008	-	-	(1,201)	(144)	16,663
PT. Wampu Electric Power	8,706	-	-	1,992	(407)	10,291
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,840	-	-	251	(52)	7,039
Roy Hill Holdings Pty Ltd	1,186,859	-	-	44,090	1,237	1,232,186
POSCO-NPS Niobium LLC	393,570	-	(17,277)	16,734	(20,232)	372,795
CSP - Companhia Siderurgica do Pecem	330,463	-	-	(98,616)	(16,299)	215,548
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	97,369	-	(5,542)	1,430	(754)	92,503
KOBRASCO	88,308	-	(22,135)	39,915	(2,545)	103,543
DMSA/AMSA	74,935	8,615	-	(19,720)	(5,571)	58,259
Others (39 companies)	130,651	13,892	(2,064)	37,758	(24,191)	156,046
	<u>3,184,117</u>	<u>22,713</u>	<u>(96,352)</u>	<u>67,674</u>	<u>(107,730)</u>	<u>3,070,422</u>
₩	<u>3,882,389</u>	<u>44,667</u>	<u>(96,720)</u>	<u>61,553</u>	<u>(111,897)</u>	<u>3,779,992</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 September 30, 2017 (Unaudited)

2) For the year ended December 31, 2016

(in millions of Won)

Company	December 31, 2015 Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*)	December 31, 2016 Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources PEF ₩	175,676	222	-	(399)	191	175,690
POSCO PLANTEC Co., Ltd.	171,218	-	-	(171,927)	709	-
SeAH Changwon Integrated Special Steel	165,754	-	-	4,797	(170,551)	-
SNNC	111,326	-	-	(3,417)	(50)	107,859
QSONE Co.,Ltd.	83,919	-	-	880	-	84,799
Chun-cheon Energy Co., Ltd	30,420	19,832	-	(5,175)	-	45,077
Incheon-Gimpo Expressway Co., Ltd.	39,447	-	-	(2,758)	683	37,372
BLUE OCEAN Private Equity Fund	35,437	-	-	643	(328)	35,752
UITrans LRT Co., Ltd.	40,903	6,817	-	(29,825)	(44)	17,851
Keystone-HYUNDAI SECURITIES						
NO. 1. Private Equity Fund	13,015	-	-	281	18	13,314
CHUNGJU ENTERPRISE CITY						
DEVELOPMENT Co.,Ltd	12,265	-	-	286	-	12,551
Daesung Steel	14,000	-	-	(2,272)	574	12,302
KoFC POSCO HANWHA KB Shared Growth						
NO. 2. Private Equity Fund	14,829	1,875	-	1,186	(6,000)	11,890
KONES, Corp.	5,775	-	-	(256)	122	5,641
POSCO MITSUBISHI CARBON TECHNOLOGY	104,970	-	-	(21,929)	72	83,113
POSCO ES MATERIALS CO.,LTD	38,447	-	-	(2,061)	(36,386)	-
Others (33 companies)	33,933	20,061	(200)	(2,802)	4,069	55,061
	<u>1,091,334</u>	<u>48,807</u>	<u>(200)</u>	<u>(234,748)</u>	<u>(206,921)</u>	<u>698,272</u>
[Foreign]						
South-East Asia Gas Pipeline Company Ltd.	222,269	-	(59,717)	46,855	6,589	215,996
AES-VCM Mong Duong Power Company Limited	153,271	-	-	27,031	(13,161)	167,141
7623704 Canada Inc.	134,034	-	(921)	175	4,224	137,512
Eureka Moly LLC	87,878	-	-	(18)	1,741	89,601
AMCI (WA) PTY LTD	72,289	-	-	(3,358)	1,570	70,501
KOREA LNG LTD.	53,548	-	(6,342)	6,392	9,460	63,058
Nickel Mining Company SAS	76,445	-	-	(31,047)	(260)	45,138
NCR LLC	35,447	-	-	(41)	1,332	36,738
PT. Batutua Tembaga Raya	15,382	7,040	-	-	301	22,723
Zhongyue POSCO (Qinhuangdao) Tinplate						
Industrial Co., Ltd	19,311	-	-	(412)	(891)	18,008
PT. Wampu Electric Power	8,855	-	-	(397)	248	8,706
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,061	-	-	242	(463)	6,840
Roy Hill Holdings Pty Ltd	1,153,434	-	-	12,643	20,782	1,186,859
POSCO-NPS Niobium LLC	381,461	-	(10,893)	11,499	11,503	393,570
CSP - Companhia Siderurgica do Pecem	80,805	88,930	-	116,694	44,034	330,463
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	100,908	-	-	258	(3,797)	97,369
KOBRASCO	78,364	-	(29,297)	20,761	18,480	88,308
DMSA/AMSA	105,964	24,624	-	(60,415)	4,762	74,935
Others (37 companies)	67,273	28,993	(4,252)	(791)	39,428	130,651
	<u>2,853,999</u>	<u>149,587</u>	<u>(111,422)</u>	<u>146,071</u>	<u>145,882</u>	<u>3,184,117</u>
₩	<u>3,945,333</u>	<u>198,394</u>	<u>(111,622)</u>	<u>(88,677)</u>	<u>(61,039)</u>	<u>3,882,389</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 September 30, 2017 (Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the nine-month period September 30, 2017 and the year ended December 31, 2016 are as follows:

1) September 30, 2017

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF ₩	563,912	847	563,065	-	2,494
SNNC	669,964	440,005	229,959	406,411	(13,599)
QSONE Co., Ltd.	247,224	77,058	170,166	11,479	1,303
Chun-cheon Energy Corp.	690,638	526,993	163,645	86,068	(5,547)
Incheon-Gimpo Expressway Co., Ltd	1,161,212	944,898	216,314	-	(16,802)
BLUE OCEAN Private Equity Fund	323,584	199,462	124,122	342,449	(1,974)
UITrans LRT Co., Ltd.	468,215	378,790	89,425	984	(3,711)
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund	145,205	106,789	38,416	3,028	(835)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	84,306	48,198	36,108	74,547	23,917
Daesung Steel	171,415	117,528	53,887	49,986	15,137
KoFC POSCO HANHWA KB Shared Growth NO. 2. Private Equity Fund	93,204	1,078	92,126	2,262	(2,993)
KONES, Corp.	2,424	1,401	1,023	3,504	(84)
POSCO MITSUBISHI CARBON TECHNOLOGY	446,480	297,106	149,374	100,441	11,826
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	2,020,755	1,196,409	824,346	294,036	89,514
7623704 Canada Inc.	1,270,638	1	1,270,637	-	88,032
KOREA LNG LTD.	263,990	2,819	261,171	26,561	24,806
Nickel Mining Company SAS	481,163	339,877	141,286	108,616	(11,506)
PT. Batutua Tembaga Raya	348,052	285,734	62,318	162,788	43,768
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	75,618	20,958	54,660	66,057	(3,545)
PT. Wampu Electric Power	206,295	157,897	48,398	15,240	9,960
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	68,834	40,487	28,347	58,620	1,009
Roy Hill Holdings Pty Ltd	10,839,633	7,130,433	3,709,200	1,823,236	691,038
POSCO-NPS Niobium LLC	745,386	-	745,386	-	31,604
CSP - Compania Siderurgica do Pecem	5,113,492	4,206,089	907,403	871,132	(491,965)
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	820,494	478,096	342,398	956,678	5,478
KOBRASCO	296,288	89,203	207,085	127,838	79,830
DMSA/AMSA	6,187,842	4,731,884	1,455,958	482,317	(409,757)

POSCO and Subsidiaries

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

2) December 31, 2016

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF ₩	597,767	864	596,903	-	(1,349)
POSCO PLANTEC Co., Ltd.	501,659	678,004	(176,345)	361,351	(43,195)
SNNC	725,987	482,429	243,558	527,101	2,022
QSONE Co., Ltd.	247,385	77,786	169,599	15,961	1,760
Chun-cheon Energy Co., Ltd	547,805	378,613	169,192	-	(3,748)
Incheon-Gimpo Expressway Co., Ltd.	929,539	718,107	211,432	-	(1,910)
BLUE OCEAN Private Equity Fund	357,723	220,895	136,828	456,311	2,335
UITrans LRT Co., Ltd.	400,761	307,625	93,136	-	(822)
Keystone-HYUNDAI SECURITIES					
NO. 1. Private Equity Fund	119,378	79,946	39,432	197	694
CHUNGJU ENTERPRISE CITY					
DEVELOPMENT Co., Ltd	136,857	124,666	12,191	19,028	967
Daesung Steel	150,944	112,194	38,750	60,772	(12,955)
KoFC POSCO HANWHA KB Shared Growth					
NO. 2. Private Equity Fund	96,213	1,094	95,119	14,157	9,561
KONES, Corp.	2,627	1,519	1,108	3,952	(615)
POSCO MITSUBISHI CARBON TECHNOLOGY	448,618	311,070	137,548	53,908	(36,572)
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	2,171,689	1,305,942	865,747	491,011	187,114
7623704 Canada Inc.	1,334,391	1	1,334,390	-	19,485
KOREA LNG LTD.	303,389	19,704	283,685	33,035	31,962
Nickel Mining Company SAS	491,458	347,194	144,264	145,571	(61,473)
PT. Batutua Tembaga Raya	351,119	332,037	19,082	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate					
Industrial Co., Ltd	83,291	24,676	58,615	117,387	(1,216)
PT. Wampu Electric Power	206,052	165,618	40,434	3,405	(1,984)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	67,905	40,451	27,454	81,260	938
Roy Hill Holdings Pty Ltd	10,962,261	8,059,714	2,902,547	845,243	129,968
POSCO-NPS Niobium LLC	786,937	-	786,937	-	24,719
CSP - Compania Siderurgica do Pecem	5,682,161	4,237,247	1,444,914	226,669	243,151
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	789,336	427,475	361,861	948,488	1,033
KOBRASCO	178,853	2,236	176,617	72,274	41,522
DMSA/AMSA	6,570,172	4,842,560	1,727,612	579,388	(519,969)

POSCO and Subsidiaries

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

10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of September 30, 2017 are as follows:

Joint operations	Operation	Ownership (%)	Location
Myanmar A-1/A-3 mine	Mine development and gas production	51.00	Myanmar
Offshore midstream	Gas transportation facility	51.00	Myanmar
Greenhills mine	Mine development	20.00	Canada
Arctos Anthracite coal project	Mine development	50.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
CD J/V	Mine development	5.00	Australia
RUM J/V	Mine development	10.00	Australia

11. Investment Property, Net

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

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

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation	Others(*1)	Ending
Land	₩	392,723	-	(607)	-	921	393,037
Buildings		671,539	5	-	(17,755)	1,085	654,874
Structures		2,147	-	-	(298)	(28)	1,821
Construction-in-progress		51,311	16,919	-	-	(76)	68,154
	₩	<u>1,117,720</u>	<u>16,924</u>	<u>(607)</u>	<u>(18,053)</u>	<u>1,902</u>	<u>1,117,886</u>

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

(b) For the year ended December 31, 2016

(in millions of Won)		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	346,879	24,116	(8,056)	-	29,784	392,723
Buildings		696,526	7,548	(3,339)	(24,043)	(5,153)	671,539
Structures		1,819	1	-	(288)	615	2,147
Construction-in-progress		39,068	13,910	-	-	(1,667)	51,311
	₩	<u>1,084,292</u>	<u>45,575</u>	<u>(11,395)</u>	<u>(24,331)</u>	<u>23,579</u>	<u>1,117,720</u>

(*1) Impairment losses on investment property amounting to ₩318 million are included.

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

POSCO and Subsidiaries

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

12. Property, Plant and Equipment, Net

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

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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,601,208	1,822	(7,128)	-	(36,085)	2,559,817
Buildings		4,995,631	33,285	(5,639)	(264,528)	282,267	5,041,016
Structures		2,908,480	11,448	(2,093)	(159,856)	63,468	2,821,447
Machinery and equipment		20,318,390	119,100	(69,724)	(1,646,565)	1,051,455	19,772,656
Vehicles		46,699	6,793	(969)	(13,545)	1,088	40,066
Tools		71,380	8,910	(2,638)	(21,956)	7,766	63,462
Furniture and fixtures		132,406	20,548	(1,216)	(36,397)	27,626	142,967
Finance lease assets		159,013	4,668	(333)	(11,155)	(1,968)	150,225
Bearer plants		-	-	-	(3,947)	61,586	57,639
Construction-in-progress		2,537,132	1,388,086	(1,559)	-	(1,959,384)	1,964,275
	₩	<u>33,770,339</u>	<u>1,594,660</u>	<u>(91,299)</u>	<u>(2,157,949)</u>	<u>(502,181)</u>	<u>32,613,570</u>

(*1) Impairment losses on property, plant and equipment amounting to ₩7,426 million are included.

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

(b) For the year ended December 31, 2016

<i>(in millions of Won)</i>		Beginning	Acquisitions	Business combination	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	2,572,807	8,901	15,687	(16,176)	(6,452)	26,441	2,601,208
Buildings		5,165,725	37,493	277,242	(12,857)	(396,899)	(75,073)	4,995,631
Structures		2,949,413	19,043	-	(1,994)	(216,631)	158,649	2,908,480
Machinery and equipment		21,093,743	193,856	47,021	(36,095)	(2,277,740)	1,297,605	20,318,390
Vehicles		52,005	8,967	88	(1,990)	(18,484)	6,113	46,699
Tools		73,478	17,546	635	(848)	(27,396)	7,965	71,380
Furniture and fixtures		148,099	30,650	32	(4,248)	(51,361)	9,234	132,406
Finance lease assets		92,796	79,556	-	(38)	(13,409)	108	159,013
Construction-in-progress		2,374,789	1,935,339	2,181	(4,255)	-	(1,770,922)	2,537,132
	₩	<u>34,522,855</u>	<u>2,331,351</u>	<u>342,886</u>	<u>(78,501)</u>	<u>(3,008,372)</u>	<u>(339,880)</u>	<u>33,770,339</u>

(*1) Includes impairment losses on property, plant and equipment amounting to ₩196,882 million. During the year ended December 31, 2016, due to the existence of indicators for impairment, such as continuing operating loss on fuel cell business of the POSCO ENERGY CO., LTD., which is included in Other reportable segment, the Company performed impairment test and recognized impairment loss of ₩61,565 million. Recoverable amount was determined based on value-in-use, which was calculated by applying a 14.0% discount rate. The impairment recorded in 2016 also included ₩58,388 million related to POSCO for individual assets based on disposal plans.

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

POSCO and Subsidiaries

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

13. Goodwill and Other Intangible Assets, Net

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

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

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,375,131	-	-	-	-	(3,224)	1,371,907
Intellectual property rights	2,521,171	117,650	(416)	(150,940)	(10,811)	15,850	2,492,504
Premium in rental(*1)	119,039	5,800	(2,891)	(317)	(1,241)	36	120,426
Development expense	117,012	614	(1,179)	(49,618)	-	18,387	85,216
Port facilities usage rights	256,617	-	-	(14,508)	-	72,669	314,778
Exploration and evaluation assets	162,268	77,272	-	-	-	128	239,668
Customer relationships	514,245	-	-	(35,751)	-	1,483	479,977
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	483,841	57,002	(1,401)	(42,421)	(11,828)	(46,810)	438,383
	₩ 6,088,729	258,338	(5,887)	(293,555)	(23,880)	58,519	6,082,264

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

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

(b) For the year ended December 31, 2016

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,461,954	-	-	-	(95,984)	9,161	1,375,131
Intellectual property rights	2,667,086	56,849	(753)	(204,112)	(16,786)	18,887	2,521,171
Premium in rental(*1)	127,949	1,964	(7,526)	(243)	(1,559)	(1,546)	119,039
Development expense	135,796	4,027	(60)	(61,732)	(298)	39,279	117,012
Port facilities usage rights	264,801	-	-	(15,217)	-	7,033	256,617
Exploration and evaluation assets	151,144	45,524	-	-	(3,290)	(31,110)	162,268
Customer relationships	559,809	-	-	(47,790)	-	2,226	514,245
Power generation permit	539,405	-	-	-	-	-	539,405
Other intangible assets	497,810	52,350	(1,454)	(48,910)	(7,353)	(8,602)	483,841
	₩ 6,405,754	160,714	(9,793)	(378,004)	(125,270)	35,328	6,088,729

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

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

POSCO and Subsidiaries

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

14. Other Assets

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

(in millions of Won)

		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current			
Advance payments	₩	707,916	787,452
Prepaid expenses		165,679	105,102
Others		1,997	1,930
	₩	<u>875,592</u>	<u>894,484</u>
Non-current			
Long-term advance payments	₩	26,718	27,189
Long-term prepaid expenses		375,437	380,678
Others(*1)		152,763	159,813
	₩	<u>554,918</u>	<u>567,680</u>

(*1) As of September 30, 2017 and December 31, 2016, the Company recognized tax assets amounting to ₩96,419 million and ₩100,693 million, respectively, based on the Company's best estimate of the tax amounts to be refunded when the results of the Company's appeal in connection with the additional income tax payment in prior years' tax audits that were finalized and claim for rectification are finalized.

15. Borrowings

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

(in millions of Won)

	<u>Lenders</u>	<u>Interest rate (%)</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Short-term borrowings				
Bank overdrafts	JP Morgan and others	0.6~1.8	₩ 237,452	254,036
Short-term borrowings	HSBC and others	0.3~14.5	8,810,192	7,725,691
			<u>9,047,644</u>	<u>7,979,727</u>
Current portion of long-term liabilities				
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.4~8.5	1,313,897	1,390,733
Current portion of debentures	Korea Development Bank and others	2.0~6.1	796,802	825,176
Less: Current portion of discount on debentures issued			(394)	(829)
			<u>2,110,305</u>	<u>2,215,080</u>
			₩ <u>11,157,949</u>	<u>10,194,807</u>

POSCO and Subsidiaries

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

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

<i>(in millions of Won)</i>	Lenders	Interest rate (%)	September 30, 2017	December 31, 2016
Long-term borrowings	Export-Import Bank of Korea and others	0.5~8.4	₩ 5,314,119	6,420,612
Less: Present value discount			(46,545)	(55,799)
Debentures	Korea Development Bank and others	1.4~6.3	6,059,402	6,163,896
Less: Discount on debentures issued			(15,062)	(18,518)
			₩ <u>11,311,914</u>	<u>12,510,191</u>

(c) Property, plant and equipment including investment property, cash equivalents, trade accounts and notes receivable, financial instruments, available-for-sale financial assets, inventories and other assets amounting to ₩5,938,327 million, ₩24,188 million, ₩7,050 million (90 of notes receivable), ₩62,641 million, ₩5,770 million, ₩65,748 million and ₩141,471 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

16. Other Payables

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Current		
Accounts payable	₩ 680,453	854,623
Accrued expenses	621,879	665,295
Dividend payable	6,939	7,770
Finance lease liabilities	21,542	24,523
Withholdings	242,043	299,448
	₩ <u>1,572,856</u>	<u>1,851,659</u>
Non-current		
Accounts payable	₩ 5,271	6,823
Accrued expenses	13,298	41,082
Finance lease liabilities	79,348	89,886
Long-term withholdings	86,882	70,768
	₩ <u>184,799</u>	<u>208,559</u>

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17. Other Financial Liabilities

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

(in millions of Won)

		<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current			
Derivative liabilities	₩	64,324	85,786
Financial guarantee liabilities		50,827	63,962
	₩	<u>115,151</u>	<u>149,748</u>
Non-current			
Derivative liabilities	₩	10,508	37,110
Financial guarantee liabilities		38,699	44,199
	₩	<u>49,207</u>	<u>81,309</u>

18. Provisions

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

(in millions of Won)

		<u>September 30, 2017</u>		<u>December 31, 2016</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Provision for bonus payments	₩	33,992	-	42,986	-
Provision for construction warranties		10,343	102,074	10,551	86,158
Provision for legal contingencies and claims(*1)		495	85,332	4,348	80,498
Provision for restoration(*2)		11,367	34,492	10,169	37,962
Others(*3,4)		49,702	169,030	46,811	133,121
	₩	<u>105,899</u>	<u>390,928</u>	<u>114,865</u>	<u>337,739</u>

(*1) The Company recognized probable outflow of resources amounting to ₩27,262 million and ₩30,425 million as provisions in relation to lawsuits against the Company as of September 30, 2017 and December 31, 2016, respectively.

(*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩31,539 million as provisions for restoration as of September 30, 2017. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 2.37 ~ 2.49% to assess present value of these costs.

(*3) As of September 30, 2017 and December 31, 2016, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩112,819 million and ₩87,827 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

(*4) As of September 30, 2017 and December 31, 2016, 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.

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

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

<i>(in millions of Won)</i>		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	42,986	52,001	(59,278)	(1,196)	(521)	33,992
Provision for construction warranties		96,709	29,068	(11,817)	(1,918)	375	112,417
Provision for legal contingencies and claims		84,846	8,436	(4,068)	(1,338)	(2,049)	85,827
Provision for restoration		48,131	4,389	(6,157)	-	(504)	45,859
Others		179,932	79,130	(43,769)	(5,158)	8,597	218,732
	₩	<u>452,604</u>	<u>173,024</u>	<u>(125,089)</u>	<u>(9,610)</u>	<u>5,898</u>	<u>496,827</u>

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

2) For the year ended December 31, 2016

<i>(in millions of Won)</i>		Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩	42,602	44,106	(42,211)	(272)	(1,239)	42,986
Provision for construction warranties		81,446	33,925	(19,469)	(2,695)	3,502	96,709
Provision for legal contingencies and claims		52,610	45,525	(14,012)	(188)	911	84,846
Provision for restoration		41,926	31,673	(13,367)	(12,475)	374	48,131
Others		105,428	142,767	(68,143)	(3,086)	2,966	179,932
	₩	<u>324,012</u>	<u>297,996</u>	<u>(157,202)</u>	<u>(18,716)</u>	<u>6,514</u>	<u>452,604</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 and nine-month periods ended September 30, 2017 and 2016 were as follows:

<i>(in millions of Won)</i>		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2017	2016	2017	2016
Expense related to post-employment benefit plans under defined contribution plans	₩	8,678	9,915	26,113	24,425

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

(b) Defined benefit plan

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Present value of funded obligations	₩ 1,752,519	1,715,583
Fair value of plan assets(*1)	(1,613,538)	(1,693,118)
Present value of non-funded obligations	13,217	17,437
Net defined benefit liabilities	₩ <u>152,198</u>	<u>39,902</u>

(*1) As of September 30, 2017 and December 31, 2016, the Company recognized net defined benefit assets amounting to ₩1,456 million and ₩83,702 million, respectively, since there are consolidated entities whose fair value of plan assets exceeded the present value of defined benefit obligations.

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Defined benefit obligation		
at the beginning of period	₩ 1,733,020	1,714,115
Current service costs	158,194	285,706
Interest costs	24,642	39,286
Remeasurements	(3,269)	(32,927)
Benefits paid	(144,510)	(278,278)
Others	(2,341)	5,118
Defined benefit obligation at the end of period	₩ <u>1,765,736</u>	<u>1,733,020</u>

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Fair value of plan assets		
at the beginning of period	₩ 1,693,118	1,532,090
Interest on plan assets	34,101	37,385
Remeasurement of plan assets	(11,404)	(6,963)
Contributions to plan assets	32,869	328,671
Benefits paid	(130,321)	(189,817)
Others	(4,825)	(8,248)
Fair value of plan assets at the end of period	₩ <u>1,613,538</u>	<u>1,693,118</u>

POSCO and Subsidiaries

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

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
(in millions of Won)				
Current service costs	₩ 59,794	52,975	158,194	169,380
Net interest costs	(7,201)	192	(9,459)	1,233
	₩ 52,593	53,167	148,735	170,613

20. Other Liabilities

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

	September 30, 2017	December 31, 2016
(in millions of Won)		
Current		
Due to customers for contract work	₩ 827,853	1,160,201
Advances received	643,653	707,086
Unearned revenue	10,204	8,702
Withholdings	203,874	186,665
Others	22,373	22,307
	₩ 1,707,957	2,084,961
Non-current		
Advances received	₩ 5,267	-
Unearned revenue	19,011	20,013
Others	31,237	40,338
	₩ 55,515	60,351

21. Financial Instruments

(a) Classification of financial instruments

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

	September 30, 2017	December 31, 2016
(in millions of Won)		
Financial assets at fair value through profit or loss		
Derivative assets held for trading	₩ 51,205	147,582
Derivative assets designated as hedging instruments	4,813	-
Available-for-sale financial assets	2,063,834	2,514,924
Held-to-maturity financial assets	4,522	2,470
Loans and receivables	21,235,948	19,390,610
	₩ 23,360,322	22,055,586

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

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Financial liabilities at fair value through profit or loss		
Derivative liabilities held for trading	₩ 74,570	122,896
Derivative liabilities designated as hedging instruments	262	-
Financial liabilities measured at amortized cost		
Trade accounts and notes payable	3,314,088	4,117,798
Borrowings	22,469,863	22,704,998
Financial guarantee liabilities	89,526	108,161
Others	1,703,106	2,007,114
	₩ 27,651,415	29,060,967

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

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

<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	₩ -	13,850	-	153,510	-	-	167,360	-
Derivative assets designated as hedging instruments	-	1,823	-	(1)	-	-	1,822	(339)
Available-for-sale financial assets	41	-	-	376,428	(106,203)	72,899	343,165	(6,670)
Held-to-maturity financial assets	186	-	-	(3)	-	15	198	-
Loans and receivables	140,988	-	(216,747)	(25,388)	-	(209)	(101,356)	-
Financial liabilities at fair value through profit or loss	-	(84,049)	-	(178,788)	-	-	(262,837)	-
Derivative liabilities designated as hedging instruments	-	240	-	-	-	-	240	-
Financial liabilities measured at amortized cost	(499,299)	-	322,256	-	-	(17,974)	(195,017)	-
	₩ (358,084)	(68,136)	105,509	325,758	(106,203)	54,731	(46,425)	(7,009)

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

<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	₩ -	16,037	-	257,488	-	-	273,525	-
Available-for-sale financial assets	383	-	-	7,787	(229,923)	32,947	(188,806)	217,520
Held-to-maturity financial assets	229	-	-	-	-	29	258	-
Loans and receivables	140,784	-	(428,779)	(11,993)	-	(115)	(300,103)	-
Financial liabilities at fair value through profit or loss	-	(98,945)	-	(260,569)	-	-	(359,514)	-
Financial liabilities measured at amortized cost	(512,999)	-	311,821	(61)	-	(14,091)	(215,330)	-
	₩ (371,603)	(82,908)	(116,958)	(7,348)	(229,923)	18,770	(789,970)	217,520

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

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

(in millions of Won)

	Finance income and costs						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	
Financial assets at fair value through profit or loss	₩ -	19,406	-	44,985	-	-	64,391
Derivative assets designated as hedging instruments	-	1,218	-	(1)	-	-	1,217
Available-for-sale financial assets	13	-	-	281,322	(47,025)	3,634	237,944
Held-to-maturity financial assets	93	-	-	-	-	5	98
Loans and receivables	62,950	-	63,240	(8,058)	-	(81)	118,051
Financial liabilities at fair value through profit or loss	-	(12,973)	-	(73,060)	-	-	(86,033)
Derivative liabilities designated as hedging instruments	-	4,910	-	-	-	-	4,910
Financial liabilities measured at amortized cost	(170,880)	-	(58,650)	-	-	(8,223)	(237,753)
	₩ (107,824)	12,561	4,590	245,188	(47,025)	(4,665)	102,825
							(231,368)

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

(in millions of Won)

	Finance income and costs						Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Financial assets at fair value through profit or loss	₩ -	(3,963)	-	82,501	-	-	78,538
Available-for-sale financial assets	55	-	-	6,578	(4,249)	5,681	8,065
Held-to-maturity financial assets	41	-	-	-	-	10	51
Loans and receivables	48,637	-	(385,496)	(4,677)	-	(28)	(341,564)
Financial liabilities at fair value through profit or loss	-	(47,100)	-	(71,329)	-	-	(118,429)
Financial liabilities measured at amortized cost	(169,911)	-	420,775	-	-	(5,557)	245,307
	₩ (121,178)	(51,063)	35,279	13,073	(4,249)	106	(128,032)
							89,272

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(b) Fair value

1) Fair value and book value

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

(in millions of Won)

	September 30, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Financial assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 1,705,806	1,705,806	2,139,687	2,139,687
Derivative assets(*1,2)	56,018	56,018	147,582	147,582
	<u>1,761,824</u>	<u>1,761,824</u>	<u>2,287,269</u>	<u>2,287,269</u>
Financial assets measured at amortized cost(*3)				
Cash and cash equivalents	2,955,477	2,955,477	2,447,619	2,447,619
Trade accounts and notes receivable, net	10,145,571	10,145,571	9,838,051	9,838,051
Loans and other receivables, net	8,134,900	8,134,900	7,104,940	7,104,940
Held-to-maturity financial assets	4,522	4,522	2,470	2,470
	<u>21,240,470</u>	<u>21,240,470</u>	<u>19,393,080</u>	<u>19,393,080</u>
Financial liabilities measured at fair value				
Derivative liabilities(*2)	74,832	74,832	122,896	122,896
Financial liabilities measured at amortized cost(*3)				
Trade accounts and notes payable	3,314,088	3,314,088	4,117,798	4,117,798
Borrowings	22,469,863	22,719,102	22,704,998	22,956,571
Financial guarantee liabilities	89,526	89,526	108,161	108,161
Others	1,703,106	1,703,106	2,007,114	2,007,114
	<u>₩ 27,576,583</u>	<u>27,825,822</u>	<u>28,938,071</u>	<u>29,189,644</u>

(*1) The fair value of available-for-sale financial assets publicly traded is measured at the closing bid price quoted at the end of the reporting period. Meanwhile, the fair value of unquoted available-for-sale financial assets and derivatives which are classified as fair value hierarchy level 3 is calculated using valuation model such as discounted cash flow method and others in which weighted average cost of capital of evaluated companies are used as a discount rates. Available-for-sale financial assets which are not measured at fair value are not included.

(*2) The fair value of derivatives which are classified as fair value hierarchy level 2 is measured using valuation models such as discounted cash flow method and others. Principal input variables of valuation model are forward exchange rate, interest rate and others.

(*3) The fair value of financial assets and liabilities measured at amortized cost is measured using discounted cash flow method, and the fair value is mainly calculated for the disclosures in the note. On the other hand, the Company has not performed fair value measurement for the financial assets and liabilities measured at amortized cost except borrowings which are classified as fair value hierarchy level 2 since their carrying amounts approximate fair value.

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2) The fair value hierarchy

The fair values of financial instruments by fair value hierarchy as of September 30, 2017 and December 31, 2016 are as follows:

① September 30, 2017

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,372,527	-	333,279	1,705,806
Derivative assets		-	53,845	2,173	56,018
	₩	<u>1,372,527</u>	<u>53,845</u>	<u>335,452</u>	<u>1,761,824</u>
Financial liabilities					
Derivative liabilities	₩	-	74,832	-	74,832

② December 31, 2016

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial assets					
Available-for-sale financial assets	₩	1,800,943	-	338,744	2,139,687
Derivative assets		-	137,236	10,346	147,582
	₩	<u>1,800,943</u>	<u>137,236</u>	<u>349,090</u>	<u>2,287,269</u>
Financial liabilities					
Derivative liabilities	₩	-	122,896	-	122,896

(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, 2016.

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22. Share Capital and Capital Surplus

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

<i>(Share, in Won)</i>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares(*1)	87,186,835	87,186,835
Shared capital(*2)	₩ 482,403,125,000	482,403,125,000

(*1) As of September 30, 2017, total shares of ADRs of 36,961,932, outstanding in overseas stock market, are equivalent to 9,240,483 shares of common stock.

(*2) As of September 30, 2017, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of September 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,841	783,788
Other capital surplus	154,206	150,178
	<u>₩ 1,401,872</u>	<u>1,397,791</u>

(c) During the nine-month period ended September 30, 2017, POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued redeemable convertible preferred shares which are classified as non-controlling interest in the consolidated financial statements. The details of redeemable convertible preferred shares as of September 30, 2017 are as follows:

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

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

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

23. Hybrid Bonds

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

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		September 30, 2017	December 31, 2016
Hybrid bond 1-1(*1)	2013-06-13	2043-06-13	4.30	₩	800,000	800,000
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60		200,000	200,000
Issuance cost					(3,081)	(3,081)
				₩	<u>996,919</u>	<u>996,919</u>

(*1) Details of hybrid bonds as of September 30, 2017 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of September 30, 2017 amounts to ₩2,150 million.

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2017 (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 September 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		September 30, 2017	December 31, 2016
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 September 30, 2017 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)		
Interest rate	Issue date ~ 2018-08-29 : 4.66 % Reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.39% · After 10 years : additionally +0.25% according to Step-up clauses · After 25 years : additionally +0.75%	Issue date ~ 2018-08-29 : 4.72 % Reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.45% · After 10 years : additionally +0.25% according to Step-up clauses · After 25 years : additionally +0.75%	Issue date ~ 2018-08-29 : 5.21 % Reset every 10 years as follows; · After 10 years : return on government bond (10 years) + 1.55% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to the Company but for hybrid bond 1-3, the Company pays every quarter (3/30, 6/30, 9/30, 12/30))		
Others	The issuer can call the hybrid bond at year 5 and interest payment date afterwards	The issuer can call the hybrid bond at year 5 and interest payment date afterwards	The issuer can call the hybrid bond at year 10 and interest payment date afterwards

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of September 30, 2017 amounts to ₩2,000 million.

24. Reserves

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

<i>(in millions of Won)</i>	September 30, 2017	December 31, 2016
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (368,922)	(301,734)
Changes in unrealized fair value of available-for-sale investments	270,109	276,143
Currency translation differences	(121,931)	(99,264)
Gain or losses on valuation of derivatives	(322)	-
Others	(19,799)	(19,130)
	₩ <u>(240,865)</u>	<u>(143,985)</u>

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25. Treasury Shares

As of September 30, 2017, the Company holds 7,188,006 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

26. Construction Contracts

(a) Details of in-progress construction contracts as of September 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

	September 30, 2017		December 31, 2016	
	Construction segment	Others	Construction segment	Others
Accumulated cost	₩ 23,875,311	269,988	22,493,050	313,422
Add: Accumulated profit	1,839,216	46,151	1,574,858	48,119
Less: Accumulated loss	(1,040,044)	(19,986)	(1,115,245)	(23,920)
Accumulated revenue	24,674,483	296,153	22,952,663	337,621
Less: Progress billings	(24,597,838)	(285,093)	(23,157,151)	(338,991)
Others	(3,785)	3,387	2,909	7,052
	₩ 72,860	14,447	(201,579)	5,682

(b) Details of due from customers for contract work and due to customers for contract work related to construction as of September 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

	September 30, 2017		December 31, 2016	
	Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩ 855,865	59,295	894,181	70,123
Due to customers for contract work	(783,005)	(44,848)	(1,095,760)	(64,441)
	₩ 72,860	14,447	(201,579)	5,682

(c) Details of the provisions of construction loss as of September 30, 2017 and December 31, 2016 are as follows:

(in millions of Won)

	September 30, 2017	December 31, 2016
Construction segment	₩ 66,685	143,159
Others	3,143	3,524
	₩ 69,828	146,683

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- (d) Due to the factors causing the variation of costs for the nine-month period ended September 30, 2017, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profit or loss for the nine-month period ended September 30, 2017 and future periods are as follows:

(in millions of Won)

	Changes in estimated total contract costs	Changes in profit (loss) of construction contract		
		Net income (loss)	Future income (loss)	Total
Construction segment	₩ 110,276	(33,813)	9,027	(24,786)
Others	7,004	(3,024)	205	(2,819)
	₩ 117,280	(36,837)	9,232	(27,605)

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contracts as of September 30, 2017. The estimation is evaluated for the total contract cost and expected total contract revenue as of the end of the period. Also, it may change during future periods.

- (e) Uncertainty of estimates

1) Total contract revenues

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

2) Total contract costs

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

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

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

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

27. Selling and Administrative Expenses

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

(a) Administrative expenses

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
Wages and salaries	₩ 195,497	179,111	580,768	572,342
Expenses related to post-employment benefits	21,208	68,938	60,066	114,893
Other employee benefits	38,525	43,271	117,925	133,068
Travel	9,940	9,020	29,014	29,514
Depreciation	23,277	26,058	70,296	78,064
Amortization	36,899	35,570	109,434	102,771
Communication	3,026	2,315	8,505	7,733
Electricity expenses	1,849	1,825	4,527	5,899
Taxes and public dues	11,508	20,188	55,073	60,674
Rental	13,752	11,748	47,462	62,582
Repairs	3,211	2,003	7,447	7,521
Entertainment	2,736	3,248	8,184	9,962
Advertising	26,498	27,914	84,925	65,629
Research & development	31,618	26,869	81,996	77,658
Service fees	45,903	48,979	141,833	133,053
Vehicles maintenance	2,188	2,617	6,379	7,759
Industry association fee	1,840	4,623	7,831	11,244
Conference	3,906	2,956	10,649	9,698
Increase to provisions	2,409	4,530	8,610	9,433
Bad debt expenses	4,881	31,010	62,785	56,734
Others	11,024	9,006	26,184	28,966
	₩ 491,695	561,799	1,529,893	1,585,197

(b) Selling expenses

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
Freight and custody expenses	₩ 339,978	310,554	1,005,552	975,808
Operating expenses for distribution center	2,615	2,598	7,728	7,703
Sales commissions	14,116	24,463	42,499	66,813
Sales advertising	931	1,271	2,073	2,271
Sales promotion	3,360	2,539	8,897	7,270
Sample	458	411	1,465	1,828
Sales insurance premium	9,271	7,501	27,070	21,891
Contract cost	5,068	10,652	17,749	21,875
Others	5,492	5,918	12,963	9,229
	₩ 381,289	365,907	1,125,996	1,114,688

POSCO and Subsidiaries

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

28. Finance Income and Costs

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

(in millions of Won)	For the three-month periods		For the nine-month periods		
	ended September 30		ended September 30		
	2017	2016	2017	2016	
Finance income					
Interest income	₩	63,056	48,733	141,215	141,396
Dividend income		3,634	5,681	72,899	32,947
Gain on foreign currency transactions		194,812	252,043	591,687	765,488
Gain on foreign currency translations		5,688	191,394	295,153	369,976
Gain on derivatives transactions		46,107	84,713	155,964	261,724
Gain on valuations of derivatives		23,835	(5,026)	89,358	89,543
Gain on disposals of available-for-sale investments		284,232	7,509	381,346	9,910
Others		3,412	626	9,790	3,102
	₩	624,776	585,673	1,737,412	1,674,086
Finance costs					
Interest expenses	₩	170,880	169,911	499,299	512,999
Loss on foreign currency transactions		171,730	284,755	564,582	823,046
Loss on foreign currency translations		24,180	123,403	216,749	429,376
Loss on derivatives transactions		74,184	73,541	181,242	264,805
Loss on valuation of derivatives		11,274	46,037	157,494	172,451
Impairment losses on available-for-sale investments		47,025	4,249	106,203	229,923
Others		22,678	11,809	58,268	31,456
	₩	521,951	713,705	1,783,837	2,464,056

29. Other Non-Operating Income and Expenses

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
<i>(in millions of Won)</i>				
Other non-operating income				
Gain on disposals of assets held for sale	₩ 1	85	1,180	22,269
Gain on disposals of investment				
in subsidiaries, associates and joint ventures	584	2,219	55,565	8,592
Gain on disposals of property, plant and equipment	7,635	4,532	26,254	22,467
Gain on disposals of intangible assets	25	-	22,015	571
Reversal of other bad debt expenses	193	6,554	268	12,653
Gain on insurance proceeds	2,549	3,888	4,155	18,087
Others	11,723	13,999	37,368	72,156
	₩ 22,710	31,277	146,805	156,795
Other non-operating expenses				
Impairment losses on assets held for sale	₩ -	18,434	-	24,759
Loss on disposals of investment				
in subsidiaries, associates and joint ventures	649	-	20,967	1,505
Loss on disposals of property, plant and equipment	37,279	17,111	115,498	61,073
Impairment losses on property, plant and equipment	2	66,736	7,426	74,026
Impairment losses on goodwill and intangible assets	4,533	12,135	24,898	14,660
Increase to provisions	(328)	388	1,140	20,033
Other bad debt expenses	110	27,406	33,145	35,947
Donations	8,645	5,625	26,102	23,797
Idle tangible assets expenses	2,260	1,444	8,187	3,867
Others	20,984	53,784	64,444	93,664
	₩ 74,134	203,063	301,807	353,331

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30. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses and other non-operating expenses in the statements of comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016 were as follows (excluding finance costs and income tax expense):

(in millions of Won)		For the three-month periods		For the nine-month periods	
		ended September 30		ended September 30	
		2017	2016	2017	2016
Raw material used,					
changes in inventories and others	₩	9,361,477	6,744,733	26,618,985	20,551,158
Employee benefits expenses		835,739	701,686	2,488,316	2,520,456
Outsourced processing cost		1,787,982	1,870,194	5,113,398	5,481,382
Electricity expenses		230,491	237,353	698,811	764,418
Depreciation(*1)		728,119	726,376	2,168,576	2,142,737
Amortization		91,409	92,170	293,555	276,615
Freight and custody expenses		339,978	310,554	1,005,552	975,808
Sales commissions		14,116	24,463	42,499	66,813
Loss on disposals of property, plant and equipment		37,279	17,111	115,498	61,073
Impairment losses on property, plant and equipment		2	66,736	7,426	74,026
Impairment losses on goodwill and intangible assets		4,533	12,135	24,898	14,660
Increase to provisions		36,775	55,043	112,609	152,143
Donations		8,645	5,625	26,102	23,797
Others		508,015	1,052,148	3,173,518	2,941,812
	₩	13,984,560	11,916,327	41,889,743	36,046,898

(*1) Includes depreciation expense of investment property.

31. Income Taxes

The effective tax rates of the Company for the nine-month periods ended September 30, 2017 and 2016 were 27.52% and 29.95%, respectively. The effective tax rates for the nine-month period ended September 30, 2017 and 2016 were 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.

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

32. Earnings per Share

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2017	2016	2017	2016
(in Won except per share information)				
Profit attributable to controlling interest	₩ 869,421,921,571	545,688,730,131	2,233,158,949,608	1,197,013,746,434
Interests of hybrid bonds	(8,330,108,492)	(8,330,108,492)	(24,628,146,846)	(24,804,509,930)
	861,091,813,079	537,358,621,639	2,208,530,802,762	1,172,209,236,504
Weighted-average number of common shares outstanding (*1)	79,998,798	79,996,318	79,998,325	79,996,052
Basic and diluted earnings per share	₩ 10,764	6,717	27,607	14,653

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

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

Since there were no potential shares of common stock which had dilutive effects as of September 30, 2017 and 2016, diluted earnings per share is equal to basic earnings per share.

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33. Related Party Transactions

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

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

(in millions of Won)

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

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

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

(*3) As of September 30, 2017, the Company provided guarantees to related parties (Note 34).

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

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

(in millions of Won)

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

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

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

(in millions of Won)

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

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

(in millions of Won)

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

POSCO and Subsidiaries

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

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

1) September 30, 2017

(in millions of Won)

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

2) December 31, 2016

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 3	3,359	3,362	-	9,825	515	10,340
POSCO Processing&Service	207,744	178	207,922	1,085	5,367	5,184	11,636
POSCO COATED & COLOR STEEL Co., Ltd.	48,716	324	49,040	-	5	1,600	1,605
POSCO ICT	-	128	128	1,062	89,382	6,074	96,518
eNtoB Corporation	-	-	-	9,948	29,310	15	39,273
POSCO CHEMTECH	27,253	3,868	31,121	54,702	11,870	19,282	85,854
POSCO ENERGY CO., LTD.	18,701	2,012	20,713	-	-	1,425	1,425
POSCO DAEWOO Corporation	182,700	11,184	193,884	460	183	49	692
POSCO Thainox Public Company Limited	62,034	8	62,042	-	224	-	224
POSCO America Corporation	10,008	-	10,008	-	-	-	-
POSCO Asia Co., Ltd.	375,823	458	376,281	25,101	-	-	25,101
Qingdao Pohang Stainless Steel Co., Ltd.	25,386	-	25,386	-	5	-	5
POSCO MEXICO S.A. DE C.V.	114,166	1,024	115,190	-	-	-	-
POSCO Maharashtra Steel Private Limited	208,737	9,923	218,660	-	-	-	-
Others	333,031	64,526	397,557	17,374	46,455	26,974	90,803
	1,614,302	96,992	1,711,294	109,732	192,626	61,118	363,476
Associates and jointventures							
POSCO PLANTEC Co., Ltd.	30	9	39	2,125	39,647	-	41,772
SNNC	223	26	249	40,201	-	-	40,201
Others	800	1	801	991	17,685	-	18,676
	1,053	36	1,089	43,317	57,332	-	100,649
₩	1,615,355	97,028	1,712,383	153,049	249,958	61,118	464,125

POSCO and Subsidiaries

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

(d) Significant transactions between the Company, excluding the controlling company, and related companies for the nine-month periods ended September 30, 2017 and 2016 were as follows:

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 16,077	-	81	5,453
New Songdo International City Development, LLC	194,286	-	-	30
SNNC	21,727	-	684	14,266
Chun-cheon Energy Co., Ltd.	60,126	5	-	-
Noeul Green Energy Co., Ltd.	8,860	-	-	1,958
VSC POSCO Steel Corporation	15,624	-	141	-
USS-POSCO Industries	26,899	107	1,701	-
CSP - Companhia Siderurgica do Pecem	109,586	-	37,845	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	27,418	-	39,600	-
LLP POSUK Titanium	-	-	3,972	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	2	-	14,011	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	16,191	-	-	-
PT. Batutua Tembaga Raya	-	-	13,796	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	25,697	-	98	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	87	1,632
Sebang Steel	441	-	18,033	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	43,764	-	-	-
DMSA/AMSA	-	-	37,772	-
South-East Asia Gas Pipeline Company Ltd.	-	40,708	-	-
Others	208,031	23,185	14,920	13,370
	₩ 774,729	64,005	182,741	36,709

POSCO and Subsidiaries

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

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
SeAH Changwon Integrated Special Steel	₩ 17,435	-	22,035	-
POSCO PLANTEC Co., Ltd.	14,850	5	1,606	1,608
New Songdo International City Development, LLC	179,475	-	-	14
SNNC	16,188	-	20,068	8,765
Posco e&c Songdo International Building	4,245	-	-	16,219
Chun-cheon Energy Co., Ltd.	240,765	-	-	-
VSC POSCO Steel Corporation	33,405	48	513	-
USS-POSCO Industries	286,879	-	947	-
CSP - Companhia Siderurgica do Pecem	131,644	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	48,690	-	46,067	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	20,122	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	10,171	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	22,024	-	31	-
Zhangjiagang Pohang Refractories Co., Ltd.	250	14	215	1,686
Sebang Steel	-	-	19,684	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	82,785	-	3,535	-
DMSA/AMSA	-	-	55,665	-
South-East Asia Gas Pipeline Company Ltd.	-	66,086	-	-
Others	190,424	3,906	25,984	427
	₩ 1,279,230	70,059	216,472	28,719

POSCO and Subsidiaries

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

(e) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended September 30, 2017 and 2016 were as follows:

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,318	-	62	2,577
New Songdo International City Development, LLC	64,446	-	-	-
SNNC	6,375	-	684	11,663
Chun-cheon Energy Co., Ltd.	6,630	-	-	-
Noeul Green Energy Co., Ltd.	2,777	-	-	839
VSC POSCO Steel Corporation	2,447	-	46	-
USS-POSCO Industries	19,469	53	612	-
CSP - Companhia Siderurgica do Pecem	40,296	-	37,845	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	2,318	-	11,556	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	4,521	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	4,023	-	-	-
PT. Batutua Tembaga Raya	-	-	5,146	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,811	-	24	-
Zhangjiagang Pohang Refractories Co., Ltd.	-	-	1	203
Sebang Steel	-	-	4,804	-
DMSA/AMSA	-	-	15,753	-
South-East Asia Gas Pipeline Company Ltd.	-	6,167	-	-
Others	75,633	1,349	5,199	9,181
	₩ 236,543	7,569	86,253	24,463

POSCO and Subsidiaries

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

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

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
SeAH Changwon Integrated Special Steel	₩ 3,509	-	1,403	-
POSCO PLANTEC Co., Ltd.	8,506	5	-	-
New Songdo International City Development, LLC	51,142	-	-	6
SNNC	7,012	-	1,700	3,682
Posco e&c Songdo International Building	1,423	-	-	3,372
Chun-cheon Energy Co., Ltd.	44,586	-	-	-
VSC POSCO Steel Corporation	10,380	-	-	-
USS-POSCO Industries	119,903	-	453	-
CSP - Companhia Siderurgica do Pecem	123,743	-	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	16,914	-	11,067	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	2,479	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	4,015	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,282	-	11	-
Zhangjiagang Pohang Refractories Co., Ltd.	125	-	-	491
Sebang Steel	-	-	6,590	-
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHEG DAEWOO IN'L TRADING CO., LTD.	29,774	-	-	-
DMSA/AMSA	-	-	12,813	-
South-East Asia Gas Pipeline Company Ltd.	-	7,018	-	-
Others	72,724	1,032	12,919	5
	<u>₩ 502,038</u>	<u>8,055</u>	<u>49,435</u>	<u>7,556</u>

POSCO and Subsidiaries

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

(f) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of September 30, 2017 and December 31, 2016 are as follows:

1) September 30, 2017

(in millions of Won)

(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								
POSCO PLANTEC Co., Ltd.	₩	3,646	-	-	3,646	2,337	5,751	8,088
New Songdo International City Development, LLC		454,293	357,488	5,725	817,506	-	7	7
Chun-cheon Energy Co., Ltd.		7,049	-	-	7,049	-	290	290
VSC POSCO Steel Corporation		1,736	-	-	1,736	36	-	36
USS-POSCO Industries		19,710	-	54	19,764	241	-	241
Nickel Mining Company SAS		-	63,009	122	63,131	-	-	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		60,065	57,335	1,612	119,012	-	553	553
CSP - Companhia Siderurgica do Pecem		318,838	-	-	318,838	9,283	19,326	28,609
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		-	5,734	5	5,739	1,679	-	1,679
PT. Batutua Tembaga Raya		26	36,123	-	36,149	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		7,703	6,880	39	14,622	63	-	63
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.		2,732	-	-	2,732	-	563	563
DMSA/AMSA		-	78,358	4,970	83,328	2,746	-	2,746
South-East Asia Gas Pipeline Company Ltd.		-	269,636	6,210	275,846	-	-	-
Others		133,777	148,715	8,921	291,413	1,585	498	2,083
	₩	1,009,575	1,023,278	27,658	2,060,511	17,970	26,988	44,958

2) December 31, 2016

(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								
	₩	4,709	-	6	4,715	2,718	8,521	11,239
POSCO PLANTEC Co., Ltd.								
New Songdo International City Development, LLC		255,822	-	5,725	261,547	-	-	-
Chun-cheon Energy Co., Ltd.		12,142	-	-	12,142	-	3,171	3,171
VSC POSCO Steel Corporation		5,265	-	-	5,265	-	-	-
USS-POSCO Industries		583	-	-	583	75	-	75
Nickel Mining Company SAS		133	60,425	116	60,674	-	-	
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		62,814	60,425	1,643	124,882	-	875	875
CSP - Companhia Siderurgica do Pecem		224,760	-	149,700	374,460	-	109,272	109,272
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		3,279	6,647	6	9,932	1,365	-	1,365
PT. Batutua Tembaga Raya		-	38,120	-	38,120	2,293	-	2,293
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		9,292	8,460	43	17,795	40	-	40
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO., LTD.		100,367	-	-	100,367	-	-	-
DMSA/AMSA		-	90,638	-	90,638	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	276,605	48	276,653	-	-	-
Others		184,402	142,812	6,593	333,807	4,615	750	5,365
	₩	863,568	684,132	163,880	1,711,580	11,106	122,589	133,695

POSCO and Subsidiaries

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

(g) Significant financial transactions between the Company, excluding the controlling company, and related companies for the nine-month period ended September 30, 2017 and the year ended December 31, 2016 were as follows:

1) September 30, 2017

(in millions of Won)		<u>Beginning</u>	<u>Lend</u>	<u>Collect</u>	<u>Others(*4)</u>	<u>Ending</u>
Associates and joint ventures						
METAPOLIS Co., Ltd. (*1)	₩	13,270	-	-	(13,270)	-
New Songdo International City Development, LLC		-	357,488	-	-	357,488
GALE International Korea		-	4,300	-	-	4,300
DMSA/AMSA (*2)		90,638	1,500	-	(13,780)	78,358
South-East Asia Gas Pipeline Company Ltd.		276,605	28,967	(22,793)	(13,143)	269,636
PT. Batutua Tembaga Raya		38,120	-	-	(1,997)	36,123
PT. Tanggamus Electric Power		3,606	-	-	(184)	3,422
PT. Wampu Electric Power		5,761	-	-	(295)	5,466
PT. POSMI Steel Indonesia		4,834	-	-	(247)	4,587
Nickel Mining Company SAS		60,425	-	-	2,584	63,009
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		60,425	-	-	(3,090)	57,335
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		6,647	-	(577)	(336)	5,734
KRAKATAU POS-CHEM DONG-SUH CHEMICAL		7,251	-	-	(371)	6,880
Hamparan Mulya		3,626	-	-	(186)	3,440
POS-SEAHSTEELWIRE (TIANJIN) Co., Ltd.		5,438	-	(5,438)	-	-
POSCO SeAH Steel Wire (Nantong) Co., Ltd.		8,460	-	(1,142)	(438)	6,880
POS-SeAH Steel Wire (Thailand) Co., Ltd.		7,251	-	-	(371)	6,880
AMCI (WA) PTY LTD		91,775	2,872	-	3,039	97,686
POS-AUSTEM YANTAI AUTOMOTIVE CO., LTD. (*3)		-	-	-	5,734	5,734
POS-AUSTEM WUHAN AUTOMOTIVE CO., LTD. (*3)		-	-	-	9,173	9,173
SAMHWAN VINA (*3)		-	-	-	1,147	1,147
	₩	<u>684,132</u>	<u>395,127</u>	<u>(29,950)</u>	<u>(26,031)</u>	<u>1,023,278</u>

(*1) Excluded from associates due to the loss of significant influence during the nine-month period ended September 30, 2017.

(*2) During the nine-month period ended September 30, 2017, loans amounting to ₩8,615 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

(*3) During the nine-month period ended September 30, 2017, it was newly classified to joint venture.

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

POSCO and Subsidiaries

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

2) December 31, 2016

(in millions of Won)

	Beginning	Lend	Collect	Others(*3)	Ending
Associates and jointventures					
METAPOLIS Co., Ltd.	₩ 26,000	-	(12,730)	-	13,270
Posco e&c Songdo International Building(*1)	-	298,865	-	(298,865)	-
DMSA/AMSA(*2)	99,854	11,774	-	(20,990)	90,638
South-East Asia Gas Pipeline Company Ltd.	283,954	27,087	(43,080)	8,644	276,605
PT. Batutua Tembaga Raya	36,830	-	-	1,290	38,120
PT. Tanggamus Electric Power	2,359	1,174	-	73	3,606
PT. Wampu Electric Power	4,454	1,169	-	138	5,761
PT. POSMI Steel Indonesia	4,688	-	-	146	4,834
Nickel Mining Company SAS	17,580	40,594	-	2,251	60,425
POSK(Pinghu) Steel Processing Center Co., Ltd.	5,743	5,683	(11,366)	(60)	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.	58,600	-	-	1,825	60,425
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,782	-	(4,471)	336	6,647
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	-	6,959	-	292	7,251
Hamparan Mulya	3,516	-	-	110	3,626
POS-SEAHSTEELWIRE (TIANJIN) Co., Ltd.	5,274	-	-	164	5,438
POSCO SeAH Steel Wire (Nantong) Co., Ltd.	11,720	-	(3,480)	220	8,460
POS-SeAH Steel Wire (Thailand) Co., Ltd.	-	6,959	-	292	7,251
AMCI (WA) PTY LTD	85,168	4,665	-	1,942	91,775
	₩ 656,522	404,929	(75,127)	(302,192)	684,132

(*1) During the year ended December 31, 2016, it was classified as a subsidiary from an associate.

(*2) During the year ended December 31, 2016, loans amounting to ₩24,624 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

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

(in millions of Won)

	September 30, 2017	September 30, 2016
Short-term benefits	₩ 88,640	69,895
Long-term benefits	7,504	13,714
Retirement benefits	16,681	13,371
	₩ 112,825	96,980

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2017

(Unaudited)

34. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2017 are as follows:

(in millions of Won)			Guarantee limit			Guarantee amount			
Guarantor		Guarantee beneficiary	Financial institution	Foreign currency		Won equivalent	Foreign currency		Won equivalent
[The Company]									
POSCO		POSCO Asia Co., Ltd.	National Australia Bank and others	USD	100,000,000	114,670	USD	100,000,000	114,670
		POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	168,023	USD	131,874,750	151,221
		POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co.,Ltd.(SPC)	THB	5,501,000,000	188,904	THB	5,501,000,000	188,904
		POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	649,853,000	745,186	USD	366,225,400	419,951
		POSCO MEXICO S.A. DE C.V.	BOA and others	USD	160,000,000	183,472	USD	160,000,000	183,472
		POSCO SS-VINA CO., LTD.	Export-Import Bank of Korea and others	USD	354,351,050	406,334	USD	329,506,159	377,845
		POSCO VST CO., LTD.	ANZ and others	USD	65,000,000	74,536	USD	8,125,000	9,317
		POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	224,753	USD	196,000,000	224,753
		PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,548,389	USD	1,199,179,131	1,375,099
		Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMU and others	CNY	760,500,000	131,072	CNY	760,500,000	131,072
POSCO DAEWOO Corporation		Daewoo Global Development. Pte., Ltd.	Export-Import Bank of Korea	USD	22,140,000	25,388	USD	19,188,000	22,003
		Daewoo Power PNG Ltd.	Export-Import Bank of Korea	USD	54,400,000	62,380	USD	54,400,000	62,380
		Daewoo Textile LLC	Export-Import Bank of Korea	USD	6,000,000	6,880	USD	6,000,000	6,880
		POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	14,652,750	16,802	USD	14,652,750	16,802
		POSCO DAEWOO INDIA PVT., LTD.	Shinhan Bank and others	USD	162,400,000	186,224	USD	78,367,464	89,864
		SC Bank and others	INR	7,350,000,000	128,699	INR	5,494,063,977	96,201	
		Export-Import Bank of Korea	USD	120,750,000	138,464	USD	120,750,000	138,464	
POSCO ENGINEERING & CONSTRUCTION CO., LTD.		PT. Bio Inti Agrindo							
		HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori Bank and others	USD	138,000,000	158,245	USD	138,000,000	158,245
		POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	30,000,000	34,401	USD	30,000,000	34,401
		POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	HSBC	USD	100,000,000	114,670	USD	100,000,000	114,670
		POSCO ENGINEERING (THAILAND) CO., LTD.	POSCO Asia Co., Ltd.	USD	39,451,000	45,238	USD	39,451,000	45,238
		POSCO Engineering and Construction India Private Limited	Woori Bank	USD	2,100,000	2,408	USD	2,100,000	2,408
		PT PEN INDONESIA	POSCO Asia Co., Ltd.	USD	5,000,000	5,734	USD	5,000,000	5,734
		PT.POSCO E&C INDONESIA	BNP Indonesia	IDR	79,000,000,000	6,699	IDR	79,000,000,000	6,699
		Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea	USD	15,486,689	17,770	USD	13,430,464	15,401
		PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	1,800,000	2,064	USD	1,800,000	2,064
		PT.Krakatau Posco Chemtech Calcination	KEB Bank	USD	33,600,000	38,529	USD	20,705,882	23,743
		Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd. and others	USD	13,986,947	16,039	USD	13,986,947	16,039
		PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	222,345	USD	145,478,302	166,820
			SMBC	USD	25,000,000	28,668	USD	25,000,000	28,668
POSCO Asia Co., Ltd		POSCO ASSAN TST STEEL INDUSTRY							
[Associates and joint ventures]									
POSCO		CSP - Compania Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	481,614	USD	420,000,000	481,614
		LLP POSUK Titanium	BNDES	BRL	464,060,000	167,219	BRL	464,060,000	167,219
		Nickel Mining Company SAS	SMBC	USD	15,000,000	17,201	USD	15,000,000	17,201
		GLOBAL KOMSCO Daewoo LLC	SMBC	EUR	46,000,000	62,140	EUR	31,000,000	41,877
			ICBC	USD	8,225,000	9,432	USD	8,225,000	9,432
POSCO DAEWOO Corporation		New Songdo International City Development, LLC	Others	KRW	340,000	340,000	KRW	314,800	314,800
POSCO ENGINEERING & CONSTRUCTION CO., LTD.		Incheon-Gimpo Expressway Co., Ltd.	KDB Bank	KRW	100,000	100,000	KRW	100,000	100,000
POSCO ICT		UITrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	KRW	76,000	76,000
POSCO CHEMTECH		KRAKATAU POS-CHEM							
		DONG-SUH CHEMICAL	KEB Bank	USD	1,140,000	1,307	USD	1,140,000	1,307
		PT.INDONESIA POS CHEMTECH							
		CHOSUN Ref	KEB Bank	USD	3,900,000	4,472	USD	3,900,000	4,472
POSCO(Suzhou)									
Automotive Processing Center Co., Ltd.		POS-InfraAuto (Suzhou) Co., Ltd	KDB Bank	USD	405,000	464	USD	405,000	464
[Others]									
POSCO DAEWOO Corporation		Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	87,272,727	100,076	USD	36,040,936	41,328
POSCO ENGINEERING & CONSTRUCTION CO., LTD.		Ecocity CO.,LTD and others	Others	KRW	839,100	839,100	KRW	370,980	370,980
		SMS Energy and others	KEB Bank and others	KRW	104,880	104,880	KRW	78,173	78,173
POSCO ICT		Hyochun CO., LTD	Daegu Bank and others	KRW	39,575	39,575	KRW	39,575	39,575
		BLT Enterprise and others	Kyobo Life Insurance Co.,Ltd and others	KRW	1,163,585	1,163,585	KRW	1,163,585	1,163,585
POSCO AUSTRALIA PTY LTD		Department of Trade and Investment (NSW Government)	Woori Bank and others	AUD	25,260,721	22,736	AUD	25,260,721	22,736
				USD	4,536,651,663	5,202,178	USD	3,803,932,185	4,361,970
				KRW	2,663,140	2,663,140	KRW	2,143,113	2,143,113
				CNY	760,500,000	131,072	CNY	760,500,000	131,072
				INR	7,350,000,000	128,699	INR	5,494,063,977	96,201
				IDR	79,000,000,000	6,699	IDR	79,000,000,000	6,699
				THB	5,501,000,000	188,904	THB	5,501,000,000	188,904
				EUR	46,000,000	62,140	EUR	31,000,000	41,877
				AUD	25,260,721	22,736	AUD	25,260,721	22,736
				BRL	464,060,000	167,219	BRL	464,060,000	167,219

(b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩393,181 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION CO., LTD. amounting to ₩268,349 million as of September 30, 2017.

POSCO and Subsidiaries

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

(c) Other commitments

Details of other commitments of the Company as of September 30, 2017 are as follows:

POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of September 30, 2017, 124 million tons of iron ore and 19 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>As of September 30, 2017, POSCO entered into commitments for long-term foreign currency borrowings, which are limited up to the amount of USD 8.25 million and USD 6.49 million. The borrowings are related to the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chinabad, respectively. The repayment of the borrowings depends on the success of the 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 September 30, 2017, the ending balance of the borrowing amounts to USD 4.09 million.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd. under construction of new power plant.</p>
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	<p>As of September 30, 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantee of up to USD 2,143 million and uses USD 1,216 million with Woori Bank and others.</p>
POSCO ICT	<p>As of September 30, 2017, in relation to contract enforcement, POSCO ICT was provided with ₩131,378 million and ₩31,295 million guaranties from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.</p>

POSCO and Subsidiaries

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

(d) Litigation in progress

The Company is involved in 356 lawsuits and claims for alleged damages aggregating to ~~₩~~826.9 billion as defendant as of September 30, 2017, which arise from the ordinary course of business. The Company has recognized provisions amounting to ~~₩~~27.3 billion for 124 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims for which the Company does not believe that it has a present obligation as of September 30, 2017.

(e) Other contingencies

POSCO	POSCO has provided three blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for long-term foreign currency borrowings.
POSCO DAEWOO Corporation	As of September 30, 2017, POSCO DAEWOO Corporation has provided 34 blank promissory notes and 16 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 September 30, 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 37 blank checks and 8 blank promissory notes as collateral for agreements and outstanding loans. As of September 30, 2017, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided ₩ 9,497,009 million of joint guarantee to guarantees of business partners issued by Korea Housing & Urban Guarantee Corporation.
POSCO ICT	As of September 30, 2017, POSCO ICT has provided 2 blank promissory notes and 8 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

POSCO and Subsidiaries

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

35. Cash Flows from Operating Activities

Adjustments for operating cash flows for the nine-month periods ended September 30, 2017 and 2016 were as follows:

(in millions of Won)

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Trade accounts and notes receivable	₩ (251,204)	800,951
Other receivables	(19,159)	68,515
Inventories	(692,170)	155,321
Other current assets	(15,771)	(140,834)
Other non-current assets	(9,516)	49,102
Trade accounts and notes payable	(663,676)	(64,468)
Other payables	(317,835)	25,817
Other current liabilities	(270,326)	96,672
Provisions	(55,931)	(71,709)
Payment of severance benefits	(144,510)	(131,126)
Plan assets	97,452	(19,817)
Other non-current liabilities	(9,101)	(8,896)
	<u>₩ (2,351,747)</u>	<u>759,528</u>

36. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics. The policies of classification and measurement on operating segments were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2016.

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

POSCO and Subsidiaries

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

(a) Information about reportable segments for the nine-month periods ended September 30, 2017 and 2016 was as follows:

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

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	22,389,467	15,583,799	5,066,419	2,018,020	45,057,705
Internal revenues		13,386,557	10,758,217	300,495	1,857,012	26,302,281
Inter segment revenue		9,187,101	6,108,273	249,776	1,782,096	17,327,246
Total revenues		35,776,024	26,342,016	5,366,914	3,875,032	71,359,986
Segment profits		2,298,643	106,448	115,839	231,539	2,752,469

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

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	19,547,893	11,835,006	4,846,786	1,836,457	38,066,142
Internal revenues		11,839,844	6,787,444	631,367	1,737,818	20,996,473
Inter segment revenue		6,677,921	3,780,595	505,251	1,669,174	12,632,941
Total revenues		31,387,737	18,622,450	5,478,153	3,574,275	59,062,615
Segment profits (loss)		1,146,896	122,818	(382,656)	31,846	918,904

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the nine-month periods ended September 30, 2017 and 2016 were as follows:

<i>(in millions of Won)</i>		September 30, 2017	September 30, 2016
Total profit for reportable segments	₩	2,752,469	918,904
Corporate fair value adjustments		(60,863)	(102,052)
Elimination of inter-segment profits		(278,045)	217,590
Income tax expense		916,334	442,249
Profit before income tax expense	₩	<u>3,329,895</u>	<u>1,476,691</u>