

POSCO

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

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

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

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed separate 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 separate 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 separate 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 separate interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No. 1034 "Interim Financial Reporting".

Other matters

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
May 15, 2018

This report is effective as of May 15, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate 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.

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Condensed Separate Interim Statements of Financial Position As of March 31, 2018 and December 31, 2017 (Unaudited)

(in millions of Won)

	Notes	March 31, 2018	December 31, 2017
Assets			
Cash and cash equivalents	20	₩ 412,279	332,405
Trade accounts and notes receivable, net	4,14,20,25,32	4,235,440	3,867,714
Other receivables, net	5,20,32	268,982	210,230
Other short-term financial assets	6,20	6,764,415	5,824,087
Inventories	7,29	4,529,807	4,543,533
Assets held for sale	8	31,033	34,545
Other current assets	13	50,115	27,907
Total current assets		16,292,071	14,840,421
Long-term trade accounts and notes receivable, net	4,20	9,319	12,774
Other receivables, net	5,20	63,663	62,421
Other long-term financial assets	6,20	1,334,669	1,393,316
Investments in subsidiaries, associates and joint ventures	9	15,068,244	15,098,856
Investment property, net	10	98,633	97,307
Property, plant and equipment, net	11	21,417,746	21,561,270
Intangible assets, net	12	552,400	528,074
Other non-current assets	13	97,850	97,819
Total non-current assets		38,642,524	38,851,837
Total assets		₩ 54,934,595	53,692,258

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Financial Position, Continued As of March 31, 2018 and December 31, 2017 (Unaudited)

(in millions of Won)

	Notes	March 31, 2018	December 31, 2017
Liabilities			
Trade accounts and notes payable	20,32	₩ 1,118,196	1,025,027
Short-term borrowings and current installments of long-term borrowings	4,14,20	1,347,454	1,235,707
Other payables	15,20,32	1,052,221	862,535
Other short-term financial liabilities	16,20	13,378	23,164
Current income tax liabilities		606,296	351,148
Provisions	17	15,118	18,166
Other current liabilities	19,25	85,731	54,401
Total current liabilities		<u>4,238,394</u>	<u>3,570,148</u>
Long-term borrowings, excluding current installments	14,20	2,666,761	2,665,517
Other payables	15,20	128,680	78,481
Other long-term financial liabilities	16,20	150,278	129,176
Defined benefit liabilities, net	18	17,761	43
Deferred tax liabilities		1,281,531	1,273,896
Long-term provisions	17,33	59,926	19,250
Other non-current liabilities	19,25	13,977	14,292
Total non-current liabilities		<u>4,318,914</u>	<u>4,180,655</u>
Total liabilities		<u>8,557,308</u>	<u>7,750,803</u>
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,156,438	1,156,429
Hybrid bonds	22	996,919	996,919
Reserves	23	(130,050)	233,390
Treasury shares	24	(1,533,039)	(1,533,054)
Retained earnings		45,404,616	44,605,368
Total equity		<u>46,377,287</u>	<u>45,941,455</u>
Total liabilities and equity		<u>₩ 54,934,595</u>	<u>53,692,258</u>

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Comprehensive Income For the three-month periods ended March 31, 2018 and 2017 (Unaudited)

(in millions of Won, except per share information)

	Notes	March 31, 2018	March 31, 2017
Revenue	25,32	₩ 7,760,890	7,067,446
Cost of sales	7,29,32	(6,290,058)	(5,843,438)
Gross profit		1,470,832	1,224,008
Selling and administrative expenses	29,32		
Reversal of (impairment loss) on trade accounts and notes receivable		(1,824)	827
Other administrative expenses	26	(220,284)	(217,079)
Selling expenses	26	(232,809)	(212,329)
Operating profit		1,015,915	795,427
Finance income and costs	20,27		
Finance income		223,665	342,514
Finance costs		(133,457)	(263,365)
Other non-operating income and expenses	32		
Reversal of impairment loss on other receivables		3,346	10
Other non-operating income	28	44,363	243,934
Other non-operating expenses	28,29	(100,684)	(47,860)
Profit before income tax		1,053,148	1,070,660
Income tax expense	30	(284,411)	(231,023)
Profit		768,737	839,637
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	18	(1,212)	(2,148)
Net changes in fair value of equity investments at fair value through other comprehensive income	6,20,23	(40,152)	-
Items that are or may be reclassified subsequently to profit or loss:			
Net changes in unrealized fair value of available-for-sale investments	6,20,23	-	40,027
Other comprehensive income (loss), net of tax		(41,364)	37,879
Total comprehensive income		₩ 727,373	877,516
Basic and diluted earnings per share (in Won)	31	9,513	10,391

See accompanying notes to the condensed separate interim financial statements.

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

(in millions of Won)

	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Total
Balance as of January 1, 2017	₩ 482,403	1,156,303	996,919	284,240	(1,533,468)	42,943,050	44,329,447
Comprehensive income:							
Profit	-	-	-	-	-	839,637	839,637
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(2,148)	(2,148)
Net changes in unrealized fair value of available-for-sale investments, net of tax	-	-	-	40,027	-	-	40,027
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(459,987)	(459,987)
Interest of hybrid bonds	-	-	-	-	-	(11,109)	(11,109)
Disposal of treasury shares	-	1	-	-	6	-	7
Balance as of March 31, 2017	₩ 482,403	1,156,304	996,919	324,267	(1,533,462)	43,309,443	44,735,874
Balance as of January 1, 2018	₩ 482,403	1,156,429	996,919	233,390	(1,533,054)	44,605,368	45,941,455
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(883)	(883)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(321,654)	-	321,602	(52)
Adjusted balance as of January 1, 2018	482,403	1,156,429	996,919	(88,264)	(1,533,054)	44,926,087	45,940,520
Comprehensive income:							
Profit	-	-	-	-	-	768,737	768,737
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(1,212)	(1,212)
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(41,786)	-	1,634	(40,152)
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	-	(279,999)	(279,999)
Interest of hybrid bonds	-	-	-	-	-	(10,631)	(10,631)
Disposal of treasury shares	-	9	-	-	15	-	24
Balance as of March 31, 2018	₩ 482,403	1,156,438	996,919	(130,050)	(1,533,039)	45,404,616	46,377,287

See accompanying notes to the condensed separate interim financial statements.

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Condensed Separate Interim Statements of Cash Flows

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

(Unaudited)

(in millions of Won)

	Notes	March 31, 2018	March 31, 2017
Cash flows from operating activities			
Profit	₩	768,737	839,637
Adjustments for :			
Expenses related to post-employment benefit		28,948	26,455
Depreciation		523,686	518,197
Amortization		16,219	21,295
Finance income		(173,559)	(274,056)
Finance costs		102,849	198,551
Loss on valuation of inventories		1,410	3,595
Gain on disposal of property, plant and equipment		(3,578)	(4,543)
Loss on disposal of property, plant and equipment		13,543	23,359
Impairment losses on property, plant and equipment		16,264	5,562
Gain on disposal of intangible assets		(28,600)	(6,496)
Impairment losses on investments in subsidiaries, associates and joint ventures		34,207	-
Reversal of impairment losses on investments in subsidiaries, associates and joint ventures		-	(225,860)
Impairment loss on assets held for sale		3,034	-
Increase to provisions		42,028	238
Income tax expense		284,411	231,023
Others, net		(1,399)	(659)
Changes in operating assets and liabilities	34	(341,734)	(751,962)
Interest received		29,977	18,342
Interest paid		(13,918)	(14,126)
Dividends received		27,549	17,535
Income taxes paid		(4,967)	(127,681)
Net cash provided by operating activities	₩	1,325,107	498,406

See accompanying notes to the condensed separate interim financial statements.

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

(in millions of Won)

	Notes	March 31, 2018	March 31, 2017
Cash flows from investing activities			
Decrease in deposits	₩	434,811	94,844
Proceeds from disposal of short-term financial instruments		5,811,196	4,119,603
Proceeds from disposal of long-term financial instruments		-	1
Proceeds from disposal of equity securities		1,902	-
Proceeds from disposal of other securities		1,379	-
Proceeds from disposal of available-for-sale investments		-	7,425
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		-	-
Proceeds from disposal of intangible assets		-	6,498
Proceeds from disposal of assets held for sale		-	450
Increase in deposits		(782,614)	(255,543)
Acquisitions of short-term financial investments		(6,395,350)	(3,773,200)
Payment of short-term loans		(2,950)	-
Acquisitions of debt securities		(186)	-
Acquisitions of available-for-sale investments		-	(3,300)
Acquisitions of investment in subsidiaries, associates and joint ventures		(3,975)	(6,285)
Acquisitions of property, plant and equipment		(372,762)	(369,505)
Proceeds from disposal of property, plant and equipment		(1,876)	(12,932)
Acquisitions of intangible asstes		(11,425)	(35,777)
Net cash used in investing activities	₩	(1,321,850)	(227,721)
Cash flows from financing activities			
Proceeds from borrowings		91,426	56,050
Increase in long-term financial liabilities		78	608
Repayment of borrowings		(1,590)	(71,752)
Decrease in long-term financial liabilities		(2,537)	(2,671)
Payment of cash dividends		(9)	(10)
Payment of interest of hybrid bonds		(10,751)	(10,751)
Net cash used in financing activities	₩	76,617	(28,526)
Effect of exchange rate fluctuation on cash held		-	59
Net increase in cash and cash equivalents		79,874	242,218
Cash and cash equivalents at beginning of the period		332,405	120,529
Cash and cash equivalents at end of the period	₩	412,279	362,747

See accompanying notes to the condensed separate interim financial statements.

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

1. Reporting Entity

POSCO (the “Company”) is the largest steel producer in Korea which was incorporated on April 1, 1968, to manufacture and sell steel rolled products and plates in the domestic and overseas markets.

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

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

2. Statement of Compliance

Statement of compliance

The condensed separate 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 separate 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 separate financial statements as of and for the year ended December 31, 2017. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No. 1027 “Separate Financial Statements” presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

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

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

The preparation of the condensed 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

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

and expenses. Actual results may differ from these estimates.

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1115 "Revenue from Contracts with Customers" and K-IFRS No. 1109 "Financial Instruments", which are described in Note 3.

(b) Measurement of fair value

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

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

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

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

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

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

Information about the assumptions made in measuring fair value is included in Note 20.

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

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 separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2017.

Changes in Accounting Policies

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

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

- identify the shipping services included in certain sales contracts as a separate performance obligation
- estimate variable consideration such as sales discount
- change in classification and subsequent measurement of financial assets.
- increase in impairment loss on financial assets

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

K-IFRS No. 1115 "Revenue from Contracts with Customers" provides a unified five-step model for determining the timing, measurement and recognition of revenue. It replaced previous revenue recognition guidance, including K-IFRS No. 1018 "Revenue", K-IFRS No. 1011 "Construction Contracts", K-IFRS No. 2031 "Revenue- Barter transactions involving advertising services", K-IFRS No. 2113 "Customer Loyalty Programs", K-IFRS No. 2115 "Agreements for the construction of real estate", and K-IFRS No. 2118 "Transfers of assets from customers".

The Company applied the modified retrospective approach by recognizing the cumulative impact of initially applying the revenue standard as of January 1, 2018, the date of initial application and the Company also decided to apply the practical expedients as allowed by K-IFRS No. 1115 by applying the new standard only to those contracts that are not considered as completed contracts at the date of initial application. Accordingly, the Company did not restate the financial statements for comparative periods.

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

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

(in millions of Won)

		Retained earnings
Shipping services included in the sales contract	₩	(510)
Variable consideration for sales discounts		(373)
	₩	<u>(883)</u>

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

1) Identification of performance obligations

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

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

2) Variable consideration

The Company provides a certain percentage of price discount, if an accounts receivable is collected earlier than a certain collection date. Under K-IFRS No. 1115, the Company estimates the amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. This change in relevant accounting policy resulted in decrease in revenue and increase in contract liabilities for the three-month period ended March 31, 2018.

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

3) Impacts of changes in accounting policies

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

(in millions of Won)

		As reported	Adjustments of K-IFRS No. 1115	Amounts without adoption of K-IFRS No. 1115
Condensed interim statements of financial position				
Current liabilities	₩	4,238,394	(1,071)	4,237,323
Others payables		1,052,221	18,343	1,070,564
Current income tax liabilities		606,296	218	606,514
Other current liabilities		85,731	(19,632)	66,099
Non-current liabilities		4,318,914	136	4,319,050
Deferred tax liabilities		1,281,531	136	1,281,667
Retained earnings		45,404,617	935	45,405,552
Condensed interim statements of comprehensive income				
Revenue	₩	7,760,890	4,549	7,765,439
Selling and administrative expenses		(454,917)	(4,477)	(459,394)
Profit before income tax		1,053,148	72	1,053,220
Income tax expense		(284,411)	(20)	(284,431)
Profit		768,737	52	768,789

(b) K-IFRS No. 1109 "Financial Instruments"

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

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

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

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

<i>(in millions of Won)</i>		Reserves	Retained earnings
Select to fair value through other comprehensive income in equity securities	₩	(321,654)	321,654
Recognition of expected credit losses		-	(52)
	₩	<u>(321,654)</u>	<u>321,602</u>

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

1) Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

(in millions of Won)

	Original classification under K-IFRS No. 1039	Original carrying amounts under K-IFRS No. 1039	New classification under K-IFRS No. 1109	New carrying amounts under K-IFRS No. 1109
Cash and cash equivalents	Loans and receivables	332,405	Amortized cost	332,405
Trade accounts and notes receivable(*1)	Loans and receivables	3,874,929	Amortized cost	3,874,859
Other receivables(*1)	Loans and receivables	162,313	Fair value through profit or loss	1,898
			Amortized cost	160,415
Equity securities(*2)	Available-for-sale financial assets	1,324,715	Fair value through other comprehensive income	1,324,715
Debt securities(*2)	Available-for-sale financial assets	10,305	Fair value through profit or loss	8,050
			Fair value through other comprehensive income	2,255
Other Securities(*2)	Available-for-sale financial assets	60,569	Fair value through profit or loss	60,569
Deposit instruments	Loans and receivables	666,112	Amortized cost	666,112
Short-term financial instruments	Loans and receivables	5,155,702	Fair value through profit or loss	5,155,702

(*1) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, loss allowance was increased by ₩ 70 million and retained earnings were decreased by ₩50 million.

(*2) As a result of the adoption of K-IFRS No. 1109, as of January 1, 2018, the date of initial application, with respect to equity securities determined fair value through other comprehensive income, reserves were decreased by ₩321,654 million and retained earnings were increased by ₩321,654 million.

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

2) Impairment of financial assets

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

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

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

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

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

As of January 1, 2018, the date of initial application, allowances for losses were increased by ₩70 million and retained earnings were decreased by ₩50 million under K-IFRS No. 1109 "Financial Instruments".

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

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published but are not mandatory for the Company for annual period beginning after January 1, 2018, and the Company has not early adopted them.

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

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

As a lessee, the Company shall apply this standard using one of the following two methods; (a) retrospectively to each prior reporting period presented in accordance with K-IFRS No. 1008 "Accounting Policies, Changes in Accounting Estimates and Errors" but using the practical expedients for completed contracts- i.e. completed contracts as of the beginning of the earliest prior period presented are not restated; or (b) retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

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

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

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

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

4. Trade Accounts and Notes Receivable

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Current			
Trade accounts and notes receivable	₩	4,253,115	3,886,950
Less: Allowance for doubtful accounts		(17,675)	(19,236)
	₩	<u>4,235,440</u>	<u>3,867,714</u>
Non-current			
Trade accounts and notes receivable	₩	14,085	18,586
Less: Present value discount		(3,393)	(5,107)
Less: Allowance for doubtful accounts		(1,373)	(705)
	₩	<u>9,319</u>	<u>12,774</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩175,836 million and ₩83,976 million as of March 31, 2018 and December 31, 2017, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and trade accounts and notes receivable are included in short-term borrowings from financial institutions (Note 14).

5. Other Receivables

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Current			
Loans	₩	2,950	-
Other accounts receivable		247,207	199,724
Others		27,485	22,476
Less: Allowance for doubtful accounts		(8,660)	(11,970)
	₩	<u>268,982</u>	<u>210,230</u>
Non-current			
Loans	₩	23,309	22,877
Long-term other accounts receivable		45,582	44,616
Others		2,704	2,896
Less: Allowance for doubtful accounts		(7,932)	(7,968)
	₩	<u>63,663</u>	<u>62,421</u>

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

6. Other Financial Assets

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

(in millions of Won)

		March 31, 2018	December 31, 2017
Current			
Derivative assets	₩	8,822	-
Debt securities		1,855	-
Available-for-sale securities (bonds)		-	2,305
Deposit instruments(*1)		1,013,881	666,080
Short-term financial instruments		5,739,857	5,155,702
	₩	<u>6,764,415</u>	<u>5,824,087</u>
Non-current			
Equity securities	₩	1,265,932	-
Debt securities		8,636	-
Other securities		60,069	-
Available-for-sale securities (equity instruments)		-	1,384,784
Available-for-sale securities (others)		-	8,500
Deposit instruments(*2)		32	32
	₩	<u>1,334,669</u>	<u>1,393,316</u>

(*1) As of March 31, 2018 and December 31, 2017, ₩6,881 million and ₩10,080 million, respectively, are restricted in relation to government assigned project.

(*2) The Company is required to provide deposits to maintain checking accounts and accordingly the withdrawal of these deposits is restricted.

(b) Equity securities as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

				March 31, 2018			December 31, 2017
	Number of shares	Ownership (%)		Acquisition cost	Fair value	Net changes in fair value of equity securities	Book value
Marketable equity securities							
Nippon Steel & Sumitomo Metal Corporation	15,698,500	1.65	₩	473,962	367,331	(106,631)	367,331
KB Financial group Inc.	3,863,520	0.92		178,839	234,516	55,677	234,516
Woori Bank	20,280,000	3.00		244,447	297,102	52,655	297,102
DONGKUK STEEL MILL CO., LTD	1,786,827	1.87		10,471	18,047	7,576	18,047
SAMWONSTEEL Co., Ltd.	5,700,000	14.25		8,930	18,326	9,396	18,326
DONGKUK INDUSTRIES COMPANY	2,611,989	4.82		11,911	9,821	(2,090)	9,821
Others (8 companies)				80,030	58,863	(21,167)	58,863
				<u>1,008,590</u>	<u>1,004,006</u>	<u>(4,584)</u>	<u>1,004,006</u>
Non-marketable equity securities							
Congonhas Minerios S.A.(*1)	3,658,394	2.02		221,535	179,107	(42,428)	179,107
Poongsan Special Metal Corp.(*2)	315,790	5.00		7,657	7,657	-	7,657
HANKUM.CO.LTD(*2)	21,000	4.99		4,599	4,599	-	4,599
Core-Industry Co., Ltd.(*2)	490,000	19.84		4,214	4,214	-	4,214
AJUSTEEL CO.,LTD(*2)	17,000	4.36		4,165	4,165	-	4,165
Others (37 companies)(*2,3)				194,551	62,184	(132,367)	62,184
				<u>436,721</u>	<u>261,926</u>	<u>(174,795)</u>	<u>261,926</u>
			₩	<u>1,445,311</u>	<u>1,265,932</u>	<u>(179,379)</u>	<u>1,265,932</u>

(*1) Fair value is based on an analysis performed by an external professional evaluation agency.

(*2) The Company has not performed fair value measurement for certain equity securities measured at fair value due to materiality consideration.

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

(*3) Other securities amounting to ₩60,069 million as of December 31, 2017 are included in book value which is classified as fair value measuring category from January 1, 2018, first application date of K-IFRS No. 1109 "Financial Instrument".

7. Inventories

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Finished goods	₩	795,391	927,413
Semi-finished goods		1,207,965	1,255,713
By-products		6,757	8,454
Raw materials		1,082,301	917,241
Fuel and materials		537,529	520,341
Materials-in-transit		900,783	916,255
Others		491	479
		4,531,217	4,545,896
Less: Allowance for inventories valuation		(1,410)	(2,363)
	₩	<u>4,529,807</u>	<u>4,543,533</u>

The amounts of loss valuation on inventories recognized within cost of sales during the three-month period ended March 31, 2018 and the year ended December 31, 2017 were ₩1,410 million and ₩2,363 million, respectively.

8. Assets Held for Sale

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Investments in subsidiaries(*1)	₩	30,802	34,153
Property, plant and equipment		231	392
	₩	<u>31,033</u>	<u>34,545</u>

(*1) During the year ended December 31, 2017, the Company determined to dispose part of the interest of POSCO Thainox Public Company Limited, subsidiary of the Company, and classified investments in subsidiaries as assets held for sale. The Company recognized ₩3,034 million of impairment loss from the difference between book value and net fair value of the interest, and finished disposal for part of it.

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

9. Investments in Subsidiaries, Associates and Joint ventures

(a) Details of subsidiaries and carrying amounts as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

(in millions of Won)					December 31,	
	Country	Principal operations	March 31, 2018		2017	
			Ownership (%)	Book value	Book value	
[Domestic]						
POSCO DAEWOO Corporation	Korea	Trading	62.90	₩ 3,610,164	3,610,164	
POSCO ENGINEERING & CONSTRUCTION CO.,LTD.	Korea	Engineering and construction	52.80	1,014,314	1,014,314	
POSCO ENERGY CO., LTD.	Korea	Power generation	89.02	658,176	658,176	
POSCO Processing&Service	Korea	Steel sales and trading	93.95	385,995	385,995	
POSCO COATED & COLOR STEEL Co., Ltd.	Korea	Coated steel manufacturing and sales	56.87	108,421	108,421	
POSCO Venture Capital Co., Ltd.	Korea	Investment in venture companies	95.00	103,780	103,780	
POSCO CHEMTECH	Korea	Refractory manufacturing and sales	60.00	100,535	100,535	
POSCO ES MATERIALS CO., LTD.	Korea	Secondary battery active material manufacturing and sales	75.32	83,309	83,309	
POSMATE	Korea	Business facility maintenance	83.83	73,374	73,374	
POSCO ICT	Korea	Computer hardware and software distribution	65.38	70,990	70,990	
POSCO M-TECH(*1)	Korea	Packing materials manufacturing and sales	48.85	50,857	50,857	
POSCO Family Strategy Fund	Korea	Investment in venture companies	69.91	32,457	32,457	
Busan E&E Co., Ltd.(*2)	Korea	Municipal solid waste fuel and power generation	70.00	30,148	30,148	
Others (11 companies)				215,155	215,155	
				6,537,675	6,537,675	
[Foreign]						
PT. KRAKATAU POSCO	Indonesia	Steel manufacturing and sales	70.00	813,431	813,431	
POSCO WA PTY LTD	Australia	Iron ore sales and mine development	100.00	632,386	631,625	
POSCO Maharashtra Steel Private Limited	India	Steel manufacturing and sales	100.00	722,569	722,569	
POSCO AUSTRALIA PTY LTD	Australia	Iron ore sales and mine development	100.00	330,623	330,623	
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	58.60	283,845	283,845	
POSCO Thainox Public Company Limited	Thailand	Stainless steel manufacturing and sales	84.78	416,612	416,612	
POSCO SS VINA Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	241,426	241,426	
POSCO-China Holding Corp.	China	Investment management	100.00	240,430	240,430	
POSCO-India Private Limited	India	Steel manufacturing and sales	99.99	75,567	75,567	
POSCO MEXICO S.A. DE C.V.	Mexico	Plate steel manufacturing and sales	84.84	180,072	180,072	
POSCO America Corporation	USA	Steel trading	99.45	192,156	192,156	
POSCO-VIETNAM Co., Ltd.	Vietnam	Steel manufacturing and sales	100.00	160,572	160,572	
POSCO VST CO., LTD.	Vietnam	Stainless steel manufacturing and sales	95.65	144,573	144,573	
POSCO(Guangdong) Automotive Steel Co., Ltd.	China	Plate steel manufacturing and sales	83.64	130,751	130,751	
POSCO COATED STEEL (THAILAND) CO., LTD.	Thailand	Plate steel manufacturing and sales	100.00	121,592	121,592	
POSCO Asia Co., Ltd.	Hong Kong	Steel and raw material trading	100.00	117,710	117,710	
POSCO ASSAN TST STEEL INDUSTRY	Turkey	Steel manufacturing and sales	60.00	92,800	92,800	
POSCO JAPAN Co., Ltd.	Japan	Steel trading	100.00	68,436	68,436	
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing and sales	70.00	65,982	65,982	
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and sales	90.00	62,494	62,494	
POSCO AFRICA (PROPRIETARY) LIMITED	South Africa	Mine development	100.00	50,297	50,297	
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and sales	81.79	45,479	45,479	
POSCO(Guangdong) Coated Steel Co., Ltd.	China	Plate steel sheet manufacturing and sales	87.04	31,299	31,299	
Others (28 companies)				374,956	371,742	
				5,596,058	5,592,083	
				₩ 12,133,733	12,129,758	

(*1) POSCO M-TECH was classified as an investment in a subsidiary as the Company has more than half of the voting rights by virtue of an agreement with Pohang University of Science and Technology, which has 4.72% of ownership in POSCO M-TECH.

(*2) As of March 31, 2018 and December 31, 2017 the investment in a subsidiary amounting to ₩30,148 million was provided as collateral in relation to the loan agreements of Busan E&E Co., Ltd.

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

(b) Details of associates and carrying amounts as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

(in millions of Won)					December 31,	
	Country	Principal operations	March 31, 2018		2017	
			Ownership (%)	Book value	Book value	
[Domestic]						
EQP POSCO Global NO1 Natural Resources						
Private Equity Fund	Korea	Mine investment	29.50	₩	169,316	169,316
SNNC	Korea	STS material manufacturing and sales	49.00		100,655	100,655
					19,052	19,052
Others (6 companies)					289,023	289,023
[Foreign]						
Nickel Mining Company SAS	New Caledonia	Raw material manufacturing and sales	49.00		189,197	189,197
7623704 Canada Inc.(*1)	Canada	Mine investment	10.40		124,341	124,341
Zhongyue POSCO (Qinhuangdao)						
Tinplate Industrial Co., Ltd	China	Tinplate manufacturing and sales	24.00		11,003	11,003
Others (4 companies)					25,655	25,665
					350,196	350,206
				₩	639,219	639,229

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

(c) Details of joint ventures and carrying amounts as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)

	Country	Principal operations	March 31, 2018		December 31,
			Ownership (%)	Book value	2017
Roy Hill Holdings Pty Ltd(*1)	Australia	Mine development	10.00	₩ 1,225,464	1,225,464
CSP - Companhia Siderurgica do Pecem(*2)	Brazil	Steel manufacturing and sales	20.00	539,253	573,830
POSCO-NPS Niobium LLC	USA	Mine development	50.00	364,609	364,609
KOBRASCO	Brazil	Steel materials manufacturing and sales	50.00	98,962	98,962
Others (3 companies)				67,004	67,004
				₩ 2,295,292	2,329,869

(*1) As of March 31, 2018 and December 31, 2017, the investments in joint ventures amounting to ₩1,225,464 million were provided as collateral in relation to loans from project financing of Roy Hill Holdings Pty Ltd.

(*2) As of March 31, 2018, the Company performed impairment test on shares of CSP-Companhia Siderurgica do Pecem due to evidences of impairment including continuous loss. Recoverable amount of the share is determined based on its value in use which is estimated from the present value of estimated future cash flows discounted at 9.27%. As a result of impairment test, the Company has recognized an impairment loss amounting to ₩34,207 million since recoverable amount on shares of CSP is significantly less than its carrying amount.

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

10. Investment Property, Net

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

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

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	38,035	-	1,023	39,058
Buildings		49,793	(876)	1,234	50,151
Structures		9,479	(155)	100	9,424
	₩	<u>97,307</u>	<u>(1,031)</u>	<u>2,357</u>	<u>98,633</u>

(*1) The useful life and depreciation method of investment property are identical to those of property, plant and equipment.

(*2) Mainly includes assets transferred from property, plant and equipment in relation to change in rental ratio and the purpose of use.

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Depreciation(*1)	Transfer(*2)	Ending
Land	₩	34,213	-	3,822	38,035
Buildings		46,437	(3,308)	6,664	49,793
Structures		5,646	(585)	4,418	9,479
	₩	<u>86,296</u>	<u>(3,893)</u>	<u>14,904</u>	<u>97,307</u>

(*1) The useful life and depreciation method of investment property are identical to those of property, plant and equipment.

(*2) Mainly includes assets transferred from property, plant and equipment in relation to change in rental ratio and the purpose of use.

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

11. Property, Plant and Equipment, Net

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

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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,474,993	-	(958)	-	-	(1,020)	1,473,015
Buildings		2,334,399	400	(630)	(52,747)	-	14,227	2,295,649
Structures		2,352,008	265	(133)	(46,682)	-	6,207	2,311,665
Machinery and equipment		13,437,338	4,741	(4,509)	(414,689)	(16,264)	236,881	13,243,498
Vehicles		7,047	35	-	(1,514)	-	1	5,569
Tools		21,115	884	-	(2,671)	-	1,431	20,759
Furniture and fixtures		31,050	227	(6)	(2,200)	-	(856)	28,215
Finance lease assets		72,105	57,299	-	(2,152)	-	-	127,252
Construction-in-progress		1,831,215	345,733	-	-	-	(264,824)	1,912,124
	₩	<u>21,561,270</u>	<u>409,584</u>	<u>(6,236)</u>	<u>(522,655)</u>	<u>(16,264)</u>	<u>(7,953)</u>	<u>21,417,746</u>

(*1) The Company has recognized an impairment loss since recoverable amount on Fe powder factory is less than its carrying amount for the three-month period ended March 31, 2018.

(*2) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, assets transferred to investment properties, and others.

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation	Impairment(*1)	Others(*2)	Ending
Land	₩	1,472,419	-	(4,970)	-	-	7,544	1,474,993
Buildings		2,451,009	2,324	(4,129)	(217,381)	-	102,576	2,334,399
Structures		2,464,391	5,712	(1,876)	(188,449)	(29)	72,259	2,352,008
Machinery and equipment		13,577,042	71,692	(77,575)	(1,649,668)	(17,619)	1,533,466	13,437,338
Vehicles		11,316	521	-	(7,117)	-	2,327	7,047
Tools		23,244	3,891	(8)	(11,289)	(3)	5,280	21,115
Furniture and fixtures		33,890	3,793	(29)	(9,063)	-	2,459	31,050
Finance lease assets		77,848	-	-	(5,743)	-	-	72,105
Construction-in-progress		2,146,250	1,513,388	-	-	-	(1,828,423)	1,831,215
	₩	<u>22,257,409</u>	<u>1,601,321</u>	<u>(88,587)</u>	<u>(2,088,710)</u>	<u>(17,651)</u>	<u>(102,512)</u>	<u>21,561,270</u>

(*1) The Company has recognized impairment losses since recoverable amount on Fe powder factory and ULPC facilities were less than their carrying amount for the year ended December 31, 2017.

(*2) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment, assets transferred to investment properties, and others.

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

12. Intangible Assets, Net

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

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

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Transfer(*2)	Ending
Intellectual property rights	₩	24,177	-	(112)	(1,181)	985	23,869
Membership(*1)		48,277	-	-	-	-	48,277
Development expense		74,805	-	-	(7,877)	7,367	74,295
Port facilities usage rights		310,039	-	-	(5,417)	-	304,622
Construction-in-progress		55,292	8,757	-	-	(11,581)	52,468
Other intangible assets		15,484	28,600	-	(1,744)	6,529	48,869
	₩	<u>528,074</u>	<u>37,357</u>	<u>(112)</u>	<u>(16,219)</u>	<u>3,300</u>	<u>552,400</u>

(*1) Economic useful life of memberships is indefinite.

(*2) Represents assets transferred from construction-in-progress to intangible assets and assets transferred from property, plant and equipment, and others.

(b) For the year ended December 31, 2017

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Amortization	Impairment(*2)	Transfer(*3)	Ending
Intellectual property rights	₩	22,671	-	(447)	(4,339)	-	6,292	24,177
Membership(*1)		48,512	-	(235)	-	-	-	48,277
Development expense		102,785	2,021	-	(61,037)	-	31,036	74,805
Port facilities usage rights		257,348	-	-	(19,990)	-	72,681	310,039
Construction-in-progress		52,925	62,200	-	-	-	(59,833)	55,292
Other intangible assets		24,649	1,573	(2)	(6,237)	(11,822)	7,323	15,484
	₩	<u>508,890</u>	<u>65,794</u>	<u>(684)</u>	<u>(91,603)</u>	<u>(11,822)</u>	<u>57,499</u>	<u>528,074</u>

(*1) Economic useful life of membership is indefinite.

(*2) The Company has recognized impairment losses on some other intangible assets since the recoverable amounts were less than carrying amounts.

(*3) Represents assets transferred from construction-in-progress to intangible assets and assets transferred from property, plant and equipment, and others.

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

13. Other Assets

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Current			
Advance payments	₩	7,087	7,156
Prepaid expenses		43,028	20,751
	₩	50,115	27,907
Non-current			
Long-term prepaid expenses	₩	5,426	5,395
Others(*1)		92,424	92,424
	₩	97,850	97,819

(*1) As of March 31, 2018 and December 31, 2017, the Company recognized tax assets amounting to ₩88,633 million based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years tax audits that were finalized and claim for rectification are finalized.

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

14. Borrowings

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

(in millions of Won)		March 31, 2018	December 31, 2017
Short-term borrowings			
Short-term borrowings	₩	475,836	383,976
Current portion of long-term borrowings		1,500	2,715
Current portion of debentures		870,584	849,644
Less: Current portion of discount on debentures issued		(466)	(628)
	₩	<u>1,347,454</u>	<u>1,235,707</u>
Long-term borrowings			
Long-term borrowings	₩	1,089	1,468
Debentures		2,673,319	2,672,327
Less: Discount on debentures issued		(7,647)	(8,278)
	₩	<u>2,666,761</u>	<u>2,665,517</u>

(b) Short-term borrowings as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)		Lenders	Issuance date	Maturity date	Annual interest rate (%)	March 31, 2018	December 31, 2017
Short-term borrowings		Korea Development Bank	2017.12.11	2018.05.11	2.14	₩ 300,000	300,000
Transfers of account receivables that do not qualify for derecognition		-	-	-	-	175,836	83,976
						₩ <u>475,836</u>	<u>383,976</u>

(c) Current portion of long-term borrowings as of March 31, 2018 and December 31, 2017 are as follows:

(in millions of Won)		Lenders	Issuance date	Maturity date	Annual interest rate (%)	March 31, 2018	December 31, 2017
Borrowings		Woori Bank	2011.04.28	2019.03.15	1.75	₩ 1,500	2,715
Debentures		Domestic debentures 304-1 and others	2011.11.28~ 2013.10.04	2018.10.04~ 2018.11.28	3.35~4.05	469,817	469,736
Foreign debentures		Samurai Bond 13	2013.12.11	2018.12.10	1.35	400,301	379,280
						₩ <u>871,618</u>	<u>851,731</u>

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

(in millions of Won)		Lenders	Issuance date	Maturity date	Annual interest rate (%)	March 31, 2018	December 31, 2017
Borrowings		-	-	-	-	₩ -	375
Foreign borrowings		KOREA ENERGY AGENCY	2007.12.27~ 2008.12.29	2022.12.29	3 year Government bond	1,089	1,093
Debentures		Domestic debentures 304-2 and others	2011.11.28~ 2016.05.03	2019.05.03~ 2023.10.04	1.76~4.12	1,028,424	1,028,258
Foreign debentures		Japan Yen private bond and others	2010.10.28~ 2011.12.22	2020.10.28~ 2021.12.22	2.70~5.25	1,637,248	1,635,791
						₩ <u>2,666,761</u>	<u>2,665,517</u>

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

15. Other Payables

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

(in millions of Won)

		March 31, 2018	December 31, 2017
Current			
Accounts payable	₩	369,519	460,427
Accrued expenses		368,383	379,797
Dividend payable		284,541	4,671
Finance lease liabilities		7,630	6,003
Withholdings		22,148	11,637
	₩	<u>1,052,221</u>	<u>862,535</u>
Non-current			
Accrued expenses	₩	5,648	9,625
Finance lease liabilities		119,691	65,500
Long-term withholdings		3,341	3,356
	₩	<u>128,680</u>	<u>78,481</u>

16. Other Financial Liabilities

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

(in millions of Won)

		March 31, 2018	December 31, 2017
Current			
Derivative liabilities	₩	-	9,632
Financial guarantee liabilities		13,378	13,532
	₩	<u>13,378</u>	<u>23,164</u>
Non-current			
Derivative liabilities	₩	98,393	74,834
Financial guarantee liabilities		51,885	54,342
	₩	<u>150,278</u>	<u>129,176</u>

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

17. Provisions

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

(in millions of Won)

		March 31, 2018		December 31, 2017	
		Current	Non-current	Current	Non-current
Provision for bonus payments(*1)	₩	2,178	-	5,893	-
Provision for restoration(*2)		12,940	16,036	12,273	17,198
Provision for litigation(*3)		-	2,052	-	2,052
Emission liabilities(*4)		-	41,838	-	-
	₩	<u>15,118</u>	<u>59,926</u>	<u>18,166</u>	<u>19,250</u>

(*1) Represents the provision for bonuses limited to 100% of annual salaries for executives.

(*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery as provisions for restoration as of March 31, 2018. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied discount rates of 2.81% to measure present value of these costs.

(*3) The Company has recognized provisions for certain litigations as of March 31, 2018.

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

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

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

(in millions of Won)

		Beginning	Increase	Utilization	Ending
Provision for bonus payments	₩	5,893	5,742	(9,457)	2,178
Provision for restoration		29,471	190	(685)	28,976
Provision for litigation		2,052	-	-	2,052
Emission liabilities		-	41,838	-	41,838
	₩	<u>37,416</u>	<u>47,770</u>	<u>(10,142)</u>	<u>75,044</u>

2) For the year ended December 31, 2017

(in millions of Won)

		Beginning	Increase	Reversal	Utilization	Ending
Provision for bonus payments	₩	3,985	22,300	-	(20,392)	5,893
Provision for restoration		37,178	822	-	(8,529)	29,471
Provision for litigation		2,497	-	(419)	(26)	2,052
	₩	<u>43,660</u>	<u>23,122</u>	<u>(419)</u>	<u>(28,947)</u>	<u>37,416</u>

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

18. Employee Benefits

(a) Defined contribution plans

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

<i>(in millions of Won)</i>		March 31, 2018	March 31, 2017
Expense related to post-employment benefit plans under defined contribution plans	₩	7,285	5,954

(b) Defined benefit plans

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Present value of funded obligations	₩	1,092,900	1,108,876
Fair value of plan assets		(1,075,139)	(1,108,833)
Net defined benefit liabilities	₩	17,761	43

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Defined benefit obligation at the beginning of period	₩	1,108,876	1,065,255
Current service costs		29,411	115,113
Interest costs		6,979	19,468
Remeasurement		-	25,425
Amount Transferred From Associate		221	-
Benefits paid		(52,587)	(116,385)
Defined benefit obligation at the end of period	₩	1,092,900	1,108,876

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

<i>(in millions of Won)</i>		March 31, 2018	December 31, 2017
Fair value of plan assets at the beginning of period	₩	1,108,833	1,146,876
Interest on plan assets		7,442	31,697
Remeasurement of plan assets		(1,672)	(11,643)
Contributions to plan assets		-	49,963
Benefits paid		(39,464)	(108,060)
Fair value of plan assets at the end of period	₩	1,075,139	1,108,833

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

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

<i>(in millions of Won)</i>	March 31, 2018	March 31, 2017
Current service costs	₩ 29,411	29,512
Net interest costs	(463)	(3,057)
	₩ 28,948	26,455

19. Other Liabilities

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

<i>(in millions of Won)</i>	March 31, 2018	December 31, 2017
Current		
Advances received	₩ 30,825	27,358
Withholdings	32,277	25,556
Unearned revenue	22,629	1,487
	₩ 85,731	54,401
Non-current		
Unearned revenue	₩ 13,977	14,292

POSCO

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

20. Financial Instruments

(a) Classification and fair value of financial instruments

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

① March 31, 2018

(in millions of Won)

(in millions of Won)

		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss(*1)					
Derivative assets	₩ 8,822	-	8,822	-	8,822
Short-term financial instruments	5,739,857	-	5,739,857	-	5,739,857
Debt securities	8,050	-	-	-	-
Other securities	60,069	-	-	49,708	49,708
Other receivables	1,942	-	-	-	-
Fair value through other comprehensive income(*1)					
Equity securities	1,265,932	1,004,006	-	179,107	1,183,113
Debt securities	2,441	-	-	-	-
Financial assets measured at amortized cost(*2)					
Cash and cash Equivalents	412,279	-	-	-	-
Trade accounts and notes receivable	4,237,811	-	-	-	-
Other receivables	257,815	-	-	-	-
Deposit instruments	1,013,913	-	-	-	-
	₩ 13,008,931	1,004,006	5,748,679	228,815	6,981,500
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 98,393	-	98,393	-	98,393
Financial liabilities measured at amortized cost(*2)					
Trade accounts and notes payable	1,118,196	-	-	-	-
Borrowings	4,014,215	-	4,156,626	-	4,156,626
Financial guarantee liabilities	65,263	-	-	-	-
Others	1,177,070	-	-	-	-
	₩ 6,473,137	-	4,255,019	-	4,255,019

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

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

② December 31, 2017

(in millions of Won)

(in millions of Won)

			Fair value			
	Book value		Level 1	Level 2	Level 3	Total
Financial assets						
Available-for-sale financial assets(*1)	₩ 1,395,589		1,096,288	-	195,102	1,291,390
Loans and receivables(*2)						
Cash and cash Equivalents	332,405	-	-	-	-	-
Trade accounts and notes receivable	3,874,929	-	-	-	-	-
Loans and other receivables	5,984,127	-	-	-	-	-
	₩ 11,587,050		1,096,288	-	195,102	1,291,390
Financial liabilities						
Financial liabilities at fair value through profit or loss						
Derivative liabilities held for trading	₩ 84,466	-	84,466	-	84,466	
Financial liabilities measured at amortized cost(*2)						
Trade accounts and notes payable	1,025,027	-	-	-	-	-
Borrowings	3,901,224	-	4,041,204	-	4,041,204	
Financial guarantee liabilities	67,874	-	-	-	-	-
Others	932,405	-	-	-	-	-
	₩ 6,010,996	-	4,125,670	-	4,125,670	

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

POSCO

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

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

- 2) Financial liabilities were recognized in connection with financial guarantee contracts as of March 31, 2018. The details of the amount of guarantees provided are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount	
		Foreign currency	Won equivalent	Foreign currency	Won equivalent
Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMU	CNY 260,500,000	44,202	234,450,000	39,781
	Credit Agricole	CNY 305,000,000	51,752	274,500,000	46,577
	SMBC	CNY 195,000,000	33,088	175,500,000	29,779
POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea	USD 193,000,000	205,835	91,300,000	97,371
	HSBC	USD 110,000,000	117,315	43,000,000	45,860
	DBS	USD 100,000,000	106,650	50,000,000	53,325
	SCB	USD 106,853,000	113,959	54,318,500	57,931
	Citi	USD 60,000,000	63,990	18,000,000	19,197
	ING	USD 80,000,000	85,320	53,000,000	56,525
POSCO ASSAN TST STEEL INDUSTRY	SMBC	USD 62,527,500	66,686	56,274,750	60,017
	ING	USD 60,000,000	63,990	54,000,000	57,591
	BNP	USD 24,000,000	25,596	21,600,000	23,036
POSCO Asia Co., Ltd.	BOC	USD 50,000,000	53,325	50,000,000	53,325
POSCO MEXICO S.A. DE C.V.	BOA	USD 30,000,000	31,995	30,000,000	31,995
	BTMU	USD 30,000,000	31,995	30,000,000	31,995
	CITI BANAMEX	USD 40,000,000	42,660	40,000,000	42,660
	ING	USD 20,000,000	21,330	20,000,000	21,330
	SMBC	USD 40,000,000	42,660	40,000,000	42,660
POSCO SS VINA Co., Ltd.	Export-Import Bank of Korea	USD 249,951,050	266,573	221,975,545	236,737
	BOA	USD 40,000,000	42,660	35,488,000	37,848
	BTMU	USD 40,000,000	42,660	35,488,000	37,848
	DBS	USD 24,400,000	26,023	21,647,680	23,087
POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD 196,000,000	209,034	196,000,000	209,034
PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD 567,000,000	604,706	500,314,957	533,586
	SMBC	USD 140,000,000	149,310	123,722,261	131,950
	BTMU	USD 119,000,000	126,914	103,478,261	110,360
	SCB	USD 107,800,000	114,969	95,722,261	102,088
	MIZUHO	USD 105,000,000	111,983	91,304,348	97,376
	Credit Suisse AG	USD 91,000,000	97,052	79,130,435	84,393
	HSBC	USD 91,000,000	97,052	79,130,435	84,393
	ANZ	USD 73,500,000	78,388	65,896,174	70,278
	BOA	USD 35,000,000	37,328	30,434,783	32,459
	The Tokyo Star Bank, Ltd	USD 21,000,000	22,397	18,260,870	19,475
POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & Co.	THB 5,501,000,000	187,749	5,501,000,000	187,749
LLP POSUK Titanium	SMBC	USD 15,000,000	15,998	15,000,000	15,998
CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea	USD 182,000,000	194,103	182,000,000	194,103
	Santander	USD 47,600,000	50,765	47,600,000	50,765
	BNP	USD 47,600,000	50,765	47,600,000	50,765
	MIZUHO	USD 47,600,000	50,765	47,600,000	50,765
	Credit Agricole	USD 20,000,000	21,330	20,000,000	21,330
	SOCIETE GENERALE	USD 20,000,000	21,330	20,000,000	21,330
	KfW	USD 20,000,000	21,330	20,000,000	21,330
	BBVA Seoul	USD 17,600,000	18,770	17,600,000	18,770
	ING	USD 17,600,000	18,770	17,600,000	18,770
	BNDES	BRL 464,060,000	149,752	464,060,000	149,752
Nickel Mining Company SAS	SMBC	EUR 46,000,000	60,350	37,000,000	48,542
		USD 3,342,031,550	3,564,281	2,784,487,260	2,969,656
		CNY 760,500,000	129,042	684,450,000	116,137
		EUR 46,000,000	60,350	37,000,000	48,542
		THB 5,501,000,000	187,749	5,501,000,000	187,749
		BRL 464,060,000	149,752	464,060,000	149,752

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

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

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

(in millions of Won)

	Finance income and costs						Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on valuation	Others	Total	
Financial assets at fair value through profit or loss	₩ 32,040	-	-	18,454	-	50,494	-
Financial assets at fair value through other comprehensive income	-	25,763	-	-	-	25,763	(40,152)
Financial assets measured at amortized cost	3,630	-	2,018	-	-	5,648	-
Financial liabilities at fair value through profit or loss	-	-	-	(23,560)	-	(23,560)	-
Financial liabilities measured at amortized cost	(30,361)	-	(16,032)	-	2,710	(43,683)	-
₩	5,309	25,763	(14,014)	(5,106)	2,710	14,662	(40,152)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩75,546 million for the three-month period ended March 31, 2018.

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

(in millions of Won)

	Finance income and costs						Other comprehensive income (loss)
	Interest income (expense)	Dividend income(*1)	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Financial assets at fair value through profit or loss	₩ -	-	-	-	-	(74,971)	-
Available-for-sale financial assets	14	16,748	-	(819)	(720)	-	40,027
Loans and receivables	19,571	-	(106,939)	-	-	(205)	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(32,091)	-
Financial liabilities at amortized cost	(27,981)	-	212,719	-	-	2,362	-
₩	(8,396)	16,748	105,780	(819)	(720)	(104,905)	40,027

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries, associates and joint ventures of ₩71,462 million for the three-month period ended March 31, 2017.

(b) Financial risk management

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

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

21. Share Capital and Capital Surplus

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

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

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

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

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

<i>(in millions of Won)</i>	March 31, 2018	December 31, 2017
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,923	783,914
Loss from merger	(91,310)	(91,310)
	₩ 1,156,438	1,156,429

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

22. Hybrid Bonds

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

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

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

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

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

23. Reserves

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

<i>(in millions of Won)</i>	March 31, 2018	December 31, 2017
Changes in fair value of equity investments at fair value through other comprehensive income	₩ (130,050)	-
Changes in unrealized fair value of available-for-sale investments	-	233,390
	<u>₩ (130,050)</u>	<u>233,390</u>

24. Treasury Shares

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

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

25. Revenue

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

<i>(in millions of Won)</i>		March 31, 2018	March 31, 2017
Types of revenue			
Sales of steel product	₩	7,532,616	7,006,972
Transportation services		172,655	-
Others		55,619	60,474
	₩	<u>7,760,890</u>	<u>7,067,446</u>
Timing of revenue recognition			
Revenue recognized at a point in time	₩	7,575,043	7,053,807
Revenue recognized over time		185,847	13,639
	₩	<u>7,760,890</u>	<u>7,067,446</u>

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

<i>(in millions of Won)</i>		March 31, 2018	The date of initial application (January 1, 2018)
Receivables			
Account receivables	₩	4,237,811	3,874,859
Contract assets			
Account receivables		6,948	5,559
Contract liabilities			
Advance received		30,825	27,358
Unearned income		36,575	30,735

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

26. Selling and Administrative Expenses

(a) Other administrative expenses

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

<i>(in millions of Won)</i>	March 31, 2018	March 31, 2017
Wages and salaries	₩ 67,935	64,707
Expenses related to post-employment benefits	9,577	10,245
Other employee benefits	15,320	11,418
Travel	2,628	2,789
Depreciation	3,835	4,484
Amortization	6,998	14,089
Rental	13,221	11,675
Repairs	3,058	1,502
Advertising	25,950	21,164
Research & development	16,427	21,957
Service fees	40,181	36,542
Supplies expenses	911	985
Vehicles maintenance	25	1,480
Industry association fee	1,774	1,733
Training	4,067	4,512
Conference	1,324	1,082
Others	7,053	6,715
	<u>₩ 220,284</u>	<u>217,079</u>

(b) Selling expenses

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

<i>(in millions of Won)</i>	March 31, 2018	March 31, 2017
Freight and custody expenses	₩ 211,839	195,277
Operating expenses for distribution center	2,400	2,412
Sales commissions	15,588	11,120
Sales advertising	455	272
Sales promotion	1,050	1,124
Sample	403	127
Sales insurance premium	1,074	1,997
	<u>₩ 232,809</u>	<u>212,329</u>

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

27. Finance Income and Costs

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

(in millions of Won)

		March 31, 2018	March 31, 2017
Finance income			
Interest income(*1)	₩	35,670	19,585
Dividend income		101,309	88,210
Gain on foreign currency transactions		50,106	68,458
Gain on foreign currency translations		15,041	163,884
Gain on valuation of derivatives		18,454	-
Others		3,085	2,377
	₩	<u>223,665</u>	<u>342,514</u>
Finance costs			
Interest expenses	₩	30,361	27,981
Loss on foreign currency transactions		30,233	64,594
Loss on foreign currency translations		48,928	61,968
Loss on valuation of derivatives		23,560	107,063
Loss on disposal of available-for-sale investments		-	819
Impairment loss on available-for-sale investments		-	720
Others		375	220
	₩	<u>133,457</u>	<u>263,365</u>

(*1) Interest income calculated using the effective interest method for the three-month periods ended March 31, 2018 and 2017 were ₩3,706 million and ₩4,681 million, respectively.

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

28. Other Non-Operating Income and Expenses

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

(in millions of Won)

	March 31, 2018	March 31, 2017
Other non-operating income		
Gain on disposals of property, plant and equipment	₩ 3,578	4,543
Gain on disposals of intangible assets	28,600	6,496
Reversal of impairment losses on investments in subsidiaries, associates and joint ventures	-	225,860
Others	12,185	7,035
	<u>₩ 44,363</u>	<u>243,934</u>
Other non-operating expenses		
Loss on disposals of property, plant and equipment	₩ 13,543	23,359
Impairment losses on property, plant and equipment	16,264	5,562
Impairment losses on investments in subsidiaries, associates and joint ventures	34,207	-
Impairment loss on assets held for sale	3,034	-
Donations	14,321	15,320
Others	19,315	3,619
	<u>₩ 100,684</u>	<u>47,860</u>

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

29. Expenses by Nature

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

<i>(in millions of Won)</i>	March 31, 2018	March 31, 2017
Changes in inventories(*1)	₩ 180,514	(124,576)
Raw materials and consumables used	4,117,265	4,038,041
Employee benefits expenses	489,440	415,778
Outsourced processing cost	586,348	513,197
Depreciation(*2)	523,686	518,197
Amortization	16,219	21,295
Electricity and water expenses	168,321	168,754
Service fees	58,109	54,651
Rental	20,252	17,802
Advertising	25,950	21,164
Freight and custody expenses	211,839	195,277
Sales commissions	15,588	11,120
Loss on disposals of property, plant and equipment	13,543	23,359
Impairment losses on investments in subsidiaries, associates and joint ventures	34,207	-
Others	387,282	445,810
	₩ 6,848,563	6,319,869

(*1) Changes in inventories are the changes in products, semi-finished products and by-products.

(*2) Includes depreciation of investment property.

30. Income Taxes

The effective tax rates of the Company for the three-month periods ended March 31, 2018 and 2017 were 27.01 % and 21.58 %, respectively.

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

31. Earnings per Share

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

<i>(in Won, except share information)</i>	March 31, 2018	March 31, 2017
Profit for the period	₩ 768,736,732,509	839,636,930,840
Interests of hybrid bonds, net of tax	(7,707,643,835)	(8,420,653,151)
Weighted-average number of common shares outstanding(*1)	79,999,659	79,997,687
Basic and diluted earnings per share	₩ 9,513	10,391

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

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

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

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

32. Related Party Transactions

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

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

(in millions of Won)

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

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

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

(*3) As of March 31, 2018, the Company provided guarantees to related companies (Note 20).

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

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

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

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

(in millions of Won)

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

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

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

1) March 31, 2018

(in millions of Won)

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

2) December 31, 2017

(in millions of Won)

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

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

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

<i>(in millions of Won)</i>	March 31, 2018	March 31, 2017
Short-term benefits	₩ 13,059	18,092
Long-term benefits	903	2,632
Retirement benefits	5,901	4,382
	<u>₩ 19,863</u>	<u>25,106</u>

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

33. Commitments and Contingencies

(a) Commitments

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

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

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

The Company 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.

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

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

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

(b) As of March 31, 2018, the Company has provided three blank checks to KOREA ENERGY AGENCY as collateral for long-term foreign currency borrowings.

(c) Litigation in progress

The Company is involved in 17 lawsuits and claims for alleged damages aggregating to ₩24.7 billion as defendant as of March 31, 2018, which arise from the ordinary course of business. The Company has recognized provisions amounting to ₩2.1 billion for 1 of 17 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for the other lawsuits and claims since the Company does not believe it has a present obligation as of March 31, 2018.

34. Cash Flows from Operating Activities

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

<i>(in millions of Won)</i>	March 31, 2018	March 31, 2017
Trade accounts and notes receivable	₩ (380,465)	(243,694)
Other accounts receivable	26,805	42,847
Inventories	12,921	(271,804)
Prepaid expenses	(22,239)	(36,154)
Other current assets	119	(2,312)
Long-term guarantee deposits	200	(14)
Other non-current assets	(67)	-
Trade accounts and notes payable	95,775	(258,242)
Other accounts payable	(49,831)	65,546
Accrued expenses	(34,838)	(59,829)
Advances received	3,467	15,154
Withholdings	6,721	8,915
Unearned revenue	5,742	583
Other current liabilities	7,081	(3,125)
Payments of severance benefits	(52,587)	(41,616)
Plan assets	39,464	31,783
Other non-current liabilities	(2)	-
	<u>₩ (341,734)</u>	<u>(751,962)</u>