

# **POSCO and Subsidiaries**

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

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

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## **Independent Auditors' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders  
POSCO:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of March 31, 2016, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2016 and 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

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

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

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

### **Conclusion**

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

**Other matters**

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

The consolidated statement of financial position of the Company as of December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 25, 2016, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2015, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
May 13, 2016

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

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

(in millions of Won)

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

See accompanying notes to the condensed consolidated interim financial statements.

## POSCO and Subsidiaries

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

(in millions of Won)

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

See accompanying notes to the condensed consolidated interim financial statements.

## POSCO and Subsidiaries

### Condensed Consolidated Interim Statements of Comprehensive Income For the three-month periods ended March 31, 2016 and 2015 (Unaudited)

(in millions of Won, except per share information)

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

See accompanying notes to the condensed consolidated interim financial statements.

**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**For the three-month periods ended March 31, 2016 and 2015**  
**(Unaudited)**

(in millions of Won)

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

See accompanying notes to the condensed consolidated interim financial statements.



**POSCO and Subsidiaries**  
**Condensed Consolidated Interim Statements of Changes in Equity, Continued**  
**For the three-month periods ended March 31, 2016 and 2015**  
**(Unaudited)**

(in millions of Won)

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

See accompanying notes to the condensed consolidated interim financial statements.

## POSCO and Subsidiaries

### Condensed Consolidated Interim Statements of Cash Flows For the three-month periods ended March 31, 2016 and 2015 (Unaudited)

(in millions of Won)

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

See accompanying notes to the condensed consolidated interim financial statements.

## POSCO and Subsidiaries

### Condensed Consolidated Interim Statements of Cash Flows, Continued For the three-month periods ended March 31, 2016 and 2015 (Unaudited)

(in millions of Won)

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

See accompanying notes to the condensed consolidated interim financial statements.

## POSCO and Subsidiaries

### Notes to the Condensed Consolidated Interim Financial Statements

As of March 31, 2016

(Unaudited)

#### 1. General Information

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

##### (a) The controlling company

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

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

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

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

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

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

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

## **POSCO and Subsidiaries**

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

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#### **2. Statement of Compliance**

##### **Statement of compliance**

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

These condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No. 1034 "*Interim Financial Reporting*" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as of and for the year ended December 31, 2015. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

##### **Use of estimates and judgments**

###### **(a) Judgments, assumptions and estimation uncertainties**

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2015.

###### **(b) Measurement of fair value**

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

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

## **POSCO and Subsidiaries**

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

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

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

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

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

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

### **3. Summary of Significant Accounting Policies**

Except as described in K-IFRS No. 1034 *“Interim Financial Reporting”*, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2015.

## POSCO and Subsidiaries

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

#### 4. Trade Accounts and Notes Receivable

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

(in millions of Won)

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

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

#### 5. Other Receivables

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

(in millions of Won)

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

## POSCO and Subsidiaries

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

#### 6. Other Financial Assets

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

(in millions of Won)

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

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

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

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

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



## POSCO and Subsidiaries

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

#### 7. Inventories

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

(in millions of Won)

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

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

## POSCO and Subsidiaries

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

#### 8. Assets Held for Sale

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

(in millions of Won)

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

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

## POSCO and Subsidiaries

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

#### 9. Investments in Associates and Joint Ventures

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

(in millions of Won)

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

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

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

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

## POSCO and Subsidiaries

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

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

(in millions of Won)

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

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

(\*2) As of March 31, 2016 and December 31, 2015, investments in joint ventures amounting to ₩118,028 and ₩105,964 million are provided as collateral for the joint venture's guarantees.

## POSCO and Subsidiaries

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

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

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

(in millions of Won)

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

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

## POSCO and Subsidiaries

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

#### 2) For the year ended December 31, 2015

(in millions of Won)

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

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

## POSCO and Subsidiaries

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

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

#### 1) March 31, 2016

(in millions of Won)

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

## POSCO and Subsidiaries

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

2) December 31, 2015

(in millions of Won)

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



## POSCO and Subsidiaries

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

#### 10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of March 31, 2016 are as follows:

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

#### 11. Investment Property, Net

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

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

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

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

(b) For the year ended December 31, 2015

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

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

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

## POSCO and Subsidiaries

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

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

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

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

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

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

(b) For the year ended December 31, 2015

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

(\*1) Impairment loss on property, plant and equipment amounting to ₩136,269 million are included.

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

## POSCO and Subsidiaries

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

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

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

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

(in millions of Won)

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

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

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

(b) For the year ended December 31, 2015

(in millions of Won)

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

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

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

## POSCO and Subsidiaries

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

#### 14. Other Assets

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

(in millions of Won)

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

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

#### 15. Borrowings

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

(in millions of Won)

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

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

## POSCO and Subsidiaries

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

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

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

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

## 16. Other Payables

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

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

## POSCO and Subsidiaries

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

#### 17. Other Financial Liabilities

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

(in millions of Won)

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

#### 18. Provisions

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

(in millions of Won)

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

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

(\*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province, a provision has been recognized with a present value of estimated costs for recovery. In order to compute the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 2.36% to assess present value of these costs.

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

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

## POSCO and Subsidiaries

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

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

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

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

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

2) For the year ended December 31, 2015

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

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

## 19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month periods ended March 31, 2016 and 2015 were as follows:

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

## POSCO and Subsidiaries

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

(b) Defined benefit plan

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

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

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

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

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

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

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



## POSCO and Subsidiaries

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

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

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

## 20. Other Liabilities

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

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

## 21. Financial Instruments

(a) Classification of financial instruments

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

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

## POSCO and Subsidiaries

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

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

(in millions of Won)

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

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

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

(in millions of Won)

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

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

(in millions of Won)

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

## POSCO and Subsidiaries

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

(b) Fair value

1) Fair value and book value

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

(in millions of Won)

|  | March 31, 2016      |                   | December 31, 2015 |                   |
|--|---------------------|-------------------|-------------------|-------------------|
|  | Book value          | Fair value        | Book value        | Fair value        |
| Assets measured at fair value                |                     |                   |                   |                   |
| Available-for-sale financial assets(*1)      | ₩ 1,830,300         | 1,830,300         | 1,854,784         | 1,854,784         |
| Derivatives assets held for trading(*2)      | 183,675             | 183,675           | 188,489           | 188,489           |
|  | <u>2,013,975</u>    | <u>2,013,975</u>  | <u>2,043,273</u>  | <u>2,043,273</u>  |
| Assets measured at amortized cost(*3)        |                     |                   |                   |                   |
| Cash and cash equivalents                    | 4,480,381           | 4,480,381         | 4,870,185         | 4,870,185         |
| Trade accounts and notes receivable, net     | 9,411,379           | 9,411,379         | 9,716,273         | 9,716,273         |
| Loans and other receivables, net             | 6,313,278           | 6,313,278         | 6,014,651         | 6,014,651         |
| Held-to-maturity financial assets            | 23,451              | 23,451            | 23,379            | 23,379            |
|  | <u>20,228,489</u>   | <u>20,228,489</u> | <u>20,624,488</u> | <u>20,624,488</u> |
| Liabilities measured at fair value           |                     |                   |                   |                   |
| Derivatives liabilities held for trading(*2) | 151,078             | 151,078           | 155,502           | 155,502           |
| Liabilities measured at amortized cost(*3)   |                     |                   |                   |                   |
| Trade accounts and notes payable             | 2,963,925           | 2,963,925         | 3,136,446         | 3,136,446         |
| Borrowings                                   | 24,003,020          | 24,380,643        | 25,220,231        | 25,413,577        |
| Financial guarantee liabilities              | 100,955             | 100,955           | 101,311           | 101,311           |
| Others                                       | 2,469,940           | 2,469,940         | 2,197,463         | 2,197,463         |
|  | <u>₩ 29,537,840</u> | <u>29,915,463</u> | <u>30,655,451</u> | <u>30,848,797</u> |

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

(\*2) The fair value of derivatives is measured using valuation models such as Black-Scholes model, binominal lattice model and others in which the market yields on government bonds are used as discount rates.

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

## POSCO and Subsidiaries

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

#### 2) The fair value hierarchy

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

##### ① March 31, 2016

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

##### ② December 31, 2015

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

#### (c) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2015.

## POSCO and Subsidiaries

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

#### 22. Share Capital and Capital Surplus

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

| <i>(Share, in Won)</i> | <b>March 31, 2016</b> | <b>December 31, 2015</b> |
|------------------------|-----------------------|--------------------------|
| Authorized shares      | 200,000,000           | 200,000,000              |
| Par value              | ₩ 5,000               | 5,000                    |
| Issued shares(*1)      | 87,186,835            | 87,186,835               |
| Shared capital(*2)     | ₩ 482,403,125,000     | 482,403,125,000          |

(\*1) As of March 31, 2016, total shares of ADRs of 49,982,260, outstanding in overseas stock market, are equivalent to 12,495,565 shares of common stock.

(\*2) As of March 31, 2016, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of March 31, 2016 and December 31, 2015 are as follows:

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

## POSCO and Subsidiaries

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

#### 23. Hybrid Bonds

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

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

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

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

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

## POSCO and Subsidiaries

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

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

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

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

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

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

## 24. Reserves

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

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

## POSCO and Subsidiaries

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

#### 25. Treasury Shares

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

#### 26. Selling and Administrative Expenses

##### (a) Administrative expenses

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

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



## POSCO and Subsidiaries

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

#### (b) Selling expenses

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

(in millions of Won)

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

## 27. Finance Income and Costs

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

(in millions of Won)

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

## POSCO and Subsidiaries

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

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

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

(in millions of Won)

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

#### 29. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses and other non-operating expenses in the statements of comprehensive income for the three-month periods ended March 31, 2016 and 2015 were as follows (excluding finance costs and income tax expense):

(in millions of Won)

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

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

## POSCO and Subsidiaries

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

#### 30. Income Taxes

The effective tax rate of the Company for the three-month periods ended March 31, 2016 and 2015 was 37.9% and 44.5%, respectively. The effective tax rate for the three-month period ended March 31, 2016 was higher than the statutory tax rate of 24.2% for the controlling company mainly due to the effect of deductible temporary difference in the Company's investments in subsidiaries and associates, for which no deferred tax assets are recognized due to the expectations on repatriation of the investments. The effective tax rate for the three-month period ended March 31, 2015 was higher than the statutory tax rate of 24.2% for the controlling company mainly due to the increase in deferred tax liabilities related to controlling company's investment in POSCO ENGINEERING & CONSTRUCTION., LTD. as a result of changes in management's expectations on repatriation of the investment.

#### 31. Earnings per Share

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

(in Won, except per share information)

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

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

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

Since there were no potential shares of common stock which had dilutive effects as of March 31, 2016 and 2015, diluted earnings per share is equal to basic earnings per share.

## POSCO and Subsidiaries

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

#### 32. Related Party Transactions

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

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

(in millions of Won)

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

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

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

(\*3) As of March 31, 2016, the Company provided guarantees to related parties (Note 33).

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

(\*5) During the period ended March 31, 2016, Daewoo International Corporation was renamed POSCO DAEWOO CORPORATION.

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

## POSCO and Subsidiaries

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

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

(in millions of Won)

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

## POSCO and Subsidiaries

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

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

#### 1) March 31, 2016

*in millions of Won*

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

#### 2) December 31, 2015

*in millions of Won*

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

## POSCO and Subsidiaries

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

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

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

(in millions of Won)

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

## POSCO and Subsidiaries

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

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

(in millions of Won)

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

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

1) March 31, 2016

(in millions of Won)

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



## POSCO and Subsidiaries

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

#### 2) December 31, 2015

(in millions of Won)

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

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

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

(in millions of Won)

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

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

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

## POSCO and Subsidiaries

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

#### 2) For the year ended December 31, 2015

(in millions of Won)

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

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

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

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

(in millions of Won)

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

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

## POSCO and Subsidiaries

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

#### 33. Commitments and Contingencies

##### (a) Details of guarantees

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

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

## POSCO and Subsidiaries

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

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

- (b) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided completion guarantees for Samsung C&T Corporation amounting to ₩1,060,465 million while Samsung C&T Corporation has provided construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION CO., LTD. amounting to ₩718,338 million as of March 31, 2016.

## POSCO and Subsidiaries

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

#### (c) Other commitments

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

| Company                                    | Description   |
|--|---|
| POSCO                                      | <p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of March 31, 2016, 157 million tons of iron ore and 24 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.</p> <p>As of March 31, 2016, POSCO entered into a commitment with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 24.50 million, USD 8.25 million and USD 6.49 million. The borrowings are related to POSCO's exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chenavard, respectively. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of March 31, 2016, the ending balance of the borrowing amounts to USD 12.35 million.</p> <p>POSCO has provided a supplemental funding agreement to POSCO Energy Co., Ltd., as the largest shareholder, at the request of the creditors including Norddeutsche Landesbank, to guarantee successful funding for construction of new power plant.</p> |
| POSCO ENGINEERING & CONSTRUCTION CO., LTD. | <p>As of March 31, 2016, POSCO ENGINEERING &amp; CONSTRUCTION Co., LTD. has comprehensive loan agreements of up to ₩203.5 billion and USD 218 million with Woori Bank and ₩90 billion and USD 800 million with Korea Exchange Bank. Also, POSCO E&amp;C Co.,Ltd. has bank overdraft agreements of up to ₩20 billion with Woori Bank which is included in the limit of comprehensive loan agreements and ₩3 billion with Korea Exchange Bank.</p>  |
| POSCO ICT                                  | <p>As of March 31, 2016, in relation to contract enforcement, POSCO ICT Co., Ltd. was provided with ₩69,766 million and ₩55,220 million guaranties from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.</p>   |

#### (d) Litigation in progress

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

## POSCO and Subsidiaries

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

#### (e) Other contingencies

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

## 34. Cash Flows from Operating Activities

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

(in millions of Won)

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

## 35. Operating Segments

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

## POSCO and Subsidiaries

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

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

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

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

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

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

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

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

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