

POSCO
and Subsidiaries
Consolidated Financial Statements
December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

We have audited the accompanying consolidated financial statements of POSCO and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Emphasis of matter

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

Pursuant to “Practical Guide to Korean Standards on Auditing 2016-1”, audit matters related to entities engaged in production-to-order transactions are of significance in our audit of the consolidated financial statements, which determination is based on our professional judgment and communications with those charged with governance. These matters were addressed in the context of our audit of the consolidated financial statements as of and for the year ended December 31, 2016 as a whole, and we do not provide a separate opinion on these matters.

We have considered the results of audit procedures for the following key audit matters in forming our audit opinion of the consolidated financial statements.

(a) Overview

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

Certain subsidiaries of POSCO, including POSCO ENGINEERING & CONSTRUCTION CO., LTD. and POSCO ICT, are engaged in production-to-order transactions. Sales in relation to production-to-order transactions are approximately 13% of consolidated sales for the year ended December 31, 2016. As mentioned in note 3 to the consolidated financial statements, when the outcome of a construction contract can be estimated reliably, the Company recognizes contract revenues and contract costs associated with the construction contract as revenue and expenses, respectively, based on the percentage-of-completion method at the end of the reporting period. The percentage-of-completion is calculated based on the ratio of contract costs incurred for work performed to date to estimated total contract costs. The gross amount due from customers for contract work is presented for all contracts in which costs incurred plus recognized profits (less recognized losses) exceeded progress billings. The gross amount due to customers for contract work is presented for all contracts in which progress billings exceed costs incurred plus recognized profits (less recognized losses).

(b) Identification of significant risks and audit procedures

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

1) Revenues recognized by the input method

We identified significant risks associated with revenues recognized by the input method. The variation of estimated amounts has significant impact on profit for the year ended December 31, 2016 and future periods because the uncertainty of estimated total contract revenues and costs is high for large-scale development constructions at initial stage, and constructions with delays and possibility of being discontinued of construction.

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

- Inquiry, observation and inspection of documents whether the internal control and computerized systems are designed and operated effectively to make appropriate accounting treatments in relation to revenue recognition by the input method
- Inquiries as to significant changes and progress of the contracts as of December 31, 2016
- Analytical review of key financial indicators (effects of changes in profit or loss due to changes in total contract revenue and total contract costs, trade receivables and outstanding balances of due from customers)
- Inquires as to rationale and reliability of estimated result of construction contract, the type of the contracts and classification of the contracts
- Inspection of document regarding the terms of the contract
- Inquiries about the appropriateness of applying the percentage of completion method for major projects in the early stages of the construction contract, and examination of documents on the basis of conclusion

2) Uncertainty of estimated total contract costs

The changes in estimated total contract costs were ₩493,902 million for the year ended December 31, 2016 (see note 29(d) to the consolidated financial statements). We identified significant risks regarding uncertainty of estimated total contract costs based on the impact on profit or loss for the year ended December 31, 2016.

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

- Inquiry, observation and inspection of documents whether the internal control is designed and operated so that total contract costs could be reliably estimated.
- Analytical review of the effects on the net income as a result of changes in estimation of the total contract costs.
- Analytical review of the components of the total contract costs of major projects and inspection of documentation on the estimation of total costs for samples selected
- Retrospective review of the rationale of estimation on the total contract costs and inquires and inspection of documents as to the cause of the changes for major projects in which significant changes in estimated total contract costs were made.
- Inquires as to rationale and reliability of the estimated result of total construction contract for major projects.
- Analytical review of major projects to see if there was a significant difference between the progress and the rate of completion according to the input method as of December 31, 2016.
- Inquiries and inspection of document regarding whether the results of evaluation of the potential risk factors such as the early stage of the contract and the process delay were appropriately reflected in the total contract cost estimate
- Inquiries and analytical review of significant changes in total contract costs since December 31, 2016

3) Assessment of the percentage-of-completion

The changes in estimated total contract costs were ₩493,902 million for the year ended December 31, 2016 (see note 29(d) to the consolidated financial statements). We identified significant risks regarding assessment of the percentage-of-completion as uncertainty of estimated total contract costs increased.

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

- Inquiries, observation and inspection of documentation on whether the internal control is designed and operated effectively in the review of the calculated construction progress and to record the progress properly
- For selected samples from contract costs incurred during the year ended December 31, 2016, inspection of documentation on existence and timing of occurrence, and performance of cut-off test
- Recalculation of percentage-of-completion for major construction projects
- Inquiries as to the reasonableness of cumulative incurred contract costs and the progress rate
- Analytical review of identification of costs to each project

4) Recoverability of due from customers for contract work

As of December 31, 2016 and December 31, 2015, the amounts of due from customers for contract work are ₩964,304 million and ₩1,218,031 million, respectively, or 10% and 13% of consolidated trade accounts and note receivable (see note 29(b) to the consolidated financial statements) as of the respective reporting dates. We identified significant risks regarding the recoverability of due from customers for contract work as the amounts of due from customers for contract work are significant.

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

- Inquiries, observation and inspection of document on whether the internal controls are properly designed and effectively operated to respond to the risks associated with estimates on possibility of recovery
- Inquiries as to the financial soundness of clients, payment condition, timing of delivery, and condition of billing terms
- Analytical review on the quarterly trends and inquiries of significant changes in due from customers compared to the amount at the end of the previous reporting period
- Review of the reasonableness of the basis for the evaluation of the possibility of the recovery of the amount related to the unbilled construction balance
- Inspection of billing document on the samples selected from billed receivable balance as of year-end.

5) Accounting for the variation of construction work

The variation of construction contracts due to changes in estimated total contract costs had significant influence on profits or loss of the construction contracts (see note 29(d) to the consolidated financial statements). We identified significant risks regarding the accounting for the variation of construction work.

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

- Inquiries, observation and inspection of document regarding whether the internal controls are properly designed and operated effectively to respond to the risks associated with measurement and change the total contract revenue for each project
- For selected samples on the constructions contract and contracts with changes, inspection of document on the basis of the calculating total contract revenue
- Inspection of document for compliance with recognition requirements for contract revenue when the contracted revenue increased through the construction work change other than the initially agreed upon contracted amount
- For selected major customers, confirmation letter as to the total contract amounts as of December 31, 2016

Other Matters

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean auditing standards and their application in practice.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 2, 2017

This report is effective as of March 2, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2016 and 2015

(in millions of Won)

	Notes	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	4,5,23	₩ 2,447,619	4,870,185
Trade accounts and notes receivable, net	6,17,23,29,37	9,786,927	9,595,935
Other receivables, net	7,23	1,539,742	1,679,879
Other short-term financial assets	8,23,37	5,224,911	3,910,387
Inventories	9	9,051,721	8,225,205
Current income tax assets	35	46,473	33,765
Assets held for sale	10	311,958	57,281
Other current assets	16	894,484	808,252
Total current assets		29,303,835	29,180,889
Long-term trade accounts and notes receivable, net	6,23	51,124	120,338
Other receivables, net	7,23	762,912	863,258
Other long-term financial assets	8,23	2,657,692	2,341,460
Investments in associates and joint ventures	11	3,882,389	3,945,333
Investment property, net	13	1,117,720	1,084,292
Property, plant and equipment, net	14	33,770,339	34,522,855
Intangible assets, net	15	6,088,729	6,405,754
Defined benefit assets, net	21	83,702	-
Deferred tax assets	35	1,476,873	1,315,580
Other non-current assets	16	567,680	629,000
Total non-current assets		50,459,160	51,227,870
Total assets		₩ 79,762,995	80,408,759

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Financial Position, Continued
As of December 31, 2016 and 2015

(in millions of Won)

	Notes	December 31, 2016	December 31, 2015
Liabilities			
Trade accounts and notes payable	23,37	₩ 4,073,286	3,125,348
Short-term borrowings and current installments of long-term borrowings	4,17,23	10,194,807	12,371,032
Other payables	18,23	1,851,659	2,129,093
Other short-term financial liabilities	19,23,37	149,748	202,117
Current income tax liabilities	35	446,071	377,962
Liabilities of disposal group held for sale	10	-	34,202
Provisions	20	114,865	102,320
Other current liabilities	22,29	2,084,961	1,788,852
Total current liabilities		18,915,397	20,130,926
Long-term trade accounts and notes payable	23,37	44,512	11,098
Long-term borrowings, excluding current installments	4,17,23	12,510,191	12,849,199
Other payables	18,23	208,559	134,470
Other long-term financial liabilities	19,23	81,309	54,696
Defined benefit liabilities, net	21	123,604	182,025
Deferred tax liabilities	35	1,642,939	1,676,658
Long-term provisions	20	337,739	221,692
Other non-current liabilities	22	60,351	77,773
Total non-current liabilities		15,009,204	15,207,611
Total liabilities		33,924,601	35,338,537
Equity			
Share capital	24	482,403	482,403
Capital surplus	24	1,397,791	1,383,623
Hybrid bonds	25	996,919	996,919
Reserves	26	(143,985)	(594,756)
Treasury shares	27	(1,533,468)	(1,533,898)
Retained earnings		41,173,778	40,501,059
Equity attributable to owners of the controlling company		42,373,438	41,235,350
Non-controlling interests	25	3,464,956	3,834,872
Total equity		45,838,394	45,070,222
Total liabilities and equity		₩ 79,762,995	80,408,759

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2016 and 2015

(in millions of Won, except per share information)

	Notes	2016	2015
Revenue	28,29,37	₩ 53,083,513	58,192,345
Cost of sales	29,31,34,37	(46,393,962)	(51,658,098)
Gross profit		6,689,551	6,534,247
Selling and administrative expenses	30,34		
Administrative expenses	31	(2,291,540)	(2,395,248)
Selling expenses		(1,553,686)	(1,728,956)
Operating profit		2,844,325	2,410,043
Share of loss of equity-accounted investees, net	11	(88,677)	(506,054)
Finance income and costs	23,32		
Finance income		2,231,980	2,557,073
Finance costs		(3,014,190)	(3,387,054)
Other non-operating income and expenses	33,37		
Other non-operating income		215,136	549,048
Other non-operating expenses	34	(755,720)	(1,442,298)
Profit before income tax		1,432,854	180,758
Income tax expense	35	(384,685)	(276,939)
Profit (loss)		1,048,169	(96,181)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	21	20,540	41,954
Items that are or may be reclassified subsequently to profit or loss:			
Capital adjustment arising from investments in equity-accounted investees	23	134,590	(82,509)
Net changes in the unrealized fair value of available-for-sale investments		310,608	(187,854)
Foreign currency translation differences		(11,491)	66,280
Other comprehensive income (loss), net of tax		454,247	(162,129)
Total comprehensive income (loss)		₩ 1,502,416	(258,310)
Profit (loss) attributable to:			
Owners of the controlling company		₩ 1,363,310	180,647
Non-controlling interests		(315,141)	(276,828)
Profit (loss)		₩ 1,048,169	(96,181)
Total comprehensive income (loss) attributable to:			
Owners of the controlling company		₩ 1,822,533	33,017
Non-controlling interests		(320,117)	(291,327)
Total comprehensive income (loss)		₩ 1,502,416	(258,310)
Basic and diluted earnings per share (in Won)	36	16,627	1,845

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(in millions of Won)

	Attributable to owners of the controlling company							Non-	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Sub total	controlling interests	
Balance as of January 1, 2015	₩ 482,403	1,083,718	996,919	(408,773)	(1,534,457)	40,967,558	41,587,368	3,703,996	45,291,364
Comprehensive income (loss):									
Profit (loss)	-	-	-	-	-	180,647	180,647	(276,828)	(96,181)
Other comprehensive income (loss)									
Remeasurements of defined benefit pension plans, net of tax	-	-	-	-	-	38,771	38,771	3,183	41,954
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(81,418)	-	-	(81,418)	(1,091)	(82,509)
Net changes in the unrealized fair value of available-for-sale investments, net of tax	-	-	-	(183,077)	-	-	(183,077)	(4,777)	(187,854)
Foreign currency translation differences, net of tax	-	-	-	78,094	-	-	78,094	(11,814)	66,280
Total comprehensive income (loss)	-	-	-	(186,401)	-	219,418	33,017	(291,327)	(258,310)
Transactions with owners of the controlling company, Recognized directly in equity:									
Year-end dividends	-	-	-	-	-	(479,958)	(479,958)	(32,410)	(512,368)
Interim dividends	-	-	-	-	-	(159,987)	(159,987)	(67,700)	(227,687)
Changes in subsidiaries	-	-	-	-	-	-	-	(311,548)	(311,548)
Changes in ownership interests in subsidiaries	-	301,029	-	-	-	-	301,029	857,244	1,158,273
Interest of hybrid bonds	-	-	-	-	-	(43,574)	(43,574)	(24,187)	(67,761)
Disposal of treasury shares	-	(35)	-	-	559	-	524	-	524
Others	-	(1,089)	-	418	-	(2,398)	(3,069)	804	(2,265)
Total transactions with owners of the controlling company	-	299,905	-	418	559	(685,917)	(385,035)	422,203	37,168
Balance as of December 31, 2015	₩ 482,403	1,383,623	996,919	(594,756)	(1,533,898)	40,501,059	41,235,350	3,834,872	45,070,222

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2016 and 2015

(in millions of Won)

(in millions of Won)

		Attributable to owners of the controlling company						Non-controlling interests		
		Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings	Sub total	Total	
Balance as of January 1, 2016	₩	482,403	1,383,623	996,919	(594,756)	(1,533,898)	40,501,059	41,235,350	3,834,872	45,070,222
Comprehensive income (loss) :										
Profit (loss)		-	-	-	-	-	1,363,310	1,363,310	(315,141)	1,048,169
Other comprehensive income (loss)										
Remeasurements of defined benefit pension plans, net of tax		-	-	-	-	-	9,787	9,787	10,753	20,540
Capital adjustment arising from investments in equity-accounted investees, net of tax		-	-	-	124,626	-	-	124,626	9,964	134,590
Net changes in the unrealized fair value of available-for-sale investments, net of tax		-	-	-	314,428	-	-	314,428	(3,820)	310,608
Foreign currency translation differences, net of tax		-	-	-	10,382	-	-	10,382	(21,873)	(11,491)
Total comprehensive income (loss)		-	-	-	449,436	-	1,373,097	1,822,533	(320,117)	1,502,416
Transactions with owners of the controlling company, Recognized directly in equity :										
Year-end dividends		-	-	-	-	-	(479,974)	(479,974)	(50,333)	(530,307)
Interim dividends		-	-	-	-	-	(179,992)	(179,992)	-	(179,992)
Changes in subsidiaries		-	-	-	-	-	-	-	49,250	49,250
Changes in ownership interests in subsidiaries		-	8,650	-	-	-	-	8,650	(16,544)	(7,894)
Interest of hybrid bonds		-	-	-	-	-	(43,832)	(43,832)	(24,253)	(68,085)
Disposal of treasury shares		-	32	-	-	430	-	462	-	462
Others		-	5,486	-	1,335	-	3,420	10,241	(7,919)	2,322
Total transactions with owners of the controlling company		-	14,168	-	1,335	430	(700,378)	(684,445)	(49,799)	(734,244)
Balance as of December 31, 2016	₩	482,403	1,397,791	996,919	(143,985)	(1,533,468)	41,173,778	42,373,438	3,464,956	45,838,394

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015

<i>(in millions of Won)</i>	Notes	2016	2015
Cash flows from operating activities			
Profit (loss)	₩	1,048,169	(96,181)
Adjustments for:			
Depreciation		2,835,843	2,836,663
Amortization		378,004	381,583
Finance income		(882,905)	(1,165,340)
Finance costs		1,501,953	1,852,862
Income tax expense		384,685	276,939
Impairment loss on property, plant and equipment		196,882	136,269
Gain on disposal of property, plant and equipment		(23,826)	(22,730)
Loss on disposal of property, plant and equipment		86,622	101,732
Impairment loss on goodwill and intangible assets		127,875	161,412
Share of loss of equity-accounted investees		88,677	506,054
Impairment loss on assets held for sale		24,890	133,547
Gain on disposal of assets held for sale		(23,112)	(227,956)
Loss on disposal of assets held for sale		254	190,357
Costs for defined benefit plans		333,139	245,402
Bad debt expenses		202,717	337,235
Loss on valuation of inventories		152,249	152,952
Increase to provisions		189,914	86,903
Others, net		7,073	(21,643)
		<u>5,580,934</u>	<u>5,962,241</u>
Changes in operating assets and liabilities	39	(425,815)	2,754,039
Interest received		206,839	198,193
Interest paid		(691,264)	(831,566)
Dividends received		152,559	237,715
Income taxes paid		<u>(602,004)</u>	<u>(622,612)</u>
Net cash provided by operating activities	₩	<u>5,269,418</u>	<u>7,601,829</u>

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2016 and 2015

<i>(in millions of Won)</i>	Notes	2016	2015
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(18,578,809)	(13,037,990)
Proceeds from disposal of short-term financial instruments		17,177,409	10,595,379
Increase in loans		(603,332)	(295,689)
Collection of loans		557,064	308,906
Acquisitions of available-for-sale investments		(328,151)	(87,824)
Proceeds from disposal of available-for-sale investments		280,066	308,161
Acquisitions of investment in associates and joint ventures		(173,769)	(77,155)
Proceeds from disposal of investment in associates and joint ventures		7,914	11,813
Acquisitions of investment property		(45,735)	(61,478)
Proceeds from disposal of investment property		11,624	1,120
Acquisitions of property, plant and equipment		(2,324,112)	(2,560,244)
Proceeds from disposal of property, plant and equipment		44,330	59,031
Acquisitions of intangible assets		(138,181)	(289,148)
Proceeds from disposal of intangible assets		8,672	12,832
Proceeds from disposal of assets held for sale		305,813	127,133
Cash paid in acquisition of business, net of cash acquired		4,503	-
Cash received from disposal of business, net of cash transferred		21,223	469,576
Others, net		18,844	(19,099)
Net cash used in investing activities		(3,754,627)	(4,534,676)
Cash flows from financing activities			
Proceeds from borrowings		1,988,665	1,779,097
Repayment of borrowings		(4,274,895)	(3,509,970)
Repayment of short-term borrowings, net		(885,861)	(846,230)
Capital contribution from non-controlling interest and proceeds from disposal of subsidiaries while maintaining control		24,704	1,260,053
Payment of cash dividends		(708,970)	(822,570)
Payment of interest of hybrid bonds		(68,097)	(67,725)
Others, net		(26,513)	(34,256)
Net cash used in financing activities		(3,950,967)	(2,241,601)
Effect of exchange rate fluctuation on cash held		12,611	23,496
Net increase (decrease) in cash and cash equivalents		(2,423,565)	849,048
Cash and cash equivalents at beginning of the period	5	4,871,184	4,022,136
Cash and cash equivalents at end of the period	5 ₩	2,447,619	4,871,184

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements

As of December 31, 2016 and 2015

1. General Information

General information about POSCO, its 38 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 160 foreign subsidiaries including POSCO America Corporation (collectively "the Company") and its 102 associates and joint ventures are as follows:

(a) The controlling company

POSCO, the controlling company, was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and foreign markets.

The shares of POSCO have been listed on the Korea Exchange on June 10, 1988. POSCO owns and operates two steel plants (Pohang and Gwangyang) and one office in Korea and it also operates internationally through seven of its overseas liaison offices.

As of December 31, 2016, POSCO's shareholders are as follows:

Shareholder's name	Number of shares	Ownership (%)
National Pension Service	9,482,959	10.88
Nippon Steel & Sumitomo Metal Corporation(*1)	2,894,712	3.32
BlackRock Institutional Trust Company, N.A.(*1)	2,236,618	2.57
KB Financial Group Inc. and subsidiaries(*2)	2,091,553	2.40
Saudi Arabian Monetary Authority	2,071,515	2.38
Others	68,409,478	78.45
	<u>87,186,835</u>	<u>100.00</u>

(*1) Includes American Depositary Receipts (ADRs) of POSCO, each of which represents 0.25 share of POSCO's common share which has par value of ₩5,000 per share.

(*2) Includes shares held by subsidiaries pursuant to Articles of Incorporation.

As of December 31, 2016, the shares of POSCO are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchange.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(b) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2016 and 2015 are as follows:

Principal operations		Ownership (%)						Region
		December 31, 2016			December 31, 2015			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Domestic]								
POSCO ENGINEERING & CONSTRUCTION., LTD.	Engineering and construction	52.80	-	52.80	52.80	-	52.80	Pohang
POSCO Processing&Service	Steel sales and trading	93.95	0.45	94.40	96.01	-	96.01	Seoul
POSCO COATED & COLOR STEEL Co., Ltd.	Coated steel manufacturing	56.87	-	56.87	56.87	-	56.87	Pohang
POSCO ICT	Computer hardware and software distribution	65.38	-	65.38	65.38	-	65.38	Pohang
POSCO Research Institute	Economic research and consulting	100.00	-	100.00	100.00	-	100.00	Seoul
POSMATE	Business facility maintenance	57.25	11.05	68.30	57.25	11.05	68.30	Seoul
POSCO A&C	Architecture and consulting	100.00	-	100.00	100.00	-	100.00	Seoul
POSCO Venture Capital Co., Ltd.	Investment in venture companies	95.00	-	95.00	95.00	-	95.00	Pohang
eNtoB Corporation	Electronic commerce	7.50	53.63	61.13	7.50	53.63	61.13	Seoul
POSCO CHEMTECH	Refractories manufacturing and sales	60.00	-	60.00	60.00	-	60.00	Pohang
POSCO-Terminal Co., Ltd.	Transporting and warehousing	51.00	-	51.00	51.00	-	51.00	Gwangyang
POSCO M-TECH	Packing materials manufacturing and sales	48.85	-	48.85	48.85	-	48.85	Pohang
POSCO ENERGY CO., LTD.	Generation of electricity	89.02	-	89.02	89.02	-	89.02	Seoul
POSCO NIPPON STEEL RHF								
JOINT VENTURE CO.,Ltd.	Steel manufacturing and sales	70.00	-	70.00	70.00	-	70.00	Pohang
IT Engineering Co. Ltd	Automotive engineering service	-	17.00	17.00	-	17.00	17.00	Seoul
MegaAsset Co.,Ltd.	Real estate rental and sales	-	100.00	100.00	-	100.00	100.00	Incheon
POSCO Engineering CO.,Ltd	Construction and engineering service	-	95.56	95.56	-	95.56	95.56	Incheon
Future Creation Fund Postech								
Early Stage account	Investment in venture companies	-	40.00	40.00	-	40.00	40.00	Seoul
POSCO WOMAN'S FUND	Investment in venture companies	-	40.00	40.00	-	40.00	40.00	Seoul
POSPower Co., Ltd.	Other generation	-	100.00	100.00	-	100.00	100.00	Samcheok
Songdo Posco Family housing	House manufacturing and management	-	100.00	100.00	-	100.00	100.00	Incheon
Posco Group University	Education service and real estate business	100.00	-	100.00	100.00	-	100.00	Incheon
HOTEL LAONZENA	Hotel business	-	100.00	100.00	-	100.00	100.00	Daegu
Growth Ladder POSCO K-Growth Global Fund	Investment in venture companies	-	50.00	50.00	-	50.00	50.00	Pohang
2015 POSCO New technology II Fund	Investment in venture companies	-	25.00	25.00	-	25.00	25.00	Pohang
POCA STEM Co., Ltd	Stem cell medicine development	-	100.00	100.00	-	-	-	Seoul
Posco e&c Songdo International Building(*1)	Non-residential building rental	-	100.00	100.00	-	-	-	Seoul
POSCO ES MATERIALS CO., Ltd.(*2)	Secondary and storage battery manufacturing	75.32	-	75.32	-	-	-	Gumi
Poscoene	Refuse derived fuel and power generation	-	100.00	100.00	-	100.00	100.00	Seoul
POSCO Humans	Construction	90.30	-	90.30	90.30	-	90.30	Pohang
Mapo Hibroad Parking co., Ltd.	Construction	-	70.99	70.99	-	70.99	70.99	Seoul
BLUE O&M Co.,Ltd.	Engineering service	-	100.00	100.00	-	100.00	100.00	Pohang
Busan E&E Co., Ltd.	Refuse derived fuel and power generation	70.00	-	70.00	70.00	-	70.00	Busan
POSCO Family Strategy Fund	Investment in venture companies	69.91	30.09	100.00	69.91	30.09	100.00	Pohang
POSCO DAEWOO Corporation	Trading, energy & resource development and others	60.31	-	60.31	60.31	-	60.31	Seoul
(formerly, Daewoo International Corporation)								
Pohang Scrap Recycling Distribution Center Co., Ltd.								
PSC Energy Global Co., Ltd.	Steel processing and sales	-	51.00	51.00	-	51.00	51.00	Pohang
Suncheon Eco Trans Co., Ltd	Investment in energy industry	-	100.00	100.00	-	100.00	100.00	Pohang
POSCO TMC Co., Ltd.	Train manufacturing and management	100.00	-	100.00	100.00	-	100.00	Suncheon
POSCO TMC Co., Ltd.	Component manufacturing	-	-	-	-	74.56	74.56	Cheonan
Tamra Offshore Wind Power Co., Ltd	Cogeneration plant operation	-	-	-	-	64.00	64.00	Jeju
POSCO Green Gas Technology Co., Ltd	Gas production and sales	-	-	-	100.00	-	-	Gwangyang
POSCO AST	Steel manufacturing and sales	-	-	-	-	100.00	100.00	Ansan
POSHIMETAL Co., Ltd.	Ferromanganese manufacturing and sales	-	-	-	100.00	-	100.00	Gwangyang
Steel Processing and Fabricating Center Co.,LTD								
Steel manufacturing		-	-	-	-	84.89	84.89	Gwangyang
POSCO LED Co., Ltd.	LED lighting	-	-	-	16.70	63.30	80.00	Seongnam

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

Principal operations	Ownership (%)						Region
	December 31, 2016			December 31, 2015			
	POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Foreign]							
POSCO America Corporation	Steel trading	99.45	0.55	100.00	99.45	0.55	USA
POSCO AUSTRALIA PTY LTD	Iron ore sales & mine development	100.00	-	100.00	100.00	-	Australia
POSCO Canada Ltd.	Coal sales	-	100.00	100.00	-	100.00	Canada
POSCO Asia Co., Ltd.	Steel and raw material trading	100.00	-	100.00	100.00	-	China
POSCO-CTPC Co., Ltd.	Steel manufacturing	56.60	43.40	100.00	56.60	43.40	China
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	58.60	23.88	82.48	58.60	23.88	China
POSCO(Guangdong) Coated Steel Co., Ltd.	Plating steel sheet manufacturing	87.04	10.04	97.08	87.04	10.04	China
POSCO (Thailand) Company Limited	Steel manufacturing	85.62	14.38	100.00	85.62	14.38	Thailand
Myanmar POSCO Steel Co., Ltd	Zinc relief manufacturing	70.00	-	70.00	-	70.00	Myanmar
POSCO-MKPC SDN BHD	Steel manufacturing	44.69	25.31	70.00	44.69	25.31	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	70.00	30.00	100.00	70.00	30.00	China
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	China
POSEC Hawaii, Inc.	Real estate Industry	-	100.00	100.00	-	100.00	USA
POSCO-China Qingdao Processing Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	China
POS-ORE PTY LTD	Iron ore sales & mine development	-	100.00	100.00	-	100.00	Australia
POSCO-China Holding Corp.	Holding company	100.00	-	100.00	100.00	-	China
POSCO JAPAN Co., Ltd.	Steel trading	100.00	-	100.00	100.00	-	Japan
POS-CD PTY LTD	Coal sales	-	100.00	100.00	-	100.00	Australia
POS-GC PTY LTD	Coal sales	-	100.00	100.00	-	100.00	Australia
POSCO-India Private Limited	Steel manufacturing	99.99	-	99.99	99.99	-	India
POSCO-India Pune Processing Center, Pvt. Ltd.	Steel manufacturing	65.00	-	65.00	65.00	-	India
POSCO Japan PC CO.,LTD (formerly, POSCO-JEPC Co., Ltd.)	Steel manufacturing	-	86.12	86.12	-	88.02	Japan
POSCO-CFPC Co., Ltd.	Steel manufacturing	39.60	60.40	100.00	39.60	60.40	China
POSCO E&C CHINA Co., Ltd.	Construction and civil engineering	-	100.00	100.00	-	100.00	China
POSCO MPPC S.A. de C.V.	Steel manufacturing	-	95.00	95.00	-	95.00	Mexico
Zhangjiagang Pohang Port Co., Ltd.	Loading and unloading service	-	100.00	100.00	-	100.00	China
POSCO-VIETNAM Co., Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	Vietnam
POSCO MEXICO S.A. DE C.V.	Automotive steel sheet manufacturing	84.84	15.16	100.00	84.84	15.16	Mexico
POSCO India Delhi Steel Processing Centre Private Limited	Steel manufacturing	66.40	10.00	76.40	66.40	10.00	India
POSCAN Elkview	Coal sales	-	100.00	100.00	-	100.00	Canada
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	Steel manufacturing	60.00	-	60.00	60.00	-	Poland
POS-NIP PTY LTD	Coal sales	-	100.00	100.00	-	100.00	Australia
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	87.07	4.98	92.05	87.07	4.98	Vietnam
POSCO(Chongqing) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	China
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	Component manufacturing	-	100.00	100.00	-	100.00	China
POSCO-Malaysia SDN. BHD.	Steel manufacturing	81.79	13.63	95.42	81.79	13.63	Malaysia
POS-Minerals Corporation	Mine development & sales	-	100.00	100.00	-	100.00	USA
POSCO(Wuhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	68.57	31.43	100.00	68.57	31.43	China
POSCO Engineering and Construction India Private Limited	Construction and engineering	-	100.00	100.00	-	100.00	India
POSCO E&C SMART S DE RL DE CV	Construction and engineering	-	100.00	100.00	-	100.00	Mexico
POSCO Philippine Manila Processing Center, Inc.	Steel manufacturing	-	100.00	100.00	-	100.00	Philippines
POSCO Suzhou Processing Center Co.,Ltd.	Steel manufacturing	30.00	70.00	100.00	30.00	70.00	China
POSCO Gulf SFC LLC	Steel manufacturing	-	81.93	81.93	-	81.93	United Arab Emirates
SANPU TRADING Co., Ltd.	Raw material trading	-	70.00	70.00	-	70.00	China
Zhangjiagang BLZ Pohang International Trading	Steel transit trading	-	100.00	100.00	-	100.00	China
POSCO MESDC S.A. DE C.V.	Steel product sales	-	56.80	56.80	-	56.80	Mexico
POSCO ICT-China	IT service and DVR business	-	100.00	100.00	-	100.00	China
Pos-Sea Pte Ltd	Steel transit trading	-	67.54	67.54	-	67.54	Singapore
POSCO Europe Steel Distribution Center	Steel product sales	50.00	20.00	70.00	50.00	20.00	Slovenia
POSCO ENGINEERING (THAILAND) CO., LTD.	Chemical plant	-	100.00	100.00	-	100.00	Thailand
POSCO VST CO., LTD.	Stainless steel sheet manufacturing and sales	95.65	-	95.65	95.65	-	Vietnam
POSCO Maharashtra Steel Private Limited	Steel manufacturing	100.00	-	100.00	100.00	-	India
POSCO India Chennai Steel Processing Center Pvt.Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	India
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	Steel manufacturing	100.00	-	100.00	100.00	-	Turkey
POSCO VNPCIVietnam HANOI Processing Center) Co., Ltd.	Steel manufacturing	70.00	-	70.00	70.00	-	Vietnam
POSCO(Liaoning) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	China
POSCO-Indonesia Jakarta Processing Center	Steel manufacturing	65.00	20.00	85.00	65.00	20.00	Indonesia
POSCO E&C VENEZUELA C.A.	Construction and engineering	-	100.00	100.00	-	100.00	Venezuela
PT.MIRI	Mine development	65.00	-	65.00	65.00	-	Indonesia

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

Principal operations	Ownership (%)						Region	
	December 31, 2016			December 31, 2015				
	POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total		
[Foreign]								
POSCO TMC INDIA PRIVATE LIMITED	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	India
POSCO-AAPC	Steel manufacturing	-	97.80	97.80	-	100.00	100.00	USA
PT PEN INDONESIA	Construction	-	100.00	100.00	-	100.00	100.00	Indonesia
POSCO(Yantai) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Steel logistics	-	100.00	100.00	-	100.00	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Steel manufacturing	80.00	10.00	90.00	80.00	10.00	90.00	China
POSCO-South Asia Company Limited	Steel product sales	100.00	-	100.00	100.00	-	100.00	Thailand
POSCO SS-VINA Co., Ltd	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	Vietnam
POSCO NCR Coal Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Canada
POSCO WIA PTY LTD	Iron ore sales & mine development	100.00	-	100.00	100.00	-	100.00	Australia
POSCO Engineering and Construction - UZ	Construction	-	100.00	100.00	-	100.00	100.00	Uzbekistan
POSCO AUSTRALIA GP PTY LIMITED	Resource development	-	100.00	100.00	-	100.00	100.00	Australia
POSCO YongXin Rare Earth Metal Co., Ltd.	Magnet material manufacturing and sales	-	51.60	51.60	-	51.60	51.60	China
POSCO DAEWOO POWER (PNGPOMI) LTD.	Electricity prodction	-	100.00	100.00	-	100.00	100.00	Papua New Guinea
POSCO DAEWOO AMERICA CORP.	Trading business	-	100.00	100.00	-	100.00	100.00	USA
POSCO DAEWOO DEUTSCHLAND GMBH	Trading business	-	100.00	100.00	-	100.00	100.00	Germany
POSCO DAEWOO JAPAN Corp	Trading business	-	100.00	100.00	-	100.00	100.00	Japan
POSCO DAEWOO SINGAPORE PTE LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	Singapore
POSCO DAEWOO ITALIA S.R.L.	Trading business	-	100.00	100.00	-	100.00	100.00	Italy
POSCO DAEWOO CHINA CO., LTD	Trading business	-	100.00	100.00	-	100.00	100.00	China
Daewoo Textile LLC	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Uzbekistan
POSCO DAEWOO AUSTRALIA HOLDINGS PTY. LTD.	Resource development	-	100.00	100.00	-	100.00	100.00	Australia
POSCO MAURITIUS LIMITED	Coal development and sales	-	100.00	100.00	-	100.00	100.00	Mauritius
PT. KRAKATAU POSCO	Steel manufacturing	70.00	-	70.00	70.00	-	70.00	Indonesia
POSCO DAEWOO MEXICO S.A. DE C.V.	Trading business	-	100.00	100.00	-	100.00	100.00	Mexico
Daewoo International Guangzhou Corp.	Trading business	-	100.00	100.00	-	100.00	100.00	China
POSCO (Zhangjiagang) STS Processing Center Co., Ltd	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	China
POSCO DAEWOO MALAYSIA SDN BHD	Trading business	-	100.00	100.00	-	100.00	100.00	Malaysia
POSCO DAEWOO SHANGHAI CO., LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	China
PGSF, L.P.	Investment in bio tech Industry	-	100.00	100.00	-	100.00	100.00	USA
POSCO DAEWOO INDIA PVT., LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	India
PT. POSCO E&C INDONESIA	Construction	-	100.00	100.00	-	100.00	100.00	Indonesia
HUME COAL PTY LTD	Raw material manufacturing	-	100.00	100.00	-	100.00	100.00	Australia
EPC EQUITIES LLP	Construction	-	80.00	80.00	-	80.00	80.00	England
SANTOS CMI CONSTRUCTION TRADING LLP	Construction	-	99.90	99.90	-	99.90	99.90	England
SANTOS CMI INC. USA	Construction	-	100.00	100.00	-	100.00	100.00	USA
SANTOS CMI ENGENHARIA E CONSTRUÇÕES LTDA	Construction	-	99.98	99.98	-	99.98	99.98	Brazil
SANTOS CMI PERU S.A.	Construction	-	99.99	99.99	-	99.99	99.99	Peru
SANTOS CMI CONSTRUCCIONES S.A.	Construction	-	100.00	100.00	-	100.00	100.00	Uruguay
GENTECH INTERNATIONAL INC.	Construction	-	90.00	90.00	-	90.00	90.00	Panama
SANTOS CMI S.A.	Construction	-	80.00	80.00	-	80.00	80.00	Ecuador
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	Construction	-	99.00	99.00	-	99.00	99.00	Chile
COMPANIADAEUTOMATIZACION &CONTROL, GENESYS S.A.	Construction	-	90.00	90.00	-	90.00	90.00	Ecuador
POSCO ASSAN TST STEEL INDUSTRY	Steel manufacturing	60.00	10.00	70.00	60.00	10.00	70.00	Turkey
HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd	Investment	-	100.00	100.00	-	100.00	100.00	Hongkong
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	Construction	-	100.00	100.00	-	100.00	100.00	Brazil
POSCO Electrical Steel India Private Limited	Electrical steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
PT.POSCO-Indonesia Inti	Mine development	99.99	-	99.99	99.99	-	99.99	Indonesia
POSCO(Dalian) IT Center Development Co., Ltd.	Investment	-	100.00	100.00	-	100.00	100.00	China
Brazil Sao Paulo Steel Processing Center	Steel manufacturing	-	76.00	76.00	-	76.00	76.00	Brazil
DAESAN (CAMBODIA) Co., Ltd.	Investment	-	100.00	100.00	-	100.00	100.00	Cambodia
PT.POSCO ICT INDONESIA	IT service and electric control engineering	-	66.99	66.99	-	66.99	66.99	Indonesia
PT. POSCO MTECH INDONESIA	Steel manufacturing	-	99.98	99.98	-	99.98	99.98	Indonesia
PT. KRAKATAU POSCO ENERGY	Manufacturing & management	-	90.00	90.00	-	90.00	90.00	Indonesia
POSCO RUS LLC	Trading business	90.00	10.00	100.00	90.00	10.00	100.00	Russia
POSCO Thainox Public Company Limited	Steel manufacturing	84.93	-	84.93	84.93	-	84.93	Thailand
POSCO DAEWOO WAIGA/QIAO SHANGHAI CO., LTD	Merchandising trade	-	100.00	100.00	-	100.00	100.00	China
PT. Bio Inti Agrindo	Forest resources development	-	85.00	85.00	-	85.00	85.00	Indonesia
POSCO ENGINEERING AND CONSTRUCTION AUSTRALIA (POSCO E&C AUSTRALIA) PTY LTD	Iron ore sales	-	100.00	100.00	-	100.00	100.00	Australia

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

Principal operations		Ownership (%)						Region
		December 31, 2016			December 31, 2015			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Foreign]								
POSCO-TISCO (JILIN)								
PROCESSING CENTER Co., Ltd.	Steel manufacturing	50.00	10.00	60.00	50.00	10.00	60.00	China
Hunchun Posco Hyundai Logistics	Logistics	-	80.00	80.00	-	80.00	80.00	China
USA-SRDC	Scrap sales	-	100.00	100.00	-	100.00	100.00	USA
POSCO DAEWOO VIETNAM CO., LTD	Trading business	-	100.00	100.00	-	100.00	100.00	Vietnam
PT Krakatau Posco Chemtech Calcination	Quicklime manufacturing and sales	-	80.00	80.00	-	80.00	80.00	Indonesia
POSCO AFRICA (PROPRIETARY) LIMITED	Mine development	100.00	-	100.00	100.00	-	100.00	South Africa
POSCO ICT BRASIL	IT service and engineering	-	100.00	100.00	-	100.00	100.00	Brazil
LA-SRDC	Scrap manufacturing	-	100.00	100.00	-	100.00	100.00	USA
DONG FANG JIN HONG	Real estate development, rental and management	-	100.00	100.00	-	100.00	100.00	China
POSCO AMERICA								
COMERCIALIZADORA S DE RL DE CV	Human resource service	-	100.00	100.00	-	100.00	100.00	Mexico
POSCO(Guangdong)								
Automotive Steel Co., Ltd.	Steel manufacturing and sales	83.64	10.00	93.64	83.64	10.00	93.64	China
POSCO MAPC SA DE CV	Steel manufacturing and sales	80.00	20.00	100.00	80.00	20.00	100.00	Mexico
PT KRAKATAU BLUE WATER	Wastewater treatment facilities operation and maintenance	-	67.00	67.00	-	67.00	67.00	Indonesia
POSCO DAEWOO MYANMAR CORPORATION LIMITED	Trading business	-	100.00	100.00	-	100.00	100.00	Myanmar
POSCO-Italy Processing Center	Stainless steel sheet manufacturing and sales	80.00	10.00	90.00	80.00	10.00	90.00	Italy
POSCO DAEWOO E&P CANADA CORPORATION	Crude oil and natural gas mining	-	100.00	100.00	-	100.00	100.00	Canada
Yingkou Puxiang Trade Co.,Ltd.	Refractory quality test and import and export trade	-	100.00	100.00	-	100.00	100.00	China
Myanmar POSCO C&C Company, Limited.	Steel manufacturing and sales	-	70.00	70.00	-	70.00	70.00	Myanmar
POSCO ICT VIETNAM	IT service and electric control engineering	-	100.00	100.00	-	100.00	100.00	Vietnam
Daewoo Global Development, Pte., Ltd	Real estate development	-	51.00	51.00	-	51.00	51.00	Myanmar
Myanmar POSCO Engineering & Construction Company, Limited.	Construction and engineering service	-	100.00	100.00	-	100.00	100.00	Myanmar
POSCO COATED STEEL (THAILAND) CO., LTD.	Automotive steel sheet manufacturing and sales	100.00	-	100.00	100.00	-	100.00	Thailand
Daewoo Power and Infra (PTY) Limited	Electricity	-	100.00	100.00	-	100.00	100.00	South Africa
Daewoo Amara Company Limited	Real estate development	-	98.54	98.54	-	98.54	98.54	Myanmar
POSMAIE-CHINA CO., LTD	Business facility maintenance	-	100.00	100.00	-	100.00	100.00	China
Daewoo Precious Resources Co., Ltd.	Resources development	-	70.00	70.00	-	70.00	70.00	Myanmar
POSCO-Mexico Villagran								
Wire-rod Processing Center	Steel manufacturing	56.75	10.00	66.75	56.75	10.00	66.75	Mexico
SANTOS CMI Guatemala S.A.	Construction	-	100.00	100.00	-	100.00	100.00	Guatemala
POSCO-CDSFC	Steel manufacturing	50.20	49.80	100.00	42.16	25.39	67.55	China
POSCO ChengDu Processing Center	Steel manufacturing	33.00	10.00	43.00	33.00	10.00	43.00	China
POSCO E&C HOLDINGS CO.,Ltd.	Holding company	-	100.00	100.00	-	100.00	100.00	Thailand
POSCO E&C (THAILAND) CO.,Ltd.	Construction	-	100.00	100.00	-	100.00	100.00	Thailand
DAEWOO POWER PNG Ltd.	Electricity production	-	100.00	100.00	-	100.00	100.00	Papua New Guinea
POSCO India Ahmedabad Steel Processing Center Pvt.Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
COINSA INGENIERIA Y PETROQUIMICA S.R.L.	Construction	-	50.00	50.00	-	50.00	50.00	Bolivia
PT.Krakatau Posco Social Enterprise	Social enterprise	-	100.00	100.00	-	100.00	100.00	Indonesia
POSCO Vietnam Holdings Co., LTD.	Holding company	79.28	20.72	100.00	79.28	20.72	100.00	Vietnam
Ventanas Philippines Construction Inc	Construction	-	100.00	100.00	-	100.00	100.00	Philippines
POSCO E&C Mongolia	Construction	-	100.00	100.00	-	100.00	100.00	Mongolia
Daewoo Minerals Canada Corporation	Resources development	-	100.00	100.00	-	-	-	Canada
Chongqing POSCO CISL Automotive Steel Co., Ltd.	Automotive steel sheet manufacturing and sales	51.00	-	51.00	-	-	-	China
POSCO-JWPC Co., Ltd.	Steel manufacturing	-	-	-	-	89.18	89.18	Japan
POSCO Investment Co., Ltd.	Financial Service	-	-	-	100.00	-	100.00	China
Qingdao Pos-metal Co., Ltd.	Steel manufacturing	-	-	-	-	100.00	100.00	China
Dalian POSCO ICT-DONGFANG Engineering Co., Ltd.	Electric control machine manufacturing	-	-	-	-	100.00	100.00	China
POSCO MEXICO HUMAN TECH S.A. de C.V.	Service	-	-	-	80.00	20.00	100.00	Mexico
DAEWOO TEXTILE BUKHARA LLC	Textile manufacturing	-	-	-	-	100.00	100.00	Uzbekistan
Daewoo Paper Manufacturing Co., Ltd.	Paper Manufacturing	-	-	-	-	66.70	66.70	China
Tianjin Daewoo Paper Manufacturing Co., Ltd.	Paper Manufacturing	-	-	-	-	68.00	68.00	China
Xenaysis Inc.	Power generation equipment manufacturing	-	-	-	29.58	21.35	50.93	Japan
POSCO FOUNDATION	Non-profit charitable organization	-	-	-	-	100.00	100.00	India
EPC INGENIERIA & SERVICIOS DE COSTA RICA SA	Construction and engineering	-	-	-	-	100.00	100.00	Costa Rica
PMI PIPE	Common steel welded pipe manufacturing and sales	-	-	-	-	50.00	50.00	Japan
KRAKATAU POS-CHEM	Chemical by-product	-	-	-	-	45.00	45.00	Indonesia
DONG-SUH CHEMICAL(*3)	manufacturing and sales	-	-	-	-	-	-	

(*1) Reclassified to subsidiary from associate during the year ended December 31, 2016.

(*2) Reclassified to subsidiary from joint venture during the year ended December 31, 2016.

(*3) Reclassified to associate from subsidiary for during year ended December 31, 2016.

The equity of controlling company increased by ₩8,650 million (POSCO Processing &Service and others) and ₩301,029 million (POSCO ENGINEERING & CONSTRUCTION., LTD., PT PEN INDONESIA and others) in 2016 and 2015, respectively, as a result of changes in the Company's ownership interests in subsidiaries that did not result in a loss of control.

Cash dividends paid to POSCO by subsidiaries in 2016 and 2015 amounted to ₩75,830 million and ₩437,914 million, respectively.

As of December 31, 2016, there are no restrictions on the ability of subsidiaries to transfer funds to the controlling company, such as in the form of cash dividends, repayment of loans or payment of advances.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(c) Summarized financial information of principal subsidiaries as of and for the years ended December 31, 2016 and 2015 are as follows:

1) December 31, 2016

(in millions of Won)

Company		Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]						
POSCO ENGINEERING & CONSTRUCTION., LTD.	₩	6,406,125	3,792,507	2,613,618	5,496,137	(867,471)
POSCO Processing&Service		1,632,940	845,450	787,490	2,593,388	(27,605)
POSCO COATED & COLOR STEEL Co., Ltd.		382,815	175,511	207,304	771,337	30,426
POSCO ICT		649,838	277,065	372,773	838,258	27,891
POSCO A&C		126,447	94,345	32,102	254,495	423
POSCO Venture Capital Co.,Ltd		337,434	223,688	113,746	24,660	1,330
eNtoB Corporation		87,987	49,880	38,107	567,875	1,759
POSCO CHEMTECH		703,337	115,292	588,045	1,076,455	59,820
POSCO M-TECH		150,790	73,794	76,996	259,048	2,501
POSCO ENERGY CO., LTD.		4,520,521	3,115,520	1,405,001	1,657,890	(135,428)
POSCO Engineering CO.,Ltd		520,000	517,884	2,116	969,559	(155,064)
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)		7,419,600	4,988,663	2,430,937	15,417,230	123,709
[Foreign]						
POSCO America Corporation	₩	344,395	257,712	86,683	741,695	(1,889)
POSCO AUSTRALIA PTY LTD(*1)		526,019	39,710	486,309	144,809	21,761
POSCO Asia Co., Ltd.		2,202,195	2,014,476	187,719	3,654,181	8,010
POSCO-CTPC Co., Ltd.		95,330	56,498	38,832	239,419	1,680
POSCO E&C Vietnam Co., Ltd.		199,162	140,750	58,412	126,922	(11,897)
Zhangjiagang Pohang Stainless Steel Co., Ltd.		1,039,137	562,090	477,047	2,518,260	90,118
POSCO (Thailand) Company Limited		111,962	67,758	44,204	206,153	1,777
Qingdao Pohang Stainless Steel Co., Ltd.		185,993	92,722	93,271	411,129	12,778
POSCO(Suzhou) Automotive Processing Center Co., Ltd.		357,157	227,128	130,029	621,161	11,560
POSCO JAPAN Co., Ltd.		639,896	514,388	125,508	1,256,804	2,448
POSCO-India Pune Processing Center. Pvt. Ltd.		170,249	159,414	10,835	368,740	1,281
POSCO-Japan PC CO., LTD. (formerly, POSCO-JEPC Co., Ltd.)		301,910	255,694	46,216	325,871	4,472
POSCO-CFPC Co., Ltd.		173,723	126,753	46,970	550,356	5,515
POSCO E&C CHINA Co., Ltd.		138,961	95,205	43,756	81,882	4,791
POSCO MPPC S.A. de C.V.		287,498	237,312	50,186	401,579	4,353
POSCO-VIETNAM Co., Ltd.		455,383	419,923	35,460	609,374	22,691
POSCO MEXICO S.A. DE C.V.		781,307	550,807	230,500	542,253	380
POSCO India Delhi Steel Processing Centre Private Limited		109,166	101,627	7,539	222,332	1,846
POSCO Thainox Public Company Limited		399,667	90,877	308,790	477,976	19,131
POSCO-Vietnam Processing Center Co., Ltd.		101,999	66,714	35,285	214,552	5,210
DONG FANG JIN HONG		500,489	353,012	147,477	41,849	(5,607)
POSCO(Guangdong) Automotive Steel Co., Ltd.		329,855	230,726	99,129	250,352	(8,801)
POSCO COATED STEEL (THAILAND) CO., LTD.		346,381	239,365	107,016	71,426	(13,006)
Pos-Sea Pte Ltd		25,456	23,260	2,196	182,598	299
POSCO VST CO., LTD.		335,103	310,386	24,717	401,972	4,354
POSCO Maharashtra Steel Private Limited		1,347,401	1,020,233	327,168	832,320	(9,888)
POSCO India Chennai Steel Processing Centre Pvt.Ltd.		101,307	83,258	18,049	227,436	3,731
POSCO SS VINA Co., Ltd.		814,883	734,223	80,660	279,023	(75,217)
POSCO WA PTY LTD		437,231	14	437,217	-	(3,622)
PT. KRAKATAU POSCO ENERGY		341,534	203,792	137,742	39,769	14,174
POSCO DAEWOO AMERICA CORP.		533,571	476,380	57,191	1,329,374	643
POSCO DAEWOO DEUTSCHLAND GMBH		205,346	193,007	12,339	401,379	1,284
POSCO DAEWOO JAPAN Corp		163,596	155,783	7,813	642,276	623
POSCO DAEWOO SINGAPORE PTE LTD.		211,122	206,586	4,536	610,787	55
POSCO DAEWOO ITALIA S.R.L.		102,986	98,041	4,945	405,543	1,818
POSCO DAEWOO CHINA CO., LTD		49,441	32,779	16,662	342,802	(35,625)
PT. KRAKATAU POSCO		3,763,150	3,526,459	236,691	1,296,938	(218,461)
POSCO DAEWOO MEXICO S.A. de C.V.		130,781	121,359	9,422	250,033	1,017
POSCO (Zhangjiagang) STS Processing Center Co., Ltd		47,829	33,693	14,136	254,371	3,539
POSCO(Dalian) IT Center Development Co., Ltd.		170,016	26,144	143,872	79,069	1,080
POSCO ASSAN TST STEEL INDUSTRY		612,442	677,829	(65,387)	454,791	(105,849)

(*1) Summary financial information of POSCO AUSTRALIA PTY LTD, a subsidiary of POSCO, is based on consolidated amounts whereas other than this entity, the financial information is based on separate financial statements.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

2) December 31, 2015

(in millions of Won)

Company		Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]						
POSCO ENGINEERING & CONSTRUCTION., LTD.	₩	6,846,306	3,341,227	3,505,079	6,536,879	134,869
POSCO Processing&Service		1,192,733	320,732	872,001	3,144,016	737
POSCO COATED & COLOR STEEL Co., Ltd.		413,901	234,845	179,056	788,694	13,207
POSCO ICT		652,489	310,623	341,866	804,863	(79,635)
POSCO A&C		109,146	75,015	34,131	237,705	1,017
POSCO Venture Capital Co.,Ltd		255,898	142,251	113,647	18,956	648
eNtoB Corporation		80,210	43,860	36,350	538,804	1,394
POSCO CHEMTECH		653,689	113,112	540,577	1,175,272	43,978
POSCO M-TECH		184,553	107,194	77,359	344,575	27,155
POSCO ENERGY CO., LTD.		4,676,349	3,113,948	1,562,401	1,909,919	18,752
POSCO Engineering CO.,Ltd		580,003	424,333	155,670	964,926	(15,610)
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)		7,474,312	5,107,402	2,366,910	16,881,040	81,850
[Foreign]						
POSCO America Corporation	₩	489,103	429,409	59,694	823,847	(7,805)
POSCO AUSTRALIA PTY LTD		666,132	46,015	620,117	88,651	35,002
POSCO Asia Co., Ltd.		908,975	857,837	51,138	3,142,920	1,335
POSCO-CTPC Co., Ltd.		102,739	63,982	38,757	185,735	(1,257)
POSCO E&C Vietnam Co., Ltd.		219,373	150,704	68,669	315,703	2,691
Zhangjiagang Pohang Stainless Steel Co., Ltd.		1,077,372	673,542	403,830	2,482,140	(116,436)
POSCO (Thailand) Company Limited		106,151	65,215	40,936	201,986	(2,613)
Qingdao Pohang Stainless Steel Co., Ltd.		192,685	108,718	83,967	298,912	(3,933)
POSCO(Suzhou) Automotive Processing Center Co., Ltd.		330,545	207,012	123,533	476,014	(3,648)
POSCO JAPAN Co., Ltd.		656,583	541,807	114,776	1,240,549	5,594
POSCO-India Pune Processing Center. Pvt. Ltd.		191,590	182,160	9,430	377,977	1,724
POSCO-Japan PC CO., LTD. (formerly, POSCO-JEPC Co., Ltd.)		168,412	148,623	19,789	263,275	863
POSCO-CFPC Co., Ltd.		154,949	111,712	43,237	621,240	(3,650)
POSCO E&C CHINA Co., Ltd.		230,130	146,633	83,497	190,987	10,483
POSCO MPPC S.A. de C.V.		259,419	220,234	39,185	410,857	2,306
POSCO-VIETNAM Co., Ltd.		469,107	457,647	11,460	527,439	(16,494)
POSCO MEXICO S.A. DE C.V.		848,226	625,181	223,045	499,250	784
POSCO India Delhi Steel Processing Centre Private Limited		129,878	124,292	5,586	219,626	(1,056)
POSCO Thainox Public Company Limited		375,865	81,878	293,987	409,505	3,669
POSCO-Vietnam Processing Center Co., Ltd.		146,858	117,903	28,955	242,303	(2,053)
DONG FANG JIN HONG		526,123	366,636	159,487	20,567	(15,660)
POSCO(Guangdong) Automotive Steel Co., Ltd.		332,981	220,571	112,410	221,343	(16,192)
POSCO COATED STEEL (THAILAND) CO., LTD.		303,680	187,470	116,210	-	1,800
Pos-Sea Pte Ltd		41,926	40,638	1,288	561,755	1,064
POSCO VST CO., LTD.		329,849	310,278	19,571	401,440	(6,300)
POSCO Maharashtra Steel Private Limited		1,282,589	1,081,312	201,277	687,120	(80,487)
POSCO India Chennai Steel Processing Centre Pvt.Ltd.		113,568	99,506	14,062	194,323	2,652
POSCO SS VINA Co., Ltd.		755,135	600,905	154,230	76,545	(113,987)
POSCO WA PTY LTD		427,612	7	427,605	-	(11,690)
PT. KRAKATAU POSCO ENERGY		336,338	217,076	119,262	39,624	6,915
POSCO DAEWOO AMERICA CORP.		443,504	388,689	54,815	1,124,251	800
POSCO DAEWOO DEUTSCHLAND GMBH		188,935	177,751	11,184	402,344	1,254
POSCO DAEWOO JAPAN Corp		253,125	246,367	6,758	770,362	442
POSCO DAEWOO SINGAPORE PTE LTD.		114,256	109,913	4,343	801,225	22
POSCO DAEWOO ITALIA S.R.L.		124,548	121,367	3,181	303,784	(1,288)
POSCO DAEWOO CHINA CO., LTD		84,324	30,082	54,242	209,488	3,216
PT. KRAKATAU POSCO		4,259,257	3,818,369	440,888	1,227,266	(422,490)
POSCO DAEWOO MEXICO S.A. de C.V.		117,205	107,406	9,799	345,087	3,036
POSCO (Zhangjiagang) STS Processing Center Co., Ltd		64,383	53,315	11,068	341,862	(2,863)
POSCO(Dalian) IT Center Development Co., Ltd.		238,500	89,693	148,807	136,148	9,169
POSCO ASSAN TST STEEL INDUSTRY		761,826	692,929	68,897	485,847	(29,288)

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(d) Details of non-controlling interest as of and for the years ended December 31, 2016 and 2015 are as follows:

1) December 31, 2016

(in millions of Won)

	POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	PT. KRAKATAU POSCO	POSCO CHEMTECH	POSCO ENGINEERING & CONSTRUCTION., LTD.	POSCO ENERGY CO., LTD.	Others	Total
Current assets	₩ 4,038,313	460,376	397,370	4,812,163	713,039	9,696,140	20,117,401
Non-current assets	4,510,085	3,304,292	243,401	1,687,062	3,038,665	7,749,277	20,532,772
Current liabilities	(3,662,811)	(1,120,077)	(109,016)	(3,255,178)	(937,668)	(9,669,053)	(18,753,803)
Non-current liabilities	(1,681,182)	(2,337,612)	(2,337)	(436,959)	(2,172,226)	(2,856,498)	(9,486,814)
Equity	3,204,405	306,979	529,418	2,807,078	641,810	4,919,866	12,409,556
Non-controlling interests	1,271,750	92,094	211,767	1,324,965	70,441	945,962	3,916,979
Sales	15,417,550	1,244,711	1,076,455	5,496,137	1,657,890	23,251,563	48,144,306
Profit (loss) for the period	113,832	(187,151)	41,829	(744,083)	(130,809)	(461,034)	(1,367,416)
Profit (loss) attributable to non-controlling interests	45,177	(56,145)	16,732	(351,214)	(14,357)	(312,297)	(672,104)
Cash flows from operating activities	337,338	45,672	30,295	(211,182)	18,107	53,050	273,280
Cash flows from investing activities	(35,054)	(8,804)	(42,021)	(102,939)	(1,047)	(253,206)	(443,071)
Cash flows from financing activities (before dividends to non-controlling interest)	(295,226)	(36,286)	(1,250)	(20,953)	(2,875)	204,797	(151,793)
Dividends to non-controlling interest	(22,597)	-	(4,726)	(14,800)	(24,378)	(7,349)	(73,850)
Effect of exchange rate fluctuation on cash held	10	67	1	760	-	1,687	2,525
Net increase (decrease) in cash and cash equivalents	(15,529)	649	(17,701)	(349,114)	(10,193)	(1,021)	(392,909)

2) December 31, 2015

(in millions of Won)

	POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	PT. KRAKATAU POSCO	POSCO CHEMTECH	POSCO ENGINEERING & CONSTRUCTION., LTD.	POSCO ENERGY CO., LTD.	Others	Total
Current assets	₩ 3,930,857	441,999	360,812	4,794,319	590,460	9,648,917	19,767,364
Non-current assets	4,777,482	3,363,935	248,549	1,738,162	3,333,351	7,776,264	21,237,743
Current liabilities	(3,568,714)	(1,004,002)	(106,167)	(2,903,097)	(663,945)	(9,692,004)	(17,937,929)
Non-current liabilities	(1,941,909)	(2,315,554)	(5,405)	(594,897)	(2,420,547)	(2,567,980)	(9,846,292)
Equity	3,197,716	486,378	497,789	3,034,487	839,319	5,165,197	13,220,886
Non-controlling interests	1,269,096	145,913	199,116	1,432,305	92,118	1,182,137	4,320,685
Sales	16,890,723	1,227,266	1,175,272	6,536,879	1,909,919	25,784,254	53,524,313
Profit (loss) for the period	79,092	(398,438)	35,516	131,948	15,831	(835,389)	(971,440)
Profit (loss) attributable to non-controlling interests	31,390	(119,531)	14,206	62,280	1,738	(247,106)	(257,023)
Cash flows from operating activities	433,493	(13,595)	19,921	434,257	6,075	(72,371)	807,780
Cash flows from investing activities	(74,644)	(8,994)	25,318	21,075	(20,980)	(110,712)	(168,937)
Cash flows from financing activities (before dividends to non-controlling interest)	(340,532)	18,886	66	69,615	11,572	289,715	49,322
Dividends to non-controlling interest	(22,597)	-	(4,135)	(703)	(24,125)	(145,582)	(197,142)
Effect of exchange rate fluctuation on cash held	430	83	-	819	-	3,502	4,834
Net increase (decrease) in cash and cash equivalents	(3,850)	(3,620)	41,170	525,063	(27,458)	(35,448)	495,857

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(e) Details of associates and joint ventures

1) Associates

Details of associates as of December 31, 2016 and 2015 are as follows:

Investee	Category of business	Ownership (%)		Region
		2016	2015	
[Domestic]				
EQP POSCO Global NO1 Natural Resources PEF	Investment in new technologies	29.37	28.93	Seoul
POSCO PLANTEC Co., Ltd.(*2)	Construction of industrial plant	73.94	73.94	Ulsan
SNNC	Raw material manufacturing and sales	49.00	49.00	Gwangyang
QSONE Co.,Ltd.	Real estate rental and facility management	50.00	50.00	Seoul
Chun-cheon Energy Co., Ltd	Electricity generation	29.90	29.90	Chuncheon
Incheon-Gimpo Expressway Co., Ltd.	Construction	20.04	22.32	Anyang
BLUE OCEAN Private Equity Fund	Private equity financial	27.52	27.52	Seoul
UITrans LRT Co., Ltd.	Transporting	38.19	38.19	Seoul
Keystone-HYUNDAI SECURITIES				
NO. 1. Private Equity Fund	Private equity financial	40.45	40.45	Seoul
CHUNGJU ENTERPRISE CITY				
DEVELOPMENT Co.,Ltd	Real estate development	29.53	25.10	Chungju
Daesung Steel(*1)	Steel sales	17.54	17.54	Busan
KoFC POSCO HANWHA KB Shared Growth				
NO. 2. Private Equity Fund(*1)	Investment in new technologies	12.50	12.50	Seoul
KONES, Corp.	Technical service	41.67	41.67	Gyeongju
Gale International Korea, LLC	Real estate rental	29.90	29.90	Seoul
Pohang Techno Valley PFV Corporation	Real estate development and rental	30.28	54.99	Pohang
Gunggi Green Energy(*1)	Electricity generation	19.00	19.00	Hwaseong
Pohang Special Welding Co.,Ltd.	Welding material and tools manufacturing and sales	50.00	50.00	Pohang
KC Chemicals CORP(*1)	Machinery manufacturing	19.00	19.00	Hwaseong
Posco-IDV Growth Ladder IP Fund(*1)	Investment in new technologies	17.86	17.86	Seoul
DAEHO GLOBAL MANAGEMENT CO., LTD.	Investment advisory service	35.82	35.82	Pohang
Clean Gimpo Co., Ltd.	Construction	29.58	29.58	Gimpo
Postech Early Stage Fund(*1)	Investment in new technologies	10.00	10.00	Pohang
POSCO Energy Valley Fund	Investment in new technologies	20.00	20.00	Pohang
Pureun Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	20.40	Tongyeong
Posgreen Co., Ltd.(*1)	Plaster manufacturing	19.00	19.00	Gwangyang
Pohang E&E Co., Ltd.	Investment in waste energy	30.00	30.00	Pohang
POSTECH Social Enterprise Fund(*1)	Investment in new technologies	9.17	9.17	Seoul
Applied Science Corp.	Machinery manufacturing	24.88	25.73	Paju
Noeul Green Energy(*1)	Electricity generation	10.00	20.00	Seoul
Universal Studios Resort Asset				
Management Corporation	Real estate services	26.17	26.17	Seoul
Pohang Techno Valley AMC	Construction	29.50	29.50	Pohang
METAPOLIS Co.,Ltd.	Multiplex development	40.05	40.05	Hwaseong
New Songdo International City Development, LLC	Real estate rental	29.90	29.90	Seoul
Busan-Gimhae Light Rail Transit Co., Ltd.	Transporting	25.00	25.00	Gimhae
Mokpo Deayang Industrial Corporation	Real estate development	27.40	27.40	Mokpo
Clean Iksan Co., Ltd.	Construction	23.50	23.50	Iksan
Innovalley Co., Ltd.	Real estate development	28.77	28.77	Yongin
Pure Gimpo Co., Ltd.	Construction	28.79	28.79	Seoul
Garolim Tidal Power Plant Co.,Ltd	Tidal power plant construction and management	32.13	32.13	Seosan
2016 PoscoPlutus New Technology				
Investment Fund(*3)	Investment in new technologies	25.17	-	Seoul
Hyundai Invest Guggenheim CLO				
Private Special Asset Investment Trust II(*3)	Investment in new technologies	38.47	-	Seoul
PoscoPlutus Bio Fund(*1,3)	Investment in new technologies	11.97	-	Seoul
PoscoPlutus Project Fund(*1,3)	Investment in new technologies	11.91	-	Seoul
Posco Agrifood Export Investment Fund(*3)	Investment in new technologies	30.00	-	Seoul
PoscoPlutus Project II Investment Fund(*1,3)	Investment in new technologies	0.61	-	Seoul
Posco Culture Contents Fund(*3)	Investment in new technologies	31.67	-	Seoul
SeAH Changwon Integrated Special Steel(*4)	Steel manufacturing and sales	-	19.94	Changwon
Green Jang Ryang Co.Ltd(*4)	Sewerage treatment	-	25.00	Pohang
Daewoo Public Car Sales (Gwangju) CO.,Ltd(*4)	Leasing services	-	50.00	Gwangju
Synergy Private Equity Fund(*5)	Investment in new technologies	-	17.86	Seoul
Posco e&c Songdo International Building(*6)	Non-residential building lease	-	49.00	Seoul

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

Investee	Category of business	Ownership (%)		Region
		2016	2015	
[Foreign]				
South-East Asia Gas Pipeline Company Ltd.	Pipeline construction	25.04	25.04	Myanmar
AES-VCM Mong Duong Power Company Limited	Electricity generation	30.00	30.00	Vietnam
7623704 Canada Inc.(*1)	Investments management	10.40	10.40	Canada
Eureka Moly LLC	Raw material manufacturing and sales	20.00	20.00	USA
AMCI (WA) PTY LTD.	Iron ore sales & mine development	49.00	49.00	Australia
KOREA LNG LTD.	Gas production and sales	20.00	20.00	England
Nickel Mining Company SAS	Raw material manufacturing and sales	49.00	49.00	New Caledonia
NCR LLC	Coal sales	29.41	29.41	Canada
PT. Batutua Tembaga Raya	Raw material manufacturing and sales	24.10	24.10	Indonesia
Zhongyue POSCO (Qinhuangdao)				
Tinplate Industrial Co., Ltd	Tinplate manufacturing and sales	34.00	34.00	China
PT. Wampu Electric Power	Construction and engineering service	20.00	20.00	Indonesia
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	Steel processing and sales	25.00	25.00	China
VSC POSCO Steel Corporation	Steel processing and sales	50.00	50.00	Vietnam
IMFA ALLOYS FINLEASE LTD.	Raw material manufacturing and sales	24.00	24.00	India
General Medicines Company Ltd.	Medicine manufacturing and sales	33.00	33.00	Sudan
PT.INDONESIA POS CHEMTECH CHOSUN Ref	Refractory manufacturing and sales	30.19	30.19	Indonesia
POSK(Pinghu) Steel Processing Center Co., Ltd.	Steel processing and sales	20.00	20.00	China
SHANGHAI LANSHENG DAEWOO CORP.	Trading	49.00	49.00	China
AN KHANH NEW CITY				
DEVELOPMENT J.V CO., LTD.	Highway construction and new town development	50.00	50.00	Vietnam
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	Steel processing and sales	25.00	25.00	China
SHANGHAI WAIGAOQIAO FREE TRADE ZONE				
LANSHENG DAEWOO IN'L TRADING CO., LTD.	Trading	49.00	49.00	China
PT. Tanggamus Electric Power(*1)	Construction and engineering service	17.50	17.50	Indonesia
NS-Thainox Auto Co., Ltd.	Steel manufacturing and sales	49.00	49.00	Vietnam
Hamparan Mulya	Resource development	45.00	45.00	Indonesia
Sebang Steel	Scrap sales	49.00	49.00	Japan
GLOBAL KOMSCO Daewoo LLC	Mintage	35.00	35.00	Uzbekistan
POSCO-Poggenamp Electrical Steel Pvt. Ltd.	Steel manufacturing	26.00	26.00	India
Fifth Combined Heat and Power Plant LLC	Thermal power generation	30.00	30.00	Mongolia
KIRIN VIETNAM CO., LTD(*1)	Panel manufacturing	19.00	19.00	Vietnam
POSCHROME (PROPRIETARY) LIMITED	Raw material manufacturing and sales	50.00	50.00	South Africa
CAML RESOURCES PTY LTD.	Raw material manufacturing and sales	33.34	33.34	Australia
KG Power(M) SDN. BHD	Energy & resource development	20.00	20.00	Malaysia
LI3 ENERGY INC	Energy & resource development	26.06	26.06	Peru
LLP POSUK Titanium	Titanium manufacturing and sales	36.83	36.83	Kazakhstan
POS-SeAH Steel Wire (Thailand) Co., Ltd.(*3)	Steel manufacturing and sales	25.00	-	Thailand
Jupiter Mines Limited(*1,3)	Energy & resource development	17.08	-	Australia
Chongqing CISL High Strength				
Cold Rolling Steel Co., Ltd.(*1,3)	Steel manufacturing and sales	10.00	-	China
KRAKATAU POS-CHEM DONG-SUH	Chemical by-product			
CHEMICAL(*1,7)	manufacturing and sales	19.00	-	Indonesia
XG Sciences(*8)	New materials manufacturing and development	-	10.50	USA

(*1) The Company is able to exercise significant influence even though the Company's percentage of ownership is below 20%.

(*2) On September 30, 2015, in order to improve its financial standing and normalize operation, the associates reached a workout agreement with its Creditor Financial Institutions Committee. As a result, the Company lost its control and classified its shares as investment in an associate.

(*3) These associates were newly established or acquired in 2016.

(*4) Excluded from associates due to the disposal of shares during the year ended December 31, 2016.

(*5) Excluded from associates due to liquidation during the year ended December 31, 2016.

(*6) Reclassified to subsidiary from associate for during year ended December 31, 2016.

(*7) Reclassified to associate from subsidiary for during year ended December 31, 2016.

(*8) Excluded from associates due to the loss of significant influence caused by change in composition of the Board of Directors during the year ended December 31, 2016.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

2) Joint ventures

Details of joint ventures as of December 31, 2016 and 2015 are as follows:

Investee	Category of business	Ownership (%)		Region
		2016	2015	
[Domestic]				
POSCO MITSUBISHI CARBON TECHNOLOGY	Steel processing and sales	60.00	60.00	Gwangyang
POSCO ES MATERIALS CO., LTD(*1)	Secondary battery manufacturing	-	50.00	Gumi
[Foreign]				
Roy Hill Holdings Pty Ltd.	Energy & resource development	12.50	12.50	Australia
POSCO-NPS Niobium LLC	Mine development	50.00	50.00	USA
CSP - Companhia Siderurgica do Pecem	Steel manufacturing and sales	20.00	20.00	Brazil
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Steel processing and sales	25.00	25.00	China
KOBRASCO	Steel materials manufacturing and sales	50.00	50.00	Brazil
DMSA/AMSA	Energy & resource development	4.00	4.07	Madagascar
PT. POSMI Steel Indonesia	Steel processing and sale	36.69	36.69	Indonesia
Henan Tsingpu Ferro Alloy Co., Ltd.	Raw material manufacturing and sales	49.00	49.00	China
VNS-DAEWOO Co., Ltd.	Steel scrap processing and sale	40.00	40.00	Vietnam
YULCHON MEXICO S.A. DE C.V.	Tube for automobile manufacturing	19.00	19.00	Mexico
POSCO-SAMSUNG-Slovakia Processing Center	Steel processing and sales	30.00	30.00	Slovakia
Zhangjiagang Pohang Refractories Co., Ltd.	Refractory manufacturing	50.00	50.00	China
United Spiral Pipe, LLC	Material manufacturing and sales	35.00	35.00	USA
Korea Siberia Wood CJSC	Forest resource development	50.00	50.00	Russia
Hyunson Engineering & Construction HYENCO	Construction	4.90	4.90	Algeria
USS-POSCO Industries	Cold rolled coil manufacturing and sales	50.00	50.00	USA
POSCO E&C Saudi Arabia(*2)	Construction	40.00	-	Saudi Arabia
TANGGANG-POSCO LED(*3)	LED manufacturing and sales	-	50.00	China

(*1) Reclassified to subsidiary from joint venture during the year ended December 31, 2016.

(*2) These joint ventures were newly established in 2016.

(*3) Excluded from joint ventures due to the disposal of shares during the year ended December 31, 2016.

(f) Newly included subsidiaries

Consolidated subsidiaries acquired or newly established during the year ended December 31, 2016 are as follows:

Company	Date of addition	Ownership (%)	Reason
Daewoo Minerals Canada Corporation	March 2016	100.00	New establishment
POCA STEM Co., Ltd	June 2016	100.00	Acquisition of control
Chongqing POSCO CISL Automotive Steel Co., Ltd.	July 2016	51.00	New establishment
Posco e&c Songdo International Building	September 2016	100.00	Reclassification from associate
POSCO ES MATERIALS CO., LTD.	December 2016	75.32	Reclassification from joint venture

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

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(g) Excluded subsidiaries

Subsidiaries that were excluded from consolidation during the year ended December 31, 2016 are 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
PMM PIPE	April 2016	Merged into POSCO Japan PC CO., LTD. (formerly, POSCO-JEPC Co., Ltd.)
POSCO Green Gas Technology	May 2016	Merged into POSCO
Qingdao Pos-metal Co., Ltd.	May 2016	Disposal
POSCO FOUNDATION	June 2016	Exclusion upon liquidation
POSCO MEXICO HUMAN TECH S.A. de C.V.	June 2016	Merged into POSCO MEXICO S.A. DE C.V.
POSCO AST	July 2016	Merged into POSCO Processing&Service
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	September 2016	Reclassification to associates due to decline in ownership
Dalian POSCO ICT-DONGFANG Engineering Co., Ltd.	September 2016	Merged into POSCO ICT-China
POSCO-JWPC Co., Ltd.	November 2016	Merged into POSCO Japan PC CO., LTD. (formerly, POSCO-JEPC Co., Ltd.)
Steel Processing and Fabricating Center Co.,LTD	November 2016	Merged into POSCO Processing&Service
POSCO TMC Co., Ltd.	November 2016	Merged into POSCO Processing&Service
Daewoo Paper Manufacturing Co., Ltd.	December 2016	Disposal
Tianjin Daewoo Paper Manufacturing Co., Ltd.	December 2016	Exclusion upon liquidation
DAEWOO TEXTILE BUKHARA LLC	December 2016	Merged into Daewoo Textile LLC
EPC INGENIERIA & SERVICIOS DE COSTA RICA SA	December 2016	Exclusion upon liquidation

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

2. Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on January 25, 2017, and will be submitted for approval at the shareholders' meeting to be held on March 10, 2017.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position, as described in the accounting policy below.

- (a) Derivatives instruments are measured at fair value
- (b) Available-for-sale financial assets are measured at fair value
- (c) Defined benefit liabilities are measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

The financial statements of POSCO and subsidiaries are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean Won, which is POSCO's functional currency which is the currency of the primary economic environment in which POSCO operates.

Use of estimates and judgments

The preparation of the consolidated 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.

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

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 1 - Subsidiaries, associates and joint ventures
- Note 10 - Assets held for sale
- Note 11 - Investments in associates and joint ventures
- Note 12 - Joint operations
- Note 25 - Hybrid bonds

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following notes:

- Note 11 - Investments in associates and joint ventures
- Note 15 - Goodwill and other intangible assets, net
- Note 20 - Provisions
- Note 21 - Employee benefits
- Note 29 - Construction contracts
- Note 35 - Income taxes
- Note 38 - Commitments and contingencies

(c) Measurement of fair value

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

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

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

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

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

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

Information about the assumptions made in measuring fair values is included in the following note:

- Note 23 - Financial instruments

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of consolidation

(a) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(b) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(c) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(d) Loss of control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Interests in equity-accounted investees

The Company's interests in equity-control investees comprise interests in associates and joint ventures. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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Foreign currency transactions and translation

(a) Foreign currency transactions

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date fair value was initially determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

(b) Foreign operations

If the presentation currency of the Company is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

POSCO and Subsidiaries
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Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value. Equity investments are excluded from cash and cash equivalents.

Non-derivative financial assets

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(b) Held-to-maturity financial assets

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, is classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest rate method.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method unless the effect of discounting is immaterial.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Company's right to receive payment is established.

(e) Derecognition of non-derivative financial assets

The Company derecognizes non-derivative financial assets when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows from the financial asset as well as substantially all the risks and rewards of ownership of the financial asset. Any interest in a transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(f) Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Inventories

Inventory costs, except materials-in-transit in which costs are determined by using specific identification method, are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The allocation of fixed production overheads to the costs of finished goods or work in progress are based on the normal capacity of the production facilities.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

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Inventories are measured at the lower of cost or net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

The carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized.

Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. In order to be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable. The assets or disposal groups that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Company recognizes an impairment loss for any initial or subsequent write-down of an asset or disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 "Impairment of Assets".

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

Investment property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of replacing a part of an item is recognized in the carrying amount of the item of property, plant and equipment, if the following recognition criteria are met:

- (a) it is probable that future economic benefits associated with the item will flow to the Company, and
- (b) the cost can be measured reliably.

The carrying amount of the replaced part is derecognized at the time the replacement part is recognized. The costs of the day-to-day servicing of the item are recognized in profit or loss as incurred.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Other than land, the costs of an asset less its estimated residual value are depreciated. Depreciation of property, plant and equipment is recognized in profit or loss on a straight-line basis, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset, over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	3-60 years
Structures	4-50 years
Machinery and equipment	2-25 years
Vehicles	3-10 years
Tools	4-10 years
Furniture and fixtures	3-10 years
Lease assets	3-20 years

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The estimated residual value, useful lives and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing costs as an expense. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

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Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having an indefinite useful life and not amortized.

Intellectual property rights	5-10 years
Development costs	3-10 years
Port facilities usage rights	4-75 years
Other intangible assets	2-25 years

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

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Exploration for and evaluation of mineral resources

POSCO is engaged in exploration projects for mineral resources through subsidiaries, associates and joint ventures or other contractual arrangements. Expenditures related to the development of mineral resources are recognized as exploration or development intangible assets. The nature of these intangible assets are as follows:

(a) Exploration and evaluation assets

Exploration and evaluation assets consist of expenditures for topographical studies, geophysical studies and trenching. These assets are reclassified as development assets when it is proved that the exploration has identified commercially viable mineral deposit.

(b) Development assets

When proved reserves are determined and development is sanctioned, development expenditures incurred are capitalized. These expenditures include evaluation of oil fields, construction of oil/gas wells, drilling for viability and others. On completion of development and inception of extraction for commercial production of developed proved reserves, the development assets are reclassified as either property, plant and equipment or as intellectual property rights (mining rights) under intangible assets based on the nature of the capitalized expenditure.

The respective property, plant and equipment and intellectual property (mining rights) are each depreciated and amortized based on proved reserves on a unit of production basis.

Government grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant's conditions and that the grant will be received.

(a) Grants related to assets

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted from the carrying amount of the assets and recognized in profit or loss on a systematic and rational basis over the life of the depreciable assets.

(b) Grants related to income

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

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Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(a) Finance leases

At the commencement of the lease term, the Company recognizes as finance assets and finance liabilities the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Company adopts for similar depreciable assets that are owned. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

(b) Operating leases

Lease obligations under operating leases are recognized as an expense on a straight-line basis over the lease term. Contingent rents are charged as expenses in the periods in which they are incurred.

(c) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, management of the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If management of the Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

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Impairment for financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidence that a financial asset or group of financial assets are impaired includes:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If there is objective evidence that financial assets are impaired, impairment losses are measured and recognized.

(a) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Company can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

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(b) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(c) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

Impairment for non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from construction contracts, employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company determined that individual operating entities are CGUs.

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The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying amount of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Derivative financial instruments and hedges

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(a) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met: (a) the economic characteristics and risks of the host contract and the embedded derivatives are not clearly and closely related to a separate instrument with the same terms as the embedded derivative that would meet the definition of a derivative, and (b) the hybrid (combined) instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives from the host contract are recognized immediately in profit or loss. However, convertible rights of convertible bonds are not separated from the host contract and the compound financial instruments of bonds and convertible rights are designated and measured at fair value through profit and loss.

(b) Other derivatives

Changes in the fair value of a derivative that is not designated as a hedging instrument are recognized immediately in profit or loss.

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Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Construction work in progress

The gross amount due from customers for contract work is presented for all contracts in which costs incurred plus recognized profits (less recognized losses) exceed progress billings. If progress billings exceed costs incurred plus recognized profits (less recognized losses), then the gross amount due to customers for contract work is presented. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

The Company recognizes advances received regarding the amount received from the ordering organization before the commencement of the construction. Also, the Company recognized trade accounts and notes receivable with respect to the amount billed to the ordering organization.

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Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss. If the Company has a legal or constructive obligation which can be reliably measured, the Company recognizes the amount of expected payment for profit-sharing and bonuses payable as liabilities.

(b) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(c) Retirement benefits: Defined contribution plans

For defined contribution plans, when an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

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(d) Retirement benefits: Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Company recognizes an asset, to the extent of the present value of the total of cumulative any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss in curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical warranty.

Regarding provision for construction warranties, warranty period starts from the completion of construction in accordance with construction contracts. If the Company has an obligation for warranties, provision for warranties which are estimated based on historical warranty data are recorded as cost of construction and provision for warranties during the construction period.

A provision for restoration regarding contamination of land is recognized in accordance with the Company's announced Environment Policy and legal requirement as needed.

A provision is used only for expenditures for which the provision was originally recognized.

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Emission Rights

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

(a) Greenhouse Gases Emission Right

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

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

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

(b) Emission liability

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

Equity instruments

(a) Share capital

Common stock is classified as equity and the incremental costs arising directly attributable to the issuance of common stock less their tax effects are deducted from equity.

If the Company reacquires its own equity instruments, the amount of those instruments ("treasury shares") are presented as a contra equity account. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of its own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase to equity, and the resulting surplus or deficit on the transaction is recorded in capital surplus.

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(b) Hybrid Bonds

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and an equity instrument. When the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the instruments are classified as equity instruments.

Revenue

Revenue from the sale of goods, services provided and the use of assets is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, which are not significant for all periods presented.

(a) Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The appropriate timing for transfer of risks and rewards varies depending on the individual terms and conditions of the sales contract. For international sales, this timing depends on the type of international commercial terms of the contract.

(b) Services rendered

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(c) Construction contracts

Construction contracts of the Company primarily consist of contracts for the construction of plants and commercial or residential buildings, and revenue recognition for different types of contracts is as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion of a contract is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Contract revenue includes the initial amount agreed in the contract plus any variation in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

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When the outcome of a construction contract cannot be estimated reliably, the revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. An expected loss on the construction contract is recognized as an expense immediately.

(d) Rental income

Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease.

Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs are recognized in profit or loss using the effective interest rate method.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(a) Current income tax

Current income tax is the expected income tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit of future periods, and non-taxable or non-deductible items from the accounting profit.

(b) Deferred income tax

The measurement of deferred income tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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The Company recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred income tax asset for deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. However, deferred income tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current income tax liabilities and assets on a net basis.

Earnings per share

Management calculates basic earnings per share ("EPS") data for the Company's ordinary shares, which is presented at the end of the statement of comprehensive income. Basic EPS is calculated by dividing profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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Operating segments

An operating segment is a component of the Company that : a) engages in business activities from which it may earn revenues and incur expenditures, including revenues and expenses that relate to transactions with any of the Company's other components, b) whose operating results are regularly reviewed by the Company's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management has determined that the CODM of the Company is the CEO.

Segment profit and loss is determined the same way that consolidated net after tax profit for the period is generally determined under K-IFRS without any adjustment for corporate allocations. The accounting policies used by each segment are consistent with the accounting policies used in the preparation of the consolidated financial statements. Segment assets and liabilities are generally measured based on total assets and liabilities in accordance with K-IFRS without any adjustment for corporate allocations. Also, segment assets and liabilities are based on the respective separate financial statements of the entities instead of on consolidated basis. As of and for the years ended December 31, 2016 and 2015, for the purpose of preparing segment information regarding construction segment in these consolidated financial statements, prior year errors as discussed in note 29 were corrected in 2016. In addition, there are varying levels of transactions amongst the reportable segments. These transactions include sales of property, plant and assets, and rendering of construction service and so on.

Segment results that are reported to the CEO include items directly attributable to a segment and do not include allocated items. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published but are not mandatory for the Company for annual periods beginning on January 1, 2016, and the Company has not early adopted them.

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

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

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

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

K-IFRS No. 1109 will require the Company to assess the financial impact from application of K-IFRS No. 1109 and revise its accounting processes and internal controls related to financial instruments. Actual impact of adopting K-IFRS No. 1109 will be dependent on the financial instruments the Company holds and economic conditions at that time as well as accounting policy elections and judgment that it will make in the future.

The Company has not initiated any changes related to K-IFRS No. 1109, therefore the Company has not performed an assessment of the impact resulting from the application of K-IFRS No. 1109. The Company will complete the analysis of financial impacts arising from applying this standard in 2017.

Expected impacts on the consolidated financial statements are generally categorized as follows:

1) Classification and measurement of financial assets

Under K-IFRS No. 1109, financial assets are classified into three principal categories; measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification is determined based on the business model in which assets are managed and their cash flow characteristics, as detailed in the below table.

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

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

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

The adoption of K-IFRS No. 1109 would potentially increase the proportion of financial assets that are measured at fair value through profit or loss, it may increase volatility in the Company's profit or loss.

As of December 31, 2016, the Company had loans and receivables amounting to ₩19,390,610 million, held-to-maturity financial assets amounting to ₩2,470 million, available-for-sale financial assets amounting to ₩2,514,924 million, and financial assets at fair value through profit or loss amounting to ₩147,582 million.

Under K-IFRS No. 1109, a financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss: 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As of December 31, 2016, the Company had loans and receivables which amount to ₩19,390,610 million, and held-to-maturity financial assets which amount to ₩2,470 million, which were measured at amortized costs.

Under K-IFRS No. 1109, a financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss: 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and 2) the contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding. As of December 31, 2016, the Company had debt instruments of ₩49,282 million classified as available-for-sale.

Under K-IFRS No. 1109, on initial recognition of equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income, and will not reclassify those items in other comprehensive income to profit or loss subsequently. As of December 31, 2016, the Company had equity investment that is classified as available-for-sale which amounts to ₩2,392,534 million.

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2) Classification and measurement of financial liabilities

Under K-IFRS No. 1109, the amount of change in the fair value attributable to the changes in the credit risk of the financial liabilities is presented in other comprehensive income, not in profit or loss, and the other comprehensive income amount will not be reclassified to profit or loss. However, if doing so creates or increase an accounting mismatch, the amount of change in the fair value is recognized in profit or loss.

As a portion of fair value change which was recognized in profit or loss under the existing standard, K-IFRS No. 1039, will be presented in other comprehensive income under K-IFRS No. 1109, profit or loss related to valuation of financial liabilities is likely to decrease.

3) Impairment: Financial assets and contract assets

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

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

Classification(*1)		Loss allowances
Stage 1	Credit risk has not increased significantly since the initial recognition(*2)	12-month expected credit loss: Expected credit losses resulted from possible default events within the 12 months after the reporting date
Stage 2	Credit risk has increased significantly since the initial recognition	Lifetime expected credit loss: Expected credit loss resulted from all possible default events over the expected life of a financial instrument
Stage 3	Credit-impaired	

(*1) A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to K-IFRS No. 1115 "Revenue from Contracts with Customers", considered to contain a significant financing component. Additionally, the Company can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or all trade receivables, including those that contain a significant financing component.

(*2) If the financial instrument has low credit risk at the reporting date, the Company may assume that the credit risk has not increased significantly since initial recognition.

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Under K-IFRS No. 1109, financial assets of which the credit was impaired at the initial recognition, cumulative changes in lifetime expected credit loss since the initial recognition are recognized as loss allowances.

As of December 31, 2016, the Company had financial instruments measured at amortized cost amounting to ₩19,393,080 million (loans and receivables ₩19,390,610 million and held- to-maturity financial assets ₩2,470 million), financial instruments measured at fair value through other comprehensive income as they are classified as available for sale amounting to ₩49,282 million, and has recognized bad debt allowance of loans and receivables of ₩977,771 million as of December 31, 2016.

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

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

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

The new standard will require the Company to revise its internal controls related to reporting revenue, and these changes are not yet initiated, and the Company has not performed an assessment of the impact resulting from the application of K-IFRS No. 1115. The Company will complete the analysis of financial impacts arising from applying this standard in 2017.

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Expected qualitative impacts on the consolidated financial statements are as follows:

1) Progress measurement using input method

Revenue generated from construction contracts for the year ended December 31, 2016 amounts to ₩6,641,465 million which represents approximately 13% of consolidated revenue. The Company enters into certain construction contracts including the purchase and installation of special equipment and proceeds over a period of one year or longer. The Company installs the specialized equipment which is procured from an external manufacturer, and the promised construction service, including the installation of the equipment, is a single performance obligation.

Under K-IFRS No. 1115, if the promised goods and services are not distinct at inception of the contract, the Company is expected to obtain control of the goods before rendering the service related to the goods, the costs to procure the goods are significant relative to the total expected costs to completely satisfy the performance obligation and the Company is provided with the goods from third party and is not significantly involved in designing and manufacturing the goods, the Company adjusts its measure of progress by excluding the costs to procure the goods from both the measure of costs incurred and the transaction price.

2) Variable consideration

Under K-IFRS No. 1115, the Company estimates an amount of variable consideration by using the method the Company expects to better predict the amount of consideration to which it will be entitled. The Company includes an amount of variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the return period expires. The Company recognize the amounts received or receivable for which the Company does not expect to be entitled as a refund liability.

(c) K-IFRS No. 1007 "Statement of Cash Flows"

In accordance with K-IFRS No. 1007 "Statement of Cash Flows" revised on May 27, 2016, liabilities related to the cash flows that were classified as a financing activity in the statement of cash flows or will be classified as a financing activity in the future should be disclosed as follows:

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

K-IFRS No. 1007 is effective for the accounting periods beginning on January 1, 2017, and the Company is not required to provide comparative information for the prior period.

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(d) K-IFRS No. 1012 “Income Taxes”

In accordance with K-IFRS No. 1012 “Income Taxes” amended on November 15, 2016, In the case of debt instruments measured at fair values, deferred tax accounting treatment is clarified. Temporary difference is calculated from the difference between the carrying amount and taxable base amount of the debt liabilities, regardless of the expected recovery method. When reviewing the feasibility of deferred tax assets, if there is sufficient evidence that it is likely to recover some part of an entity’s assets in excess of the carrying amount, the estimated amount of future taxable income would be included in the estimated future taxable income. In addition, future taxable income estimates are calculated as the amount before deducting the deductible (deduction) effect from deductible temporary differences.

K-IFRS No. 1012 is effective from accounting periods beginning on January 1, 2017. The Company believes that the effect of the amendments to the consolidated financial statements is not significant.

4. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. In addition, credit risk arises from finance guarantees.

The Company implements a credit risk management policy under which the Company only transacts business with counterparties that have a certain level of credit rate evaluated based on financial condition, historical experience, and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Debt securities are analyzed individually, and an expected loss shall be directly deducted from debt securities.

Credit risk also arises from transactions with financial institutions, and such transactions include transactions of cash and cash equivalents, various deposits, and financial instruments such as derivative contracts. The Company manages its exposure to this credit risk by only entering into transactions with banks that have high international credit ratings. The Company's treasury department authorizes, manages, and oversees new transactions with financial institutions with whom the Company has no previous relationship.

Furthermore, the Company limits its exposure to credit risk of financial guarantee contracts by strictly evaluating their necessity based on internal decision making processes, such as the approval of the board of directors.

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3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's cash flow from business, borrowing or financing is sufficient to meet the cash requirements for the Company's strategic investments. Management believes that the Company is capable of raising funds by borrowing or financing if the Company is not able to generate cash flow requirements from its operations. The Company has committed borrowing facilities with various banks.

4) Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The goal of market risk management is optimization of profit and controlling the exposure to market risk within acceptable limits.

① Currency risk

The Company's policy in respect of foreign currency risks is a natural hedge whereby foreign currency income is offset with foreign currency expenditures. The remaining net exposures after the natural hedge have been hedged using derivative contracts such as forward exchange contracts. In addition, the Company's derivative transactions are limited to hedging actual foreign currency transactions and speculative hedging is not permitted. Based on this policy, the Company has performed currency risk management specific to various characteristics of different segments. The entities in the steel segment reduces the foreign currency exposure by repayment of foreign currency borrowings subjected to investment in overseas when its maturities come. The entities in the engineering and construction segment have hedged foreign currency risks by using forward exchange contracts. Entities in the trading segment have hedged foreign currency risks by using forward exchange contracts when the foreign currencies received and paid are different.

② Interest rate risk

The Company manages the exposure to interest rate risk by adjusting of borrowing structure ratio between borrowings at fixed interest rates and variable interest rate. The Company monitors interest rate risks regularly in order to avoid exposure to interest rate risk on borrowings at variable interest rate.

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③ Other market price risk

Equity price risk arises from listed equity securities among available-for-sale equity securities. Management of the Company measures regularly the fair value of listed equity securities and the risk of variance in future cash flow caused by market price fluctuations. Significant investments are managed separately and all buy and sell decisions are approved by management of the Company.

(b) Management of capital

The fundamental goal of capital management is the maximization of shareholders' value by means of the stable dividend policy and the retirement of treasury shares. The capital structure of the Company consists of equity and net borrowings (after deducting cash and cash equivalents) and current financial instruments from borrowings. The Company applied the same capital risk management strategy that was applied in the previous period.

Net borrowing-to-equity ratio as of December 31, 2016 and 2015 is as follows:

<i>(in millions of Won)</i>		2016	2015
Total borrowings	₩	22,704,998	25,220,231
Less: Cash and cash equivalents		2,447,619	4,870,185
Net borrowings		20,257,379	20,350,046
Total equity		45,838,394	45,070,222
Net borrowings-to-equity ratio		44.19%	45.15%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016	2015
Cash	₩	11,960	2,632
Demand deposits and checking accounts		1,312,426	1,796,736
Time deposits		254,888	2,263,199
Other cash equivalents		868,345	807,618
	₩	2,447,619	4,870,185

Cash and cash equivalents classified as assets held for sale amounting to ₩999 million are included in the beginning balance of cash and cash equivalents in the statement of cash flows for the year ended December 31, 2016. As a result, they are different from cash and cash equivalents in the statement of financial position for the corresponding amounts (Note 10).

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6. Trade Accounts and Notes Receivable

(a) Trade accounts and notes receivable as of December 31, 2016 and 2015 are as follows:

(in millions of Won)

		2016	2015
Current			
Trade accounts and notes receivable	₩	9,329,799	8,953,245
Finance lease receivables		10,300	21,042
Due from customers for contract work		964,304	1,218,031
Less: Allowance for doubtful accounts		(517,476)	(596,383)
	₩	<u>9,786,927</u>	<u>9,595,935</u>
Non-current			
Trade accounts and notes receivable	₩	80,447	126,200
Finance lease receivables		11,326	22,758
Less: Allowance for doubtful accounts		(40,649)	(28,620)
	₩	<u>51,124</u>	<u>120,338</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩344,410 million and ₩390,172 million as of December 31, 2016 and 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 17).

(b) Finance lease receivables are as follows:

(in millions of Won)

Customer	Contents		2016	2015
Korea Electric Power Corporation	Combined thermal power plant #3~4	₩	20,648	42,536
KC Chemicals CORP	Machinery and equipment		244	380
Hystech.Co. Ltd.	Machinery and equipment		734	884
		₩	<u>21,626</u>	<u>43,800</u>

(c) The gross amount and present value of minimum lease payments as of December 31, 2016 and 2015 are as follows:

(in millions of Won)

		2016	2015
Less than 1 year	₩	13,114	27,382
1 year - 5 years		12,547	25,643
Unrealized interest income		(4,035)	(9,225)
Present value of minimum lease payment	₩	<u>21,626</u>	<u>43,800</u>

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7. Other Receivables

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

(in millions of Won)

		2016	2015
		<u> </u>	<u> </u>
Current			
Loans	₩	421,818	405,281
Other accounts receivable		1,131,492	1,255,075
Accrued income		139,618	136,762
Deposits		93,891	89,444
Others		13,606	20,383
Less: Allowance for doubtful accounts		<u>(260,683)</u>	<u>(227,066)</u>
	₩	<u>1,539,742</u>	<u>1,679,879</u>
Non-current			
Loans	₩	733,974	725,968
Other accounts receivable		81,938	142,290
Accrued income		1,746	1,236
Deposits		104,217	141,373
Less: Allowance for doubtful accounts		<u>(158,963)</u>	<u>(147,609)</u>
	₩	<u>762,912</u>	<u>863,258</u>

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8. Other Financial Assets

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

(in millions of Won)

Current

	2016	2015
Derivatives assets held for trading	₩ 49,281	94,603
Available-for-sale securities (bonds)	2,952	17,994
Current portion of held-to-maturity securities	422	21,490
Short-term financial instruments(*1,2)	5,172,256	3,776,300
	<u>₩ 5,224,911</u>	<u>3,910,387</u>

Non-current

Derivatives assets held for trading	₩ 98,301	93,886
Available-for-sale securities (equity instruments)(*3,4)	2,392,534	2,095,206
Available-for-sale securities (bonds)	46,330	36,914
Available-for-sale securities (others)	73,108	59,630
Held-to-maturity securities	2,048	1,889
Long-term financial instruments(*2)	45,371	53,935
	<u>₩ 2,657,692</u>	<u>2,341,460</u>

(*1) As of December 31, 2016 and 2015, ₩6,813 million and ₩6,593 million, respectively, are restricted for the use in a government project.

(*2) As of December 31, 2016 and 2015, financial instruments amounting to ₩82,008 million and ₩105,195 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) During the year ended December 31, 2016, there were objective evidences of impairment for listed equity securities such as Nippon Steel & Sumitomo Metal Corporation and others due to the significant or prolonged decline in the fair value below cost of the shares and for non-listed equity securities such as Troika Foreign Resource Development Fund and others. As a result, an impairment loss of ₩248,404 million was recognized in profit or loss for the year ended December 31, 2016.

(*4) As of December 31, 2016 and 2015, ₩123,220 million and ₩124,541 million of available-for-sale securities, respectively, have been provided as collateral for borrowings, construction projects and others.

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9. Inventories

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

<i>(in millions of Won)</i>		2016	2015
Finished goods	₩	1,200,344	1,381,018
Merchandise		851,325	715,951
Semi-finished goods		1,552,988	1,390,382
Raw materials		1,939,539	1,868,773
Fuel and materials		817,397	810,516
Construction inventories		990,941	828,071
Materials-in-transit		1,807,816	1,382,291
Others		94,535	79,581
		<u>9,254,885</u>	<u>8,456,583</u>
Less: Allowance for inventories valuation		<u>(203,164)</u>	<u>(231,378)</u>
	₩	<u>9,051,721</u>	<u>8,225,205</u>

(b) The changes of allowance for inventories valuation for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Beginning	₩	231,378	161,940
Loss on valuation of inventories		152,249	152,952
Utilization on sale of inventories		(161,458)	(77,102)
Others		(19,005)	(6,412)
Ending	₩	<u>203,164</u>	<u>231,378</u>

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10. Assets Held for Sale

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

(in millions of Won)

	2016			2015		
	Controlling company(*1)	Subsidiaries (*2,3)	Total	Controlling company(*1)	Subsidiaries (*3,4)	Total
Assets						
Cash and cash equivalents	₩ -	-	-	-	999	999
Trade accounts and notes receivable and other receivables	-	-	-	-	7,724	7,724
Property, plant and equipment	764	305,864	306,628	25,892	10,383	36,275
Others	-	5,330	5,330	-	12,283	12,283
	₩ 764	311,194	311,958	25,892	31,389	57,281
Liabilities						
Borrowings	-	-	-	-	26,500	26,500
Others	-	-	-	-	7,702	7,702
	₩ -	-	-	-	34,202	34,202

- (*1) During the year ended December 2015, the Company classified 1 FINEX facilities as assets held for sale amounting to ₩25,892 million. However, during the year ended December 31, 2016, the Company reclassified related facilities to property, plant and equipment as the conditions for classification of the assets held for sale were not met due to the delay of disposal negotiation.
- (*2) During the year ended December 2016, Posco e&c Songdo International Building, a subsidiary of the Company, determined to dispose of the office building of POSCO ENGINEERING & CONSTRUCTION CO., LTD. in Songdo and entered into a sales contract with Booyoung Housing Co., Ltd. on September 9, 2016. As a result, the Company classified the accompanying property, plant and equipment amounting to ₩300,000 million as assets held for sale, and recognized impairment loss for assets held for sale of ₩17,943 million.
- (*3) Subsidiaries of the Company (POSCO ENERGY CO., LTD., POSCO ICT, POSCO Humans, and POSCO Processing&Service) determined to dispose of certain tangible assets including land and disused facilities and classified them as assets held for sale.
- (*4) During the year ended December 2015, the Company determined to dispose of its shares in POSCO LED Co., Ltd., a subsidiary of the Company, to Armitron consortium. The Company classified the accompanying assets and liabilities held for sale. During the year ended December 2016, disposal of accompanying assets and liabilities was completed. As a result, the Company recognized gain on disposal of assets held for sale of ₩19,353 million.

POSCO and Subsidiaries
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11. Investments in Associates and Joint ventures

(a) Investments in associates and joint ventures as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016	2015
Investments in associates	₩	1,595,441	1,875,971
Investments in joint ventures		2,286,948	2,069,362
	₩	<u>3,882,389</u>	<u>3,945,333</u>

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

<i>(in millions of Won)</i>	2016				2015
Company	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natual Resources PEF	178,713,975,892	29.37	₩ 178,787	₩ 175,690	175,676
POSCO PLANTEC Co., Ltd.(*4)	133,711,880	73.94	217,282	-	171,218
SeAH Changwon Integrated Special Steel(*1)	-	-	-	-	165,754
SNNC	18,130,000	49.00	90,650	107,859	111,326
QSONE Co.,Ltd.	200,000	50.00	84,395	84,799	83,919
Chuncheon Energy Co., Ltd	10,539,989	29.90	52,700	45,077	30,420
Incheon-Gimpo Expressway Co., Ltd.(*2)	9,032,539	20.04	45,163	37,372	39,447
BLUE OCEAN Private Equity Fund	333	27.52	33,300	35,752	35,437
UITrans LRT Co., Ltd.(*2)	7,714,380	38.19	38,572	17,851	40,903
Keystone-HYUNDAI SECURITIES					
NO. 1. Private Equity Fund	13,800,000	40.45	13,800	13,314	13,015
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd(*2)	2,008,000	29.53	10,040	12,551	12,265
Daesung Steel	108,038	17.54	14,000	12,302	14,000
KoFC POSCO HANWHA KB Shared Growth					
NO. 2. Private Equity Fund	11,350	12.50	11,350	11,890	14,829
KONES, Corp.	3,250,000	41.67	6,893	5,641	5,775
Others (33 companies)(*2)				55,061	33,933
				615,159	947,917
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	215,996	222,269
AES-VCM Mong Duong Power Company Limited(*3)	-	30.00	74,161	167,141	153,271
7623704 Canada Inc.	114,452,000	10.40	124,341	137,512	134,034
Eureka Moly LLC	-	20.00	240,123	89,601	87,878
AMCI (WA) PTY LTD	49	49.00	209,664	70,501	72,289
KOREA LNG LTD.	2,400	20.00	135,205	63,058	53,548
Nickel Mining Company SAS	3,234,698	49.00	157,585	45,138	76,445
NCR LLC	-	29.41	32,348	36,738	35,447
PT. Batutua Tembaga Raya	128,285	24.10	21,824	22,723	15,382
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	18,008	19,311
PT. Wampu Electric Power(*2)	8,708,400	20.00	10,044	8,706	8,855
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	6,840	7,061
Others (26 companies)(*2)				98,320	42,264
				980,282	928,054
				₩ 1,595,441	1,875,971

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

- (*1) During the year ended December 31, 2016, the Company disposed shares of SeAH Changwon Integrated Special Steel.
- (*2) Investments in associates are provided as collateral related to the associates' borrowings amounting to ₩124,963 million and ₩101,360 million as of December 31, 2016 and 2015, respectively.
- (*3) Shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, is provided as collateral related to associates' borrowings as of December 31, 2016.
- (*4) As of December 31, 2016, there was objective evidence of impairment due to the prolonged decline of fair value of POSCO PLANTEC Co., Ltd below costs, and, accordingly, impairment test was performed. Recoverable amount was determined based on value-in-use, which was calculated by applying a 14.5% discount rate. As a result, the Company recognized an impairment loss (Share of losses) of ₩116,604 million as the carrying amount was higher than its recoverable amount.

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

(in millions of Won)

Company	2016				2015
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 83,113	104,970
POSCO ES MATERIALS CO.,LTD(*1)	-	-	-	-	38,447
				<u>83,113</u>	<u>143,417</u>
[Foreign]					
Roy Hill Holdings Pty Ltd(*2)	13,117,972	12.50	1,528,672	1,186,859	1,153,434
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	393,570	381,461
CSP - Companhia Siderurgica do Pecem	1,108,696,532	20.00	558,821	330,463	80,805
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	97,369	100,908
KOBRASCO	2,010,719,185	50.00	32,950	88,308	78,364
DMSA/AMSA(*3)	-	4.00	290,236	74,935	105,964
Others (11 companies)				32,331	25,009
				<u>2,203,835</u>	<u>1,925,945</u>
				<u>₩ 2,286,948</u>	<u>2,069,362</u>

- (*1) During the year ended December 31, 2016, the Company classified POSCO ES MATERIALS CO.,LTD from joint venture to subsidiary, due to the increase of percentage ownership upon issuance of share capital by the investee.
- (*2) As of December 31, 2016 and 2015, investments in joint ventures amounting to ₩1,186,859 million and ₩1,153,434 million, respectively, are provided as collateral in relation to borrowings.
- (*3) As of December 31, 2016 and 2015, investments in joint ventures amounting to ₩74,935 million and ₩105,964 million, respectively, are provided as collateral for guarantees.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(d) The movements of investments in associates and joint ventures for the years ended December 31, 2016 and 2015 were as follows:

1) For the year ended December 31, 2016

(in millions of Won)

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

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

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

2) For the year ended December 31, 2015

(in millions of Won)

Company	December 31, 2014 Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2015 Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources PEF ₩	176,899	-	-	(1,223)	-	175,676
POSCO PLANTEC Co., Ltd.	-	217,282	-	(46,058)	(6)	171,218
SeAH Changwon Integrated Special Steel	-	159,978	-	6,464	(688)	165,754
SNNC	131,671	-	-	(20,566)	221	111,326
QSONE Co.,Ltd.	83,849	-	-	70	-	83,919
Chun-cheon Energy Co., Ltd	-	32,853	-	(2,433)	-	30,420
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
UITrans LRT Co., Ltd.	30,098	9,777	-	1,086	(58)	40,903
Keystone-HYUNDAI SECURITIES	-	-	-	-	-	-
NO. 1. Private Equity Fund	-	13,800	-	(451)	(334)	13,015
CHUNGJU ENTERPRISE CITY	-	-	-	-	-	-
DEVELOPMENT Co.,Ltd	19,801	-	-	(7,536)	-	12,265
Daesung Steel	-	14,000	-	-	-	14,000
KoFC POSCO HANWHA KB Shared Growth	-	-	-	-	-	-
NO. 2. Private Equity Fund	12,268	3,725	-	211	(1,375)	14,829
KONES, Corp.	5,430	-	-	311	34	5,775
POSCO MITSUBISHI CARBON TECHNOLOGY	112,837	-	-	(7,841)	(26)	104,970
POSCO ES MATERIALS CO.,LTD	38,021	-	-	440	(14)	38,447
Others (30 companies)	33,511	3,800	-	2,877	(6,255)	33,933
	<u>718,869</u>	<u>455,215</u>	<u>-</u>	<u>(72,914)</u>	<u>(9,836)</u>	<u>1,091,334</u>
[Foreign]						
South-East Asia Gas Pipeline Company Ltd.	172,805	-	(18,602)	54,351	13,715	222,269
AES-VCM Mong Duong Power Company Limited	93,021	23,146	-	29,561	7,543	153,271
7623704 Canada Inc.	117,100	-	(1,775)	10,875	7,834	134,034
Eureka Moly LLC	228,004	-	-	(147,270)	7,144	87,878
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
Nickel Mining Company SAS	107,408	-	-	(25,562)	(5,401)	76,445
NCR LLC	32,598	-	-	(62)	2,911	35,447
PT. Batutua Tembaga Raya	14,653	-	-	-	729	15,382
Zhongyue POSCO (Qinhuangdao) Tinplate	-	-	-	-	-	-
Industrial Co., Ltd	21,032	-	(376)	(1,787)	442	19,311
PT. Wampu Electric Power	7,611	1,015	-	(261)	490	8,855
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,969	-	-	(76)	168	7,061
Roy Hill Holdings Pty Ltd	1,268,678	-	-	(61,589)	(53,655)	1,153,434
POSCO-NPS Niobium LLC	357,874	-	(13,177)	12,967	23,797	381,461
CSP - Companhia Siderurgica do Pecem	260,906	-	-	(145,206)	(34,895)	80,805
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	98,893	-	-	291	1,724	100,908
KOBRASCO	99,787	-	(24,380)	31,124	(28,167)	78,364
DMSA/AMSA	165,094	72,430	-	(137,723)	6,163	105,964
CAML RESOURCES PTY LTD	38,240	-	-	(34,987)	(3,253)	-
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, change in capital adjustments effect from translations of financial statements of foreign investees and others.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

(e) Summarized financial information of associates and joint ventures as of and for the years ended December 31, 2016 and 2015 are as follows:

1) December 31, 2016

(in millions of Won)

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

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

2) December 31, 2015

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF ₩	607,966	1,043	606,923	-	(1,231)
POSCO PLANTEC Co., Ltd.	609,655	725,406	(115,751)	457,180	(330,819)
SeAH Changwon Integrated Special Steel	1,293,143	568,639	724,504	971,557	23,403
SNNC	793,480	551,830	241,650	509,044	(57,156)
QSONE Co., Ltd.	249,482	81,644	167,838	15,068	140
Chun-cheon Energy Co., Ltd	149,025	42,094	106,931	-	(2,389)
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
UITrans LRT Co., Ltd.	343,744	267,543	76,201	-	(846)
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)
Daesung Steel	163,331	115,475	47,856	13,798	(1,725)
KoFC POSCO HANWHA KB Shared Growth					
NO. 2. Private Equity Fund	119,747	1,112	118,635	5,012	1,804
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 CO., LTD	84,719	39,381	45,338	29,214	880
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	2,223,846	1,333,048	890,798	554,927	220,203
7623704 Canada Inc.	1,300,951	7	1,300,944	76,114	118,007
KOREA LNG LTD.	257,773	36	257,737	63,574	61,806
Nickel Mining Company SAS	445,685	238,695	206,990	155,980	(45,748)
PT. Batutua Tembaga Raya	286,761	268,933	17,828	-	-
Zhongyue POSCO (Qinhuangdao) Tinplate					
Industrial Co., Ltd	107,874	45,534	62,340	114,994	(5,783)
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)
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 - Companhia Siderurgica do Pecem	3,839,967	3,319,880	520,087	-	(721,937)
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
DMSA/AMSA	6,415,380	4,812,244	1,603,136	737,604	(3,308,836)
CAML RESOURCES PTY LTD	136,112	41,768	94,344	146,909	(20,110)

12. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of December 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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

13. Investment Property, Net

(a) Investment property as of December 31, 2016 and 2015 are as follows:

(in millions of Won)

		2016			2015		
		Acquisition cost	Accumulated depreciation and impairment loss	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Book value
Land	₩	423,910	(31,187)	392,723	378,717	(31,838)	346,879
Buildings		807,657	(136,118)	671,539	806,030	(109,504)	696,526
Structures		3,148	(1,001)	2,147	3,971	(2,152)	1,819
Construction-in-progress		51,311	-	51,311	39,068	-	39,068
	₩	<u>1,286,026</u>	<u>(168,306)</u>	<u>1,117,720</u>	<u>1,227,786</u>	<u>(143,494)</u>	<u>1,084,292</u>

As of December 31, 2016, the fair value of investment property is ₩1,629,308 million, among which the Company believed the fair value of its investment property of 3 subsidiaries, including DAESAN (CAMBODIA) Co., Ltd. approximate its book value of ₩67,924 million. Also, the Company used the prior year's fair value for some of the investment property since it is believed that the fair value has not changed significantly.

(b) Changes in the carrying amount of investment property for the years ended December 31, 2016 and 2015 were as follows:

1) For the year ended December 31, 2016

(in millions of Won)

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

(*1) Impairment loss on investment property amounting to ₩318 million is included.

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

2) 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 is included.

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

14. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of December 31, 2016 and 2015 are as follows:

	2016				2015			
	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value
Land	₩ 2,607,660	(6,452)	-	2,601,208	2,572,807	-	-	2,572,807
Buildings	9,180,028	(4,183,974)	(423)	4,995,631	8,982,405	(3,816,242)	(438)	5,165,725
Structures	5,385,365	(2,476,818)	(67)	2,908,480	5,217,953	(2,268,465)	(75)	2,949,413
Machinery and equipment	46,698,254	(26,379,544)	(320)	20,318,390	45,547,591	(24,453,433)	(415)	21,093,743
Vehicles	306,770	(259,986)	(85)	46,699	303,366	(251,315)	(46)	52,005
Tools	385,960	(312,266)	(2,314)	71,380	372,440	(298,586)	(376)	73,478
Furniture and fixtures	609,736	(477,064)	(266)	132,406	590,046	(441,565)	(382)	148,099
Finance lease assets	248,590	(89,577)	-	159,013	168,601	(75,805)	-	92,796
Construction-in-progress	2,542,233	-	(5,101)	2,537,132	2,379,890	-	(5,101)	2,374,789
	<u>₩ 67,964,596</u>	<u>(34,185,681)</u>	<u>(8,576)</u>	<u>33,770,339</u>	<u>66,135,099</u>	<u>(31,605,411)</u>	<u>(6,833)</u>	<u>34,522,855</u>

(b) Changes in the carrying amount of property, plant and equipment for the years ended December 31, 2016 and 2015 were as follows:

1) For the year ended December 31, 2016

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

(*1) Includes impairment loss on property, plant and equipment amounting to ₩196,882 million mainly related to machinery and equipment of POSCO ENERGY CO., LTD, a subsidiary of the Company.

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

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2) For the year ended December 31, 2015

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

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

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

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Weighted average expenditure	₩	1,070,280	1,733,503
Borrowing costs capitalized		40,321	40,990
Capitalization rate (%)		3.32 ~ 3.82	3.02 ~ 4.24

(d) Property, plant and equipment and investment property pledged as collateral as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>	Collateral right holder		2016	2015
Land(*1)	Korea Development Bank and others	₩	925,670	826,802
Buildings and structures(*1)	Korea Development Bank and others		1,734,543	1,446,605
Machinery and equipment	Korea Development Bank and others		4,037,813	4,260,206
Tools	Korea Development Bank		-	162
Construction-in-progress	Export-Import Bank of Korea		-	1,000,318
		₩	<u>6,698,026</u>	<u>7,534,093</u>

(*1) Investment property and other assets (land-use right) are included.

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15. Goodwill and Other Intangible Assets, Net

(a) Goodwill and other intangible assets as of December 31, 2016 and 2015 are as follows:

(in millions of Won)

		2016				2015			
		Acquisition cost	Accumulated amortization and impairment	Government grants	Book value	Acquisition cost	Accumulated amortization and impairment	Government grants	Book value
Goodwill	₩	1,669,556	(294,425)	-	1,375,131	1,660,395	(198,441)	-	1,461,954
Intellectual property rights		2,923,030	(401,156)	(703)	2,521,171	2,848,990	(181,098)	(806)	2,667,086
Premium in rental		139,843	(20,804)	-	119,039	148,141	(20,192)	-	127,949
Development expense		376,327	(259,184)	(131)	117,012	337,318	(201,278)	(244)	135,796
Port facilities usage rights		633,025	(376,408)	-	256,617	625,991	(361,190)	-	264,801
Exploration and evaluation assets		196,124	(33,856)	-	162,268	181,710	(30,566)	-	151,144
Customer relationships		859,643	(345,398)	-	514,245	857,417	(297,608)	-	559,809
Power generation permit		539,405	-	-	539,405	539,405	-	-	539,405
Other intangible assets		1,007,871	(524,000)	(30)	483,841	966,761	(468,934)	(17)	497,810
	₩	8,344,824	(2,255,231)	(864)	6,088,729	8,166,128	(1,759,307)	(1,067)	6,405,754

(b) The changes in carrying amount of goodwill and other intangible assets for the years ended December 31, 2016 and 2015 were as follows:

1) For the year ended December 31, 2016

(in millions of Won)

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

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

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

2) For the year ended December 31, 2015

(in millions of Won)

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

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

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

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- (c) For the purpose of impairment testing, goodwill is allocated to individually operating entities which are determined to be CGUs. The goodwill amounts as of December 31, 2016 and 2015 are as follows:

(in millions of Won)

Reporting segments	Total number of CGUs		CGUs		2016	2015
	2016	2015				
Steel	9	9	POSCO VST CO., LTD.	₩	36,955	36,955
			Others		13,151	13,279
Trading	3	3	POSCO DAEWOO Corporation			
			(formerly, Daewoo International Corporation)(*1)		1,163,922	1,163,922
			Others		8,070	7,638
E&C	4	4	POSCO Engineering CO., Ltd(*2)		111,309	194,637
			SANTOS CMI S.A.(*3)		-	11,795
			Others		166	763
Others	6	7	POSCO ENERGY CO., LTD.		26,471	26,471
			Others		15,087	6,494
Total	22	23		₩	1,375,131	1,461,954

- (*1) Recoverable amounts of POSCO DAEWOO Corporation (formerly, Daewoo International Corporation) are determined based on its value in use. As of December 31, 2016, value in use is estimated by applying a 7.6% discount rate and a 1.5% terminal growth rate within 5 years, the period for the estimated future cash flows, based on management's business plan. The terminal growth rate does not exceed long-term average growth rate of its industry. No impairment loss on goodwill was recognized for the year ended December 31, 2016 as the recoverable amount exceeded the carrying amount of the CGU.

The estimated recoverable amount of CGU exceeded the carrying amount by ₩69,563 million. Value in use of the CGU was affected by the assumptions such as discount rate and terminal growth used in discount cash flow model. When the discount rate increases by 0.25%, value in use will be decreased by 3.33% and when the terminal growth rate decreases by 0.25%, value in use will be decreased by 0.93%. Management believes that any reasonably possible negative change in the key assumptions on which the recoverable amount is based would result in impairment loss of goodwill.

- (*2) Recoverable amounts of POSCO Engineering CO., Ltd are determined based on its value in use. As of December 31, 2016, value in use is estimated by applying a 9.0% discount rate and a 1.0% terminal growth rate within 5 years, the period for the estimated future cash flows, based on management's business plan. The terminal growth rate does not exceed long-term average growth rate of its industry. Impairment loss on goodwill of ₩83,328 million was recognized for the year ended December 31, 2016 as the recoverable amount calculated by value in use of CGU decreased below the carrying amount of the CGU.

Value in use of the CGU was affected by the assumptions such as discount rate and terminal growth used in discount cash flow model. When the discount rate increases by 0.25%, value in use will be decreased by 3.57% and when the terminal growth rate decreases by 0.25%, value in use will be decreased by 1.90%.

- (*3) The Company recognized full impairment loss of ₩11,795 million since recoverable amount of SANTOS CMI S.A., a subsidiary of the Company, decreased below its carrying amount.

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16. Other Assets

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

(in millions of Won)

		2016	2015
		<u> </u>	<u> </u>
Current			
Advance payment	₩	787,452	696,839
Prepaid expenses		105,102	107,379
Others		1,930	4,034
	₩	<u>894,484</u>	<u>808,252</u>
Non-current			
Long-term advance payment	₩	27,189	3,467
Long-term prepaid expenses		380,678	403,536
Others(*1)		159,813	221,997
	₩	<u>567,680</u>	<u>629,000</u>

(*1) As of December 31, 2016 and 2015, the Company recognized tax assets amounting to ₩100,693 million and ₩132,489 million, respectively, based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years' tax audits that were finalized in 2015 and claim for rectification are finalized.

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17. Borrowings

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

(in millions of Won)

	Bank	Issuance date	Maturity date	Interest rate (%)	2016	2015
Short-term borrowings						
Bank overdrafts	Bank of America and others	January, 2016~ December, 2016	January, 2017~ December, 2017	0.6~4.0	₩ 254,036	129,891
Short-term borrowings	HSBC and others	January, 2016~ December, 2016	January, 2017~ December, 2017	0.3~10.7	7,725,691	8,285,869
					<u>7,979,727</u>	<u>8,415,760</u>
Current portion of long-term liabilities						
Current portion of long-term borrowings	Export-Import bank of Korea and others	June, 2003~ September, 2016	January, 2017~ December, 2017	0.5~8.5	1,390,535	1,318,276
Current portion of foreign loan(*1)	NATIXIS	March, 1986	March, 2017	2.0	198	401
Current portion of debentures	Korea Development Bank and others	August, 2009~ March, 2016	March, 2017~ December, 2017	1.3~5.9	825,176	2,637,614
Less: Current portion of discount on debentures issued					(829)	(1,019)
					<u>2,215,080</u>	<u>3,955,272</u>
					<u>₩ 10,194,807</u>	<u>12,371,032</u>

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

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

(in millions of Won)

	Bank	Issuance date	Maturity date	Interest rate (%)	2016	2015
Long-term borrowings	Export-Import bank of Korea and others	January, 1983~ September, 2016	March, 2018~ March, 2033	0.4~6.6	₩ 6,420,612	6,814,753
Less : Present value discount					(55,799)	(76,828)
Foreign loan	-	-	-	-	-	200
Bonds	Korea Development Bank and others	August, 2009~ July, 2016	October, 2018~ July, 2025	1.2~6.3	6,163,896	6,134,132
Less: Discount on debentures issued					(18,518)	(23,058)
					<u>₩ 12,510,191</u>	<u>12,849,199</u>

- (c) Property, plant and equipment including investment property, cash equivalents, trade accounts and notes receivable, financial assets, available-for-sale financial assets, inventories and other assets amounting to ₩6,546,430 million, ₩77,617 million, ₩5,772 million (84 of notes receivable), ₩72,015 million, ₩9,839 million, ₩66,175 million and ₩151,596 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

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18. Other Payables

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

(in millions of Won)

		2016	2015
Current			
Accounts payable	₩	854,623	983,408
Accrued expenses		665,295	759,598
Dividend payable		7,770	6,453
Finance lease liabilities		24,523	26,876
Withholdings		299,448	352,758
	₩	<u>1,851,659</u>	<u>2,129,093</u>
Non-current			
Accounts payable	₩	6,823	22,665
Accrued expenses		41,082	30,221
Finance lease liabilities		89,886	14,409
Long-term withholdings		70,768	67,175
	₩	<u>208,559</u>	<u>134,470</u>

19. Other Financial Liabilities

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

(in millions of Won)

		2016	2015
Current			
Derivatives liabilities	₩	85,786	117,841
Financial guarantee liabilities		63,962	84,276
	₩	<u>149,748</u>	<u>202,117</u>
Non-current			
Derivatives liabilities	₩	37,110	37,661
Financial guarantee liabilities		44,199	17,035
	₩	<u>81,309</u>	<u>54,696</u>

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20. Provisions

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

(in millions of Won)

	2016		2015	
	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 42,986	-	42,602	-
Provision for construction warranties	10,551	86,158	10,656	70,790
Provision for legal contingencies and claims(*1)	4,348	80,498	-	52,610
Provision for the restoration(*2)	10,169	37,962	15,569	26,357
Others(*3,4)	46,811	133,121	33,493	71,935
	₩ 114,865	337,739	102,320	221,692

(*1) The Company recognized probable outflow of resources amounting to ₩30,425 million and ₩32,220 million as provisions for legal contingencies and asserted claims in relation to lawsuits against the Company as of December 31, 2016 and 2015, respectively.

(*2) Due to contamination of land near the Company's magnesium smelting plant located in Gangneung province and gas treatment plant located in Pohang work, the Company recognized present values of estimated costs for recovery as provisions for restoration as of December 31, 2016. In order to determine the estimated costs, the Company used the assumption that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied discount rates of 2.49% and 2.37% to assess present value of these costs for recovery of land in Gangneung province and Pohang work, respectively.

(*3) As of December 31, 2016 and 2015, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩87,827 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 December 31, 2016 and 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., LTD.

(b) The following are the key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period.

	Key assumptions for the estimation
Provision for bonus payments	Estimations based on financial performance
Provision for construction warranties	Estimations based on historical warranty data
Provision for legal contingencies and claims	Estimations based on the degree of probability of an unfavorable outcome and the ability to make a sufficient reliable estimate of the amount of loss

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(c) Changes in provisions for the years ended December 31, 2016 and 2015 were as follows:

1) For the year ended December 31, 2016

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

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

2) For the year ended December 31, 2015

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

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

21. Employee Benefits

(a) Defined contribution plans

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

<i>(in millions of Won)</i>		2016	2015
Expense related to post-employment benefit plans under defined contribution plans	₩	30,344	25,224

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(b) Defined benefit plans

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

<i>(in millions of Won)</i>		2016	2015
Present value of funded obligations	₩	1,715,583	1,702,735
Fair value of plan assets(*1)		(1,693,118)	(1,532,090)
Present value of non-funded obligations		17,437	11,380
Net defined benefit liabilities	₩	<u>39,902</u>	<u>182,025</u>

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

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

<i>(in millions of Won)</i>		2016	2015
Defined benefit obligation			
at the beginning of period	₩	1,714,115	1,718,243
Current service costs		285,706	239,508
Interest costs		39,286	47,039
Remeasurements :		(32,927)	(63,364)
- Gain from change in financial assumptions		(72,910)	(37,367)
- Gain from change in demographic assumptions		(4,140)	(10,017)
- Others		44,123	(15,980)
Benefits paid		(278,278)	(157,983)
Others		5,118	(69,328)
Defined benefit obligation at the end of period	₩	<u>1,733,020</u>	<u>1,714,115</u>

- 3) Changes in fair value of plan assets for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Fair value of plan assets at the beginning of period	₩	1,532,090	1,427,918
Interest on plan assets		37,385	41,145
Remeasurement of plan assets		(6,963)	(8,515)
Contributions to plan assets		328,671	243,082
Benefits paid		(189,817)	(127,808)
Others		(8,248)	(43,732)
Fair value of plan assets at the end of period	₩	<u>1,693,118</u>	<u>1,532,090</u>

The Company expects to make an estimated contribution of ₩180,232 million to the defined benefit plan assets in 2017.

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4) The fair value of plan assets as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016	2015
Equity instruments	₩	56,187	58,987
Debt instruments		411,726	218,219
Deposits		1,167,475	1,139,186
Others		57,730	115,698
	₩	<u>1,693,118</u>	<u>1,532,090</u>

5) The amounts recognized in consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Current service costs	₩	285,706	239,508
Net interest costs(*1)		1,901	5,894
	₩	<u>287,607</u>	<u>245,402</u>

(*1) The actual return on plan assets amounted to ₩30,422 million and ₩32,630 million for the years ended December 31, 2016 and 2015, respectively.

The above expenses by function were as follows:

<i>(in millions of Won)</i>		2016	2015
Cost of sales	₩	161,810	170,334
Selling and administrative expenses		124,994	74,210
Others		803	858
	₩	<u>287,607</u>	<u>245,402</u>

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

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- 6) Accumulated actuarial gains (losses), net of tax recognized in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

(in millions of Won)

		2016	2015
Beginning	₩	(272,152)	(314,106)
Current actuarial gains		20,540	41,954
Ending	₩	(251,612)	(272,152)

- 7) The principal actuarial assumptions as of December 31, 2016 and 2015 are as follows:

(%)

	2016	2015
Discount rate	2.15~8.59	2.19~9.20
Expected future increase in salaries(*1)	1.00~10.00	1.05~10.00

(*1) The expected future increase in salaries is based on the average salary increase rate for the past three years.

All assumptions are reviewed at the end of the reporting period. Additionally, the total estimated defined benefit obligation includes actuarial assumptions associated with the long-term characteristics of the defined benefit plan.

- 8) Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

(in millions of Won)

		1% Increase		1% Decrease	
		Amount	Percentage(%)	Amount	Percentage(%)
Discount rate	₩	(126,918)	(7.3)	146,710	8.5
Expected future increases in salaries		145,222	8.4	(129,172)	(7.5)

- 9) As of December 31, 2016 the maturity of the expected benefit payments are as follows:

(in millions of Won)

		Within 1 year	1 year - 5 years	5 years - 10 years	10 years - 20 years	After 20 years	Total
Benefits paid	₩	83,983	456,679	667,805	684,859	483,152	2,376,478

The maturity analysis of the defined benefit obligation was nominal amounts of defined benefit obligations using expected remaining period of service of employees.

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22. Other Liabilities

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

<i>(in millions of Won)</i>		2016	2015
Current			
Due to customers for contract work	₩	1,160,201	812,120
Advances received		707,086	780,357
Unearned revenue		8,702	11,684
Withholdings		186,665	153,562
Others		22,307	31,129
	₩	<u>2,084,961</u>	<u>1,788,852</u>
Non-current			
Unearned revenue	₩	20,013	20,838
Others		40,338	56,935
	₩	<u>60,351</u>	<u>77,773</u>

23. Financial Instruments

(a) Classification of financial instruments

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

<i>(in millions of Won)</i>		2016	2015
Financial assets at fair value through profit or loss			
Derivatives assets held for trading	₩	147,582	188,489
Available-for-sale financial assets		2,514,924	2,209,744
Held-to-maturity financial assets		2,470	23,379
Loans and receivables		19,390,610	20,601,109
	₩	<u>22,055,586</u>	<u>23,022,721</u>

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

<i>(in millions of Won)</i>		2016	2015
Financial liabilities at fair value through profit or loss			
Derivatives liabilities held for trading	₩	122,896	155,502
Financial liabilities measured at amortized cost			
Trade accounts and notes payable		4,117,798	3,136,446
Borrowings		22,704,998	25,220,231
Financial guarantee liabilities		108,161	101,311
Others		2,007,114	2,197,463
	₩	<u>29,060,967</u>	<u>30,810,953</u>

3) Finance income and costs by category of financial instrument for the years ended December 31, 2016 and 2015 were as follows:

① For the year ended December 31, 2016

<i>(in millions of Won)</i>	Finance income and costs						Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Financial assets at fair value through profit or loss	₩ -	57,411	-	310,625	-	-	-
Available-for-sale financial assets	431	-	-	127,524	(248,404)	41,000	310,608
Held-to-maturity financial assets	266	-	-	-	-	38	-
Loans and receivables	181,778	-	140,751	(17,854)	-	(172)	-
Financial liabilities at fair value through profit or loss	-	(72,976)	-	(332,415)	-	-	-
Financial liabilities measured at amortized cost	(658,726)	-	(283,059)	(61)	-	(28,367)	-
	₩ (476,251)	(15,565)	(142,308)	87,819	(248,404)	12,499	310,608

② For the year ended December 31, 2015

<i>(in millions of Won)</i>	Finance income and costs						Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Impairment loss	Others	
Financial assets at fair value through profit or loss	₩ -	129,949	-	357,715	-	-	-
Available-for-sale financial assets	1,956	-	-	138,782	(142,781)	183,712	(187,854)
Held-to-maturity financial assets	456	-	-	-	-	(688)	-
Loans and receivables	207,781	-	283,030	(15,406)	-	(217)	-
Financial liabilities at fair value through profit or loss	-	(46,748)	-	(334,340)	-	-	-
Financial liabilities measured at amortized cost	(788,772)	-	(665,583)	-	-	(138,827)	-
	₩ (578,579)	83,201	(382,553)	146,751	(142,781)	43,980	(187,854)

POSCO and Subsidiaries
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(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016	2015
Cash and cash equivalents	₩	2,447,619	4,870,185
Financial assets at fair value through profit or loss		147,582	188,489
Available-for-sale financial assets		51,649	55,320
Held-to-maturity financial assets		2,470	23,379
Loans and other receivables		7,104,940	6,014,651
Trade accounts and notes receivable, net		9,786,927	9,595,935
Long-term trade accounts and notes receivable, net		51,124	120,338
	₩	<u>19,592,311</u>	<u>20,868,297</u>

The Company provided financial guarantees for the repayment of loans of associates, joint ventures and third parties. As of December 31, 2016 and 2015, the maximum exposure to credit risk related to the financial guarantees amounted to ₩2,995,544 million and ₩4,129,825 million, respectively.

2) Impairment losses on financial assets

① Allowance for doubtful accounts as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016	2015
Trade accounts and notes receivable	₩	558,125	625,003
Other accounts receivable		203,346	146,031
Loans		210,346	220,966
Other assets		5,954	7,678
	₩	<u>977,771</u>	<u>999,678</u>

POSCO and Subsidiaries
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- ② Impairment losses on financial assets for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Bad debt expenses on trade accounts and notes receivable	₩	165,150	189,616
Other bad debt expenses(*1)		50,225	158,071
Impairment loss on available-for-sale financial assets		248,404	142,781
Impairment loss on held-to-maturity financial assets		-	1,000
Less: Recovery of allowance for other bad debt accounts		(12,658)	(10,452)
Less: Recovery of impairment loss on held-to-maturity financial assets		(38)	(312)
	₩	<u>451,083</u>	<u>480,704</u>

(*1) Other bad debt expenses are mainly related to loans and other accounts receivable.

- ③ The aging and impairment losses of trade accounts and notes receivable as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016		2015	
		Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment
Not due	₩	8,076,392	62,511	6,840,471	55,993
Over due less than 1 month		790,042	27,482	1,843,132	5,084
1 month - 3 months		205,394	8,955	367,663	1,781
3 months - 12 months		189,605	26,814	421,505	37,719
over 12 months		1,134,743	432,363	868,505	524,426
	₩	<u>10,396,176</u>	<u>558,125</u>	<u>10,341,276</u>	<u>625,003</u>

- ④ The aging and impairment losses of other receivables as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016		2015	
		Other receivables	Impairment	Other receivables	Impairment
Not due	₩	1,641,924	23,958	1,921,274	38,866
Over due less than 1 month		197,772	75,207	155,762	17,955
1 month - 3 months		27,525	1,189	10,285	302
3 months - 12 months		82,337	20,300	76,571	10,556
over 12 months		357,401	298,992	395,200	306,996
	₩	<u>2,306,959</u>	<u>419,646</u>	<u>2,559,092</u>	<u>374,675</u>

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- ⑤ Changes in the allowance for doubtful accounts for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Beginning	₩	999,678	954,153
Bad debt expenses		165,150	189,616
Other bad debt expenses		37,567	147,619
Others		(224,624)	(291,710)
Ending	₩	977,771	999,678

(c) Liquidity risk

- 1) Contractual maturities for non-derivative financial liabilities, including estimated interest, are as follows:

<i>(in millions of Won)</i>		Book value	Contractual cash flow	Within 1 year	1 year - 5 years	After 5 years
Trade accounts and notes payable	₩	4,117,798	4,117,798	4,073,286	44,512	-
Borrowings		22,704,998	25,300,261	10,783,630	11,241,991	3,274,640
Financial guarantee liabilities(*1)		108,161	2,995,544	2,995,544	-	-
Other financial liabilities		2,007,114	2,020,008	1,802,035	217,973	-
	₩	28,938,071	34,433,611	19,654,495	11,504,476	3,274,640

- (*1) For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

- 2) The maturity analysis of derivative financial liabilities is as follows:

<i>(in millions of Won)</i>		Within 1 year	1 year - 5 years	Total
Currency forward	₩	15,897	9,430	25,327
Currency futures		23,953	5	23,958
Currency swaps		41,933	25,207	67,140
Interest swaps		217	2,468	2,685
Other forwards		3,786	-	3,786
	₩	85,786	37,110	122,896

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(d) Currency risk

- 1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The exposure to currency risk as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016		2015	
		Assets	Liabilities	Assets	Liabilities
USD	₩	5,007,649	6,636,065	5,535,915	7,196,614
EUR		463,110	550,235	433,686	657,734
JPY		45,975	821,403	64,495	1,036,545
Others		219,444	286,112	181,091	92,881

- 2) As of December 31, 2016 and 2015, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016		2015	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	(162,842)	162,842	(166,070)	166,070
EUR		(8,713)	8,713	(22,405)	22,405
JPY		(77,543)	77,543	(97,205)	97,205

(e) Interest rate risk

- 1) The carrying amount of interest-bearing financial instruments as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016	2015
Fixed rate			
Financial assets	₩	8,650,483	9,686,358
Financial liabilities		(10,794,724)	(13,432,518)
	₩	<u>(2,144,241)</u>	<u>(3,746,160)</u>
Variable rate			
Financial liabilities	₩	(12,024,683)	(11,828,998)

- 2) Sensitivity analysis on the fair value of financial instruments with fixed interest rate

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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3) Sensitivity analysis on the cash flows of financial instruments with variable interest rate

As of December 31, 2016 and 2015, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in interest expense for the years ended December 31, 2016 and 2015 were as follows:

(in millions of Won)	2016		2015	
	1% increase	1% decrease	1% increase	1% decrease
Variable rate financial instruments	₩ (120,247)	120,247	(118,290)	118,290

(f) Fair value

1) Fair value and book value

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

(in millions of Won)	2016		2015	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Available-for-sale financial assets(*1)	₩ 2,139,687	2,139,687	1,854,784	1,854,784
Derivatives assets held for trading	147,582	147,582	188,489	188,489
	<u>2,287,269</u>	<u>2,287,269</u>	<u>2,043,273</u>	<u>2,043,273</u>
Assets measured at amortized cost(*2)				
Cash and cash equivalents	2,447,619	2,447,619	4,870,185	4,870,185
Trade accounts and notes receivable, net	9,838,051	9,838,051	9,716,273	9,716,273
Loans and other receivables, net	7,104,940	7,104,940	6,014,651	6,014,651
Held-to-maturity financial assets	2,470	2,470	23,379	23,379
	<u>19,393,080</u>	<u>19,393,080</u>	<u>20,624,488</u>	<u>20,624,488</u>
Liabilities measured at fair value				
Derivatives liabilities held for trading	122,896	122,896	155,502	155,502
Liabilities measured at amortized cost(*2)				
Trade accounts and notes payable	4,117,798	4,117,798	3,136,446	3,136,446
Borrowings	22,704,998	22,956,571	25,220,231	25,413,577
Financial guarantee liabilities	108,161	108,161	101,311	101,311
Others	2,007,114	2,007,114	2,197,463	2,197,463
	<u>₩ 28,938,071</u>	<u>29,189,644</u>	<u>30,655,451</u>	<u>30,848,797</u>

(*1) Available-for-sale financial assets which are not measured at fair value are not included.

(*2) The fair value of financial assets and financial 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 financial liabilities measured at amortized cost except borrowings(fair value hierarchy level 2) since their carrying amounts approximate fair value.

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- 2) The fair values of financial assets and financial liabilities by fair value hierarchy as of December 31, 2016 and 2015 are as follows:

① December 31, 2016

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

② December 31, 2015

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

- 3) Financial assets and financial liabilities classified as fair value hierarchy level 2

Fair values of derivatives are measured using the derivatives instrument valuation model such as market approach method and discounted cash flow method. Inputs of the financial instrument valuation model include interest rate, exchange rate, spot price of underlying assets, volatility and others. It may change depending on the type of derivatives and the nature of the underlying assets.

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4) Financial assets and financial liabilities classified as fair value hierarchy level 3

- ① Value measurement method and significant but not observable inputs for the financial assets classified as fair value hierarchy level 3 as of December 31, 2016 are as follows:

(in millions of Won)

	Fair value	Valuation technique	Inputs	Range of inputs	Effect on fair value assessment with unobservable input
Available-for-sale financial assets	₩ 280,478	Discounted cash flows	Growth rate	0% ~ 2.0%	As growth rate increases, fair value increases
			Discount rate	0.5% ~ 11.9%	As discount rate increases, fair value decreases
	16,000	Peer group usage	PER	1.085 ~ 5.245	As PER increases, fair value increases
	42,266	Asset value approach	-	-	-
Derivatives assets held for trading	10,346	Discounted cash flows	Discount rate	8.39%	As discount rate increases, fair value decreases

- ② Sensitivity analysis of financial assets and financial liabilities classified as Level 3 of fair value hierarchy

If other inputs remain constant as of December 31, 2016 and one of the significant but not observable input is changed, the effect on fair value measurement is as follows:

(in millions of Won)

	Input variable	Favorable changes	Unfavorable changes
Available-for-sale financial assets	Fluctuation 0.5% of growth rate	₩ 8,809	7,369
	Fluctuation 0.5% of discount rate	28,392	25,380
Derivatives assets held for trading	Fluctuation 0.5% of discount rate	72	71

- ③ Changes in fair value of financial assets and financial liabilities classified as Level 3 for the years ended December 31, 2016 and 2015 were as follows:

(in millions of Won)

	2016	2015
Beginning	₩ 466,407	154,905
Acquisition	47,493	381,960
Changes in the fair value of derivatives	(59,829)	48,487
Other comprehensive loss	(38,731)	(13,523)
Impairment	(19,111)	(27,211)
Disposal and others	(47,139)	(78,211)
Ending	₩ 349,090	466,407

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24. Share Capital and Capital Surplus

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

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

(*1) As of December 31, 2016, total shares of ADRs of 39,889,560 outstanding in overseas stock market are equivalent to 9,972,390 of common stock.

(*2) As of December 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) The changes in issued common stock for the years ended December 31, 2016 and 2015 were as follows:

<i>(share)</i>	2016			2015		
	Issued shares	Treasury shares	Number of Outstanding shares	Issued shares	Treasury shares	Number of Outstanding shares
Beginning	87,186,835	(7,191,187)	79,995,648	87,186,835	(7,193,807)	79,993,028
Disposal of treasury shares	-	2,017	2,017	-	2,620	2,620
Ending	87,186,835	(7,189,170)	79,997,665	87,186,835	(7,191,187)	79,995,648

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

<i>(in millions of Won)</i>	2016	2015
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	783,788	783,756
Other capital surplus	150,178	136,042
	₩ 1,397,791	1,383,623

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25. Hybrid Bonds

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

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

(*1) Details of issuance of hybrid bonds as of December 31, 2016 are as follows:

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of December 31, 2016 amounts to ₩2,389 million.

(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 December 31, 2016 and 2015 are as follows:

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

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

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

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of December 31, 2016 amounts to ₩2,000 million.

26. Reserves

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

<i>(in millions of Won)</i>	2016	2015
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (301,734)	(426,360)
Changes in the unrealized fair value of available-for-sale investments	276,143	(38,294)
Foreign currency translation differences	(99,264)	(109,646)
Others	(19,130)	(20,456)
	₩ (143,985)	(594,756)

(b) Changes in fair value of available-for-sale investments for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	2016	2015
Beginning balance	₩ (38,294)	144,783
Changes in the unrealized fair value of available-for-sale investments	218,542	(236,752)
Reclassification to profit or loss upon disposal	(88,781)	(45,817)
Impairment of available-for-sale investments	187,108	94,487
Others	(2,432)	5,005
Ending balance	₩ 276,143	(38,294)

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27. Treasury Shares

Based on the Board of Directors' resolution, the Company holds treasury shares for business purposes including price stabilization. The changes in treasury shares for the years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	Number of shares	Amount	Number of shares	Amount
Beginning	7,191,187	₩ 1,533,898	7,193,807	₩ 1,534,457
Disposal of treasury shares	(2,017)	(430)	(2,620)	(559)
Ending	7,189,170	₩ 1,533,468	7,191,187	₩ 1,533,898

28. Revenue

Details of revenue for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Sales of goods	₩ 43,683,169	47,018,466
Services	2,276,534	2,489,447
Construction revenue	6,641,465	8,216,531
Rental income	8,930	11,757
Others	473,415	456,144
	₩ 53,083,513	58,192,345

29. Construction Contracts

(a) Details of in-progress construction contracts as of December 31, 2016 and 2015 are as follows:

	2016		2015	
	Construction segment	Others	Construction segment	Others
Accumulated cost	₩ 22,493,050	313,422	18,786,683	311,726
Add: Accumulated profit	1,574,858	48,119	1,374,548	34,939
Less: Accumulated loss	(1,115,245)	(23,920)	(430,957)	(16,510)
Accumulated revenue	22,952,663	337,621	19,730,274	330,155
Less: Progress billings	(23,157,151)	(338,991)	(19,265,173)	(344,252)
Others	2,909	7,052	(24,967)	(20,126)
	₩ (201,579)	5,682	440,134	(34,223)

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- (b) Details of due from customers for contract work and due to customers for contract work related to construction as of December 31, 2016 and 2015 are as follows:

(in millions of Won)

	2016		2015	
	Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩ 894,181	70,123	1,157,617	60,414
Due to customers for contract work	(1,095,760)	(64,441)	(717,483)	(94,637)
	₩ (201,579)	5,682	440,134	(34,223)

- (c) Details of the provisions of construction loss, the allowance for due from customers and the accounts receivable of construction as of December 31, 2016 and December 31, 2015 are as follows:

(in millions of Won)

	2016	2015
Construction segment	₩ 143,159	55,101
Others	3,524	1,380
	₩ 146,683	56,481

- (d) Due to the factors causing the variation of costs for the year ended December 31, 2016, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profits or loss for the year ended December 31, 2016 and future periods are as follows:

(in millions of Won)

	Changes in estimated total contract costs	Changes in profit (loss) of construction contract(*1)		
		2016	Future periods	Total
Construction segment(*2)	₩ 488,352	(776,237)	92,082	(684,155)
Others	5,550	4,518	(559)	3,959
	₩ 493,902	(771,719)	91,523	(680,196)

- (*1) The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contract to the end of 2016. The estimation is evaluated for the total contract cost and expected total contract revenue as of the end of the period. Also, it may change during future periods.
- (*2) During the year ended December 31, 2016, errors were detected in prior years calculating the estimated total contract costs of POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA, a subsidiary of the construction segment. The errors were corrected and reflected in the year ended December 31, 2016. Had the consolidated financial statements have been revised retrospectively to reflect the correction of the errors, sales and net income for the year ended December 31, 2016 would have been increased by ₩90,905 million and ₩84,314 million respectively. Also the sales and net income in current year input is determined for the year ended December 31, 2015 would have been decreased by ₩93,851 million and ₩87,047 million respectively.

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(e) Uncertainty of estimates

1) Total contract revenues

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

2) Total contract costs

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

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

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

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30. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Wages and salaries	₩	769,589	810,851
Expenses related to post-employment benefits		200,956	87,293
Other employee benefits		176,794	193,967
Travel		40,828	48,426
Depreciation		103,442	105,470
Amortization		139,569	168,525
Communication		11,186	12,502
Electricity expenses		7,527	9,573
Taxes and public dues		78,895	74,315
Rental		82,005	119,836
Repairs		11,316	11,677
Entertainment		13,157	15,740
Advertising		86,141	90,698
Research & development		120,608	135,508
Service fees		201,129	218,751
Supplies		7,297	9,855
Vehicles maintenance		10,090	10,756
Industry association fee		13,468	12,603
Conference		13,108	16,053
Contribution to provisions		6,532	14,900
Bad debt expenses		165,150	189,616
Others		32,753	38,333
	₩	<u>2,291,540</u>	<u>2,395,248</u>

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(b) Selling expenses

Selling expenses for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Freight and custody expenses	₩	1,342,009	1,531,906
Operating expenses for distribution center		10,315	11,021
Sales commissions		94,377	80,165
Sales advertising		5,117	3,220
Sales promotion		10,670	22,443
Sample		2,335	2,576
Sales insurance premium		31,379	30,682
Contract cost		49,480	38,425
Others		8,004	8,518
	₩	<u>1,553,686</u>	<u>1,728,956</u>

31. Research and Development Expenditures Recognized as Expenses

Research and development expenditures recognized as expenses for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Administrative expenses	₩	120,608	135,508
Cost of sales		324,190	356,173
	₩	<u>444,798</u>	<u>491,681</u>

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32. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2016 and 2015 were as follows:

(in millions of Won)

		2016	2015
Finance income			
Interest income	₩	182,475	210,193
Dividend income		41,000	183,712
Gain on foreign currency transactions		1,032,552	1,025,240
Gain on foreign currency translations		377,723	466,090
Gain on derivatives transactions		316,524	366,482
Gain on valuations of derivatives		147,111	155,334
Gain on disposals of available-for-sale financial assets		130,830	139,136
Others		3,765	10,886
	₩	<u>2,231,980</u>	<u>2,557,073</u>
Finance costs			
Interest expenses	₩	658,726	788,772
Loss on foreign currency transactions		1,147,192	1,157,161
Loss on foreign currency translations		405,391	716,722
Loss on derivatives transactions		338,314	343,118
Loss on valuation of derivatives		162,676	72,133
Impairment loss on available-for-sale financial assets		248,404	142,781
Others		53,487	166,367
	₩	<u>3,014,190</u>	<u>3,387,054</u>

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33. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2016 and 2015 were as follows:

(in millions of Won)

	2016	2015
Other non-operating income		
Gain on disposals of assets held for sale	₩ 23,112	227,956
Gain on disposals of investment		
in subsidiaries, associates and joint ventures	23,305	88,718
Gain on disposals of property, plant and equipment	23,826	22,730
Recovery of allowance for other doubtful accounts	12,658	10,452
Rental revenues	1,771	1,019
Gain on insurance proceeds	22,400	14,976
Others	108,064	183,197
	₩ <u>215,136</u>	<u>549,048</u>
Other non-operating expenses		
Impairment loss on assets held for sale	₩ 24,890	133,547
Loss on disposals of assets held for sale	254	190,357
Loss on disposals of investment		
in subsidiaries, associates and joint ventures	22,499	18,996
Loss on disposals of property, plant and equipment	86,622	101,732
Impairment loss on property, plant and equipment	196,882	136,269
Impairment loss on goodwill and intangible assets	127,875	161,412
Other bad debt expenses	50,225	158,071
Idle tangible asset expenses	6,437	12,773
Impairment loss on other non-current assets	9,894	12,264
Increase to provisions	53,058	18,396
Donations	43,810	62,957
Others(*1)	133,274	435,524
	₩ <u>755,720</u>	<u>1,442,298</u>

(*1) The Company paid ₩299,037 million in connection with its settlement with Nippon Steel & Sumitomo Metal Corporation for a civil lawsuit regarding improperly acquired trade secrets and patents for the year ended December 31, 2015.

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34. 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 years ended December 31, 2016 and 2015 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>		2016	2015
Raw material used,			
changes in inventories and others	₩	30,300,229	33,578,772
Employee benefits expenses(*2)		3,444,276	3,472,295
Outsourced processing cost		7,678,055	8,681,271
Electricity expenses		1,018,429	1,251,546
Depreciation(*1)		2,835,843	2,836,663
Amortization		378,004	381,583
Freight and custody expenses		1,342,009	1,531,906
Sales commissions		94,377	80,165
Loss on disposal of property, plant and equipment		86,622	101,732
Impairment loss on property, plant and equipment		196,882	136,269
Impairment loss on goodwill and intangible assets		127,875	161,412
Contribution to provisions		189,914	86,903
Donations		43,810	62,957
Others		3,258,583	4,861,126
	₩	<u>50,994,908</u>	<u>57,224,600</u>

(*1) Includes depreciation expense of investment property.

(*2) The details of employee benefits expenses for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Wages and salaries	₩	3,016,488	3,186,237
Expenses related to post-employment benefits		427,788	286,058
	₩	<u>3,444,276</u>	<u>3,472,295</u>

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35. Income Taxes

(a) Income tax expense for the years ended December 31, 2016 and 2015 was as follows:

<i>(in millions of Won)</i>		2016	2015
Current income taxes	₩	699,269	553,041
Deferred income tax due to temporary differences		(204,565)	(246,500)
Items recorded directly in equity		(110,019)	(29,602)
Income tax expense	₩	<u>384,685</u>	<u>276,939</u>

(b) The income taxes credited (charged) directly to equity for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Net changes in the unrealized fair value of available-for-sale investments	₩	(100,550)	60,077
Loss (gain) on sale of treasury shares		(10)	12
Other capital surplus		-	(83,746)
Others		(9,459)	(5,945)
	₩	<u>(110,019)</u>	<u>(29,602)</u>

(c) The following table reconciles the calculated income tax expense based on POSCO's statutory rate (24.2%) to the actual amount of taxes recorded by the Company for the years ended December 31, 2016 and 2015.

<i>(in millions of Won)</i>		2016	2015
Profit before income tax expense	₩	1,432,854	180,758
Income tax expense computed at statutory rate		346,289	43,281
Adjustments:			
Tax credits		(30,124)	(152,139)
Over provisions from prior years		(11,829)	(47,053)
Investment in subsidiaries, associates and joint ventures		76,751	442,594
Tax effects due to permanent differences		(9,962)	(26,045)
Others		13,560	16,301
		<u>38,396</u>	<u>233,658</u>
Income tax expense	₩	<u>384,685</u>	<u>276,939</u>
Effective tax rate (%)		26.85%	153.21%

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(d) The movements in deferred tax assets (liabilities) for the years ended December 31, 2016 and 2015 were as follows:

(in millions of Won)

	2016			2015		
	Beginning	Inc. (Dec.)	Ending	Beginning	Inc. (Dec.)	Ending
Deferred income tax						
due to temporary differences						
Allowance for doubtful accounts	₩ 202,592	10,527	213,119	195,735	6,857	202,592
Reserve for technology developments	(177,676)	85,716	(91,960)	(259,033)	81,357	(177,676)
PP&E - Depreciation	(15,240)	3,601	(11,639)	(6,675)	(8,565)	(15,240)
Share of profit or loss of equity-accounted investees	(45,174)	115,433	70,259	(96,693)	51,519	(45,174)
Allowance for inventories valuation	13,373	2,278	15,651	1,991	11,382	13,373
PP&E - Revaluation	(1,393,501)	(130,648)	(1,524,149)	(1,222,599)	(170,902)	(1,393,501)
Prepaid expenses	19,180	485	19,665	17,461	1,719	19,180
PP&E - Impairment loss	8,055	(2,760)	5,295	21,962	(13,907)	8,055
Gain or loss on foreign currency translation	(29,355)	23,398	(5,957)	(69,112)	39,757	(29,355)
Defined benefit obligations	354,175	7,663	361,838	365,721	(11,546)	354,175
Plan assets	(287,839)	(28,686)	(316,525)	(298,072)	10,233	(287,839)
Provision for construction losses	612	385	997	4,953	(4,341)	612
Provision for construction warranty	21,604	2,718	24,322	20,371	1,233	21,604
Accrued income	(8,982)	(459)	(9,441)	(3,691)	(5,291)	(8,982)
Impairment loss on AFS	266,474	(21,306)	245,168	172,001	94,473	266,474
Difference in acquisition costs of treasury shares	62,116	(17)	62,099	62,139	(23)	62,116
Others	278,002	102,401	380,403	81,310	196,692	278,002
	<u>(731,584)</u>	<u>170,729</u>	<u>(560,855)</u>	<u>(1,012,231)</u>	<u>280,647</u>	<u>(731,584)</u>
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale investments	50,043	(100,550)	(50,507)	(10,034)	60,077	50,043
Others	61,291	(9,459)	51,832	67,236	(5,945)	61,291
	<u>111,334</u>	<u>(110,009)</u>	<u>1,325</u>	<u>57,202</u>	<u>54,132</u>	<u>111,334</u>
Deferred tax from tax credit						
Tax credit carry-forward and others	277,261	30,074	307,335	339,959	(62,698)	277,261
Investments in subsidiaries, associates and joint ventures						
Investments in subsidiaries, associates and joint ventures	(18,088)	104,217	86,129	(21,627)	3,538	(18,089)
₩	<u>(361,077)</u>	<u>195,011</u>	<u>(166,066)</u>	<u>(636,697)</u>	<u>275,619</u>	<u>(361,078)</u>

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(e) Deferred tax assets and liabilities for the years ended December 31, 2016 and 2015 are as follows:

(in millions of Won)

	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred income tax due to temporary differences						
Allowance for doubtful accounts	₩ 213,119	-	213,119	202,592	-	202,592
Reserve for technology developments	-	(91,960)	(91,960)	-	(177,676)	(177,676)
PP&E - Depreciation	50,843	(62,482)	(11,639)	34,575	(49,815)	(15,240)
Share of profit or loss of equity-accounted investees	178,538	(108,279)	70,259	52,521	(97,695)	(45,174)
Allowance for inventories valuation	15,651	-	15,651	13,373	-	13,373
PP&E - Revaluation	-	(1,524,149)	(1,524,149)	-	(1,393,501)	(1,393,501)
Prepaid expenses	19,665	-	19,665	19,180	-	19,180
PP&E - Impairment loss	5,397	(102)	5,295	8,159	(104)	8,055
Gain or loss on foreign currency translation	99,836	(105,793)	(5,957)	107,076	(136,431)	(29,355)
Defined benefit obligations	361,838	-	361,838	354,175	-	354,175
Plan assets	-	(316,525)	(316,525)	-	(287,839)	(287,839)
Provision for construction losses	997	-	997	612	-	612
Provision for construction warranty	24,322	-	24,322	21,604	-	21,604
Accrued income	-	(9,441)	(9,441)	-	(8,982)	(8,982)
Impairment loss on AFS	245,168	-	245,168	266,474	-	266,474
Difference in acquisition costs of treasury shares	62,099	-	62,099	62,116	-	62,116
Others	429,079	(48,676)	380,403	351,558	(73,556)	278,002
	<u>1,706,552</u>	<u>(2,267,407)</u>	<u>(560,855)</u>	<u>1,494,015</u>	<u>(2,225,599)</u>	<u>(731,584)</u>
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale investments	50,245	(100,752)	(50,507)	218,161	(168,118)	50,043
Others	65,532	(13,700)	51,832	76,086	(14,795)	61,291
	<u>115,777</u>	<u>(114,452)</u>	<u>1,325</u>	<u>294,247</u>	<u>(182,913)</u>	<u>111,334</u>
Deferred tax from tax credit						
Tax credit carry-forward and others	307,335	-	307,335	277,261	-	277,261
Investments in subsidiaries, associates and joint ventures						
Investments in subsidiaries, associates and joint ventures	561,505	(475,376)	86,129	518,326	(536,415)	(18,089)
	<u>₩ 2,691,169</u>	<u>(2,857,235)</u>	<u>(166,066)</u>	<u>2,583,849</u>	<u>(2,944,927)</u>	<u>(361,078)</u>

(f) As of December 31, 2016, the Company did not recognize income tax effects associated with deductible temporary differences of ₩4,612,900 million mainly relating to loss of subsidiaries and affiliates because realization is not considered probable. As of December 31, 2016, the Company did not recognize income tax effects associated with taxable temporary differences of ₩3,933,428 million (deferred tax liabilities ₩951,890 million) mainly relating to increase in retained earnings of subsidiaries since it is probable that the temporary difference will not reverse in the foreseeable future.

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36. Earnings per Share

Basic and diluted earnings per share for the years ended December 31, 2016 and 2015 were as follows:

(in Won, except per share information)

	2016	2015
Profit attribute to controlling interest	₩ 1,363,309,633,135	180,646,881,979
Interests of hybrid bonds	(33,225,163,081)	(33,029,632,499)
Weighted-average number of common shares outstanding(*1)	79,996,389	79,993,834
Basic and diluted earnings per share	₩ 16,627	1,845

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

<i>(shares)</i>	2016	2015
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,190,446)	(7,193,001)
Weighted-average number of common shares outstanding	79,996,389	79,993,834

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

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37. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the years ended December 31, 2016 and 2015 were as follows:

1) For the year ended December 31, 2016

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries(*3)						
POSCO ENGINEERING & CONSTRUCTION., LTD.	₩ 29,511	16,661	8	183,768	-	24,511
POSCO Processing&Service	1,212,220	5,778	549,803	2,896	22,704	2,445
POSCO COATED & COLOR STEEL Co., Ltd.	326,078	2,560	-	-	12,232	126
POSCO ICT(*4)	1,224	727	-	219,301	32,456	171,107
eNtoB Corporation	-	5	278,016	9,836	212	19,436
POSCO CHEMTECH	319,164	33,784	502,448	14,847	290,427	5,139
POSCO ENERGY CO., LTD.	187,311	1,382	-	-	-	7
POSCO TMC Co., Ltd.(*5)	219,489	-	2	-	863	1,177
POSCO AST(*5)	152,098	1	-	-	19,695	922
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)(*6)	3,227,716	34,341	92,203	-	343	-
POSCO Thainox Public Company Limited	237,471	2,915	9,593	-	19	548
POSCO America Corporation	469,543	-	284	-	-	1,103
POSCO Canada Ltd.	275	-	148,528	-	-	-
POSCO Asia Co., Ltd.	1,758,080	1,373	403,174	247	939	3,602
Qingdao Pohang Stainless Steel Co., Ltd.	135,405	-	-	-	-	525
POSCO JAPAN Co., Ltd.	1,112,489	128	23,217	3,744	345	3,841
POSCO-VIETNAM Co., Ltd.	226,063	445	-	-	-	-
POSCO MEXICO S.A. DE C.V.	274,210	462	-	-	-	-
POSCO Maharashtra Steel Private Limited	355,829	2,613	-	-	-	93
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	149,911	-	-	-	-	-
Others	766,263	22,717	207,601	62,202	212,344	145,562
	<u>11,160,350</u>	<u>125,892</u>	<u>2,214,877</u>	<u>496,841</u>	<u>592,579</u>	<u>380,144</u>
Associates and joint ventures(*3)						
SeAH Changwon Integrated Special Steel	28	-	1,095	-	627	-
POSCO PLANTEC Co., Ltd.	2,245	48	3,533	244,898	16,812	8,146
SNNC	6,004	1,042	487,395	-	-	2
POSCO-SAMSUNG-Slovakia Processing center	44,686	-	-	-	-	-
KOBRASCO	-	29,297	-	-	-	-
Others	26,625	13,122	175,246	-	-	-
	<u>79,588</u>	<u>43,509</u>	<u>667,269</u>	<u>244,898</u>	<u>17,439</u>	<u>8,148</u>
₩	<u>11,239,938</u>	<u>169,401</u>	<u>2,882,146</u>	<u>741,739</u>	<u>610,018</u>	<u>388,292</u>

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

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

(*3) As of December 31, 2016, the Company provided guarantees to related parties (Note 38).

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

(*5) During the year ended December 31, 2016, it was merged into POSCO Processing& Service.

(*6) During the year ended December 31, 2016, Daewoo International Corporation was renamed POSCO DAEWOO Corporation.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

2) For the year ended December 31, 2015

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION., LTD.	₩ 4,441	145	19	427,760	2,250	37,488
POSCO Processing&Service	1,074,826	24	437,626	-	-	2,281
POSCO COATED & COLOR STEEL Co., Ltd.	380,626	-	-	-	9,359	104
POSCO ICT	1,259	7	-	210,877	29,612	182,745
eNtoB Corporation	-	-	261,989	6,501	130	22,017
POSCO CHEMTECH	436,594	30,343	519,956	9,515	297,183	1,773
POSCO ENERGY CO., LTD.	188,458	1,359	-	-	-	6
POSCO TMC Co., Ltd.	263,242	-	-	-	1,497	1,560
POSCO AST	362,658	15	4,115	-	39,175	1,611
POSHIMETAL Co., Ltd.	10,777	151	145,165	-	-	46
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	3,505,187	34,334	46,675	-	-	480
SeAH Changwon Integrated Special Steel(*1)	2,811	176,904	8,239	-	515	75
POSCO PLANTEC Co., Ltd.(*1)	4,280	33	2,544	125,192	15,135	13,649
POSCO Thainox Public Company Limited	268,576	10	5,147	-	-	34
POSCO America Corporation	624,549	6	-	-	-	725
POSCO Canada Ltd.	-	-	111,243	-	-	-
POSCO Asia Co., Ltd.	1,822,932	960	269,086	-	513	2,273
Qingdao Pohang Stainless Steel Co., Ltd.	118,845	-	-	-	-	220
POSCO JAPAN Co., Ltd.	1,051,910	9,383	25,957	2,278	201	2,754
POSCO MEXICO S.A. DE C.V.	270,184	80	-	-	-	11
PT. KRAKATAU POSCO	-	-	118,888	-	-	-
POSCO Maharashtra Steel Private Limited	421,244	752	-	-	-	31
Others(*2)	867,334	14,474	223,393	113,769	212,539	129,506
	<u>11,680,733</u>	<u>268,980</u>	<u>2,180,042</u>	<u>895,892</u>	<u>608,109</u>	<u>399,389</u>
Associates and joint ventures						
SeAH Changwon Integrated Special Steel(*1)	6,042	-	3,802	-	419	-
POSCO PLANTEC Co., Ltd.(*1)	147	14	1,017	82,338	3,513	4,676
SNNC	4,673	594	422,420	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	26,379	-	-	-	-	-
Others(*3,4)	28,841	40,600	51,855	-	-	-
	<u>66,082</u>	<u>41,208</u>	<u>479,094</u>	<u>82,338</u>	<u>3,932</u>	<u>4,676</u>
₩	<u>11,746,815</u>	<u>310,188</u>	<u>2,659,136</u>	<u>978,230</u>	<u>612,041</u>	<u>404,065</u>

(*1) During the year ended December 31, 2015, it was reclassified from a subsidiary to an associate(Note 11).

(*2) During the year ended December 31, 2015, the Company borrowed USD 17.42 million from POSCO-Uruguay S.A., a subsidiary of the Company, and the entire amount was repaid as of December 31, 2015.

(*3) During the year ended December 31, 2015, the Company lent USD 60 million to CSP-Compania Siderurgica do Pecem, an associate of the Company, and the entire amount of loan was collected as of December 31, 2015.

(*4) The Company has collected loans of USD 3.85 million from LLP POSUK Titanium, an associate of the Company for the year ended December 31, 2015

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

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

1) December 31, 2016

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION, LTD. ₩	3	3,359	3,362	-	9,825	515	10,340
POSCO Processing&Service	207,744	178	207,922	1,085	5,367	5,184	11,636
POSCO COATED & COLOR STEEL Co., Ltd.	48,716	324	49,040	-	5	1,600	1,605
POSCO ICT	-	128	128	1,062	89,382	6,074	96,518
eNtoB Corporation	-	-	-	9,948	29,310	15	39,273
POSCO CHEMTECH	27,253	3,868	31,121	54,702	11,870	19,282	85,854
POSCO ENERGY CO., LTD.	18,701	2,012	20,713	-	-	1,425	1,425
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	182,700	11,184	193,884	460	183	49	692
POSCO Thainox Public Company Limited	62,034	8	62,042	-	224	-	224
POSCO America Corporation	10,008	-	10,008	-	-	-	-
POSCO Asia Co., Ltd.	375,823	7	375,830	25,101	-	-	25,101
Qingdao Pohang Stainless Steel Co., Ltd.	25,386	-	25,386	-	5	-	5
POSCO MEXICO S.A. DE C.V.	114,166	-	114,166	-	-	-	-
POSCO Maharashtra Steel Private Limited	208,737	2,512	211,249	-	-	-	-
Others	333,031	2,461	335,492	17,374	46,455	26,974	90,803
	1,614,302	26,041	1,640,343	109,732	192,626	61,118	363,476
Associates and jointventures							
POSCO PLANTEC Co., Ltd.	30	9	39	2,125	39,647	-	41,772
SNNC	223	26	249	40,201	-	-	40,201
Others	800	1	801	991	17,685	-	18,676
	1,053	36	1,089	43,317	57,332	-	100,649
₩	1,615,355	26,077	1,641,432	153,049	249,958	61,118	464,125

2) December 31, 2015

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION, LTD. ₩	508	30,368	30,876	-	42,159	1,002	43,161
POSCO Processing&Service	74,985	175	75,160	10,868	603	-	11,471
POSCO COATED & COLOR STEEL Co., Ltd.	43,669	66	43,735	-	-	1,262	1,262
POSCO ICT	-	6,832	6,832	1,060	94,865	5,880	101,805
eNtoB Corporation	-	-	-	8,683	14,209	12	22,904
POSCO CHEMTECH	32,670	4,500	37,170	54,636	11,398	18,062	84,096
POSCO ENERGY CO., LTD.	18,680	2,585	21,265	-	-	-	-
POSCO TMC Co., Ltd.	63,521	31	63,552	-	180	195	375
POSCO AST	54,844	54	54,898	-	1,915	3,294	5,209
POSHIMETAL Co., Ltd.	707	9	716	-	10,148	-	10,148
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	144,970	-	144,970	-	-	-	-
POSCO Thainox Public Company Limited	65,152	2	65,154	542	-	-	542
POSCO America Corporation	38,715	-	38,715	-	-	-	-
POSCO Asia Co., Ltd.	299,608	235	299,843	21,198	69	-	21,267
Qingdao Pohang Stainless Steel Co., Ltd.	16,689	-	16,689	-	-	-	-
POSCO MEXICO S.A. DE C.V.	94,588	-	94,588	-	-	-	-
POSCO Maharashtra Steel Private Limited	205,390	20	205,410	-	-	-	-
Others	172,019	5,035	177,054	18,208	45,476	23,985	87,669
	1,326,715	49,912	1,376,627	115,195	221,022	53,692	389,909
Associates and jointventures							
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 Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(c) Significant transactions between the Company, excluding the controlling company, and related companies for the years ended December 31, 2016 and 2015 were as follows:

1) December 31, 2016

(in millions of Won)

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and jointventures				
SeAH Changwon integrated Special Steel	₩	16,294	-	22,029
POSCO PLANTEC Co., Ltd.		21,659	5	3,335
New Songdo International City Development, LLC		226,042	-	-
SNNC		29,330	-	21,479
Posco e&c Songdo International Building		4,245	-	-
Chun-cheon Energy Co., Ltd		288,307	-	-
Noeul Green Energy		107,268	-	-
Incheon-Gimpo Expressway Co., Ltd.		102,183	-	-
VSC POSCO Steel Corporation		43,650	47	479
USS-POSCO Industries		287,072	-	1,195
CSP - Compania Siderurgica do Pecem		157,814	-	-
Zhongyue POSCO (Qinhuangdao)		61,844	-	57,179
Tinplate Industrial Co., Ltd		-	-	-
LLP POSUK Titanium		-	-	14,575
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		-	-	24,365
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd		15,759	-	-
PT. Batutua Tembaga Raya		-	-	13,079
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		31,711	-	65
Zhangjiagang Pohang Refractories Co., Ltd.		250	14	364
Sebang Steel		-	-	26,276
SHANGHAI WAIGAOQIAO FREE TRADE		-	-	-
ZONE LANSHENG DAEWOO IN'L		157,886	-	3,535
TRADING CO., LTD.		-	-	-
DMSA/AMSA		-	-	72,582
South-East Asia Gas Pipeline Company Ltd.		-	87,973	-
Others		195,139	11,184	16,664
	₩	1,746,453	99,223	277,201
				35,912

2) December 31, 2015

(in millions of Won)

(in millions of Won)

	Sales and others		Purchase and others		
	Sales	Others	Purchase of material	Others	
Associates and jointventures					
SeAH Changwon integrated Special Steel	₩	32,802	-	49,862	1,977
POSCO PLANTEC Co., Ltd.		10,543	-	5,953	6,386
New Songdo International City Development, LLC		420,094	-	-	667
SNNC		32,160	44	6,518	53,260
Posco e&c Songdo International Building		6,278	-	-	25,197
VSC POSCO Steel Corporation		37,416	-	2,395	3
USS-POSCO Industries		353,626	-	1,109	-
CSP - Companhia Siderurgica do Pecem		845,979	-	-	-
Zhongyue POSCO (Qinhuangdao)		68,300	111	70,236	-
Tinplate Industrial Co., Ltd					
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		3	-	23,320	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd		9,668	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		30,310	-	4	-
Zhangjiagang Pohang Refractories Co., Ltd.		970	1,248	17,484	2,023
Sebang Steel		-	-	29,007	-
SHANGHAI WAIGAOQIAO FREE TRADE					
ZONE LANSHENG DAEWOO IN'L		214,521	-	3,960	3,190
TRADING CO., LTD.					
DMSA/AMSA		800	9,322	241,074	-
South-East Asia Gas Pipeline Company Ltd.		-	47,556	-	-
Others		415,217	17,793	18,518	2,683
	₩	2,478,687	76,074	469,440	95,386

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

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

1) December 31, 2016

(in millions of Won)

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

(*1)As of December 31, 2016, the Company recognizes bad-debt allowance for receivables amounting to ₩48,891 million.

2) December 31, 2015

(in millions of Won)

(in millions of Won)		Receivables(*1)				Payables		
		Trade accounts and notes receivable	Loan	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures								
SeAH Changwon Integrated Special Steel	₩	8,721	-	-	8,721	3,489	19	3,508
POSCO PLANTEC Co., Ltd.		9,853	-	6	9,859	6,263	8,908	15,171
New Songdo International City Development, LLC		168,646	-	25,964	194,610	-	14	14
Posco e&c Songdo International Building		5,821	-	-	5,821	-	-	-
VSC POSCO Steel Corporation		17,283	-	-	17,283	34	-	34
USS-POSCO Industries		170,170	-	-	170,170	9	-	9
Nickel Mining Company SAS		2,353	17,580	67	20,000	-	-	-
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.		63,132	58,600	642	122,374	-	3,982	3,982
CSP - Companhia Siderurgica do Pecem		410,005	-	118,112	528,117	-	138,111	138,111
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		9,455	10,782	6	20,243	3,999	-	3,999
PT. Batutua Tembaga Raya		-	36,830	-	36,830	-	-	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		8,961	11,720	48	20,729	4	-	4
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN'L TRADING CO.,LTD.		90,195	-	-	90,195	921	-	921
DMSA/AMSA		-	99,854	-	99,854	-	-	-
South-East Asia Gas Pipeline Company Ltd.		-	283,954	-	283,954	-	-	-
Others		192,621	137,202	13,648	343,471	12,591	21,181	33,772
	₩	1,157,216	656,522	158,493	1,972,231	27,310	172,215	199,525

(*1)As of December 31, 2015, the Company recognizes bad-debt allowance for receivables amounting to ₩25,475 million.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(e) Significant financial transactions between the Company, excluding the controlling company, and related companies for the years ended December 31, 2016 and 2015 were as follows:

1) December 31, 2016

(in millions of Won)

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

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

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

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

2) December 31, 2015

(in millions of Won)

	Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures					
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 Mulya	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
AMCI (WA) PTY LTD	78,911	10,262	-	(4,005)	85,168
	₩ 695,971	36,707	(38,584)	(37,572)	656,522

(*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.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

- (f) For the years ended December 31, 2016 and 2015, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	2016	2015
Short-term benefits	₩ 90,916	111,278
Long-term benefits	17,905	19,513
Retirement benefits	17,870	21,850
	₩ 126,691	152,641

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

38. Commitments and Contingencies

(a) Contingent liabilities

Contingent liabilities may develop in a way not initially expected. Therefore, management continuously assesses contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Management makes estimates and assumptions that affect disclosures of commitments and contingencies. All estimates and assumptions are based on the evaluation of current circumstances and appraisals with the supports of internal specialists or external consultants.

Management regularly analyzes current information about these matters and provides for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for a provision, management considers whether the Company has an obligation as a result of a past event, whether it is probable that an outflow of cash or other resources embodying economic benefits will be required to settle the obligation and the ability to make a reliable estimate of the amount of the obligation.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(b) Details of guarantees

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

(in millions of Won)							
Guarantors [The Company]	Guarantee beneficiary	Financial institution	Guarantee limit		Guarantee amount		
			Foreign currency	Won equivalent	Foreign currency	Won equivalent	
POSCO	POSCO Asia Co., Ltd.	MIZUHO and others	USD	100,000,000	120,850	100,000,000	120,850
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,527,500	177,078	131,874,750	159,371
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great&CO Co.,Ltd(SPC)	THB	5,501,000,000	184,999	5,501,000,000	184,999
	POSCO Electrical Steel India Private Limited	ING and others	USD	83,784,000	101,253	83,784,000	101,253
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	566,069,000	684,095	353,348,300	427,022
	POSCO MEXICO S.A. DE C.V.	Korea Development Bank and others	USD	344,725,000	416,601	234,725,000	283,664
	POSCO SS-VINA CO., LTD.	Export-Import Bank of Korea and others	USD	354,351,050	428,233	344,413,094	416,224
	POSCO VST CO., LTD.	ANZ and others	USD	65,000,000	78,553	24,375,000	29,458
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea	USD	196,000,000	236,866	196,000,000	236,866
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,631,841	1,210,963,477	1,463,450
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Korea Development Bank and others	CNY	1,084,955,000	187,979	1,084,955,000	187,979
	Daewoo Power PNG Ltd.	Export-Import Bank of Korea	USD	54,400,000	65,742	36,000,000	43,506
	POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	14,652,750	17,708	14,652,750	17,708
	POSCO DAEWOO INDIA PVT., LTD.	Shinhan Bank and others	USD	165,000,000	199,403	137,024,552	165,594
	PT. Bio Inti Agrindo	Export-Import Bank of Korea and others	USD	93,625,000	113,146	93,625,000	113,146
POSCO ENGINEERING & CONSTRUCTION.,LTD.	Daewoo Textile LLC	Export-Import Bank of Korea	Daewoo	8,000,000	9,668	8,000,000	9,668
	EPC EQUITIES LLP	SG BANK SEOUL and others	USD	59,000,000	71,302	59,000,000	71,302
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori Bank and others	USD	147,000,000	177,650	147,000,000	177,650
	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	16,500,000	19,940	16,500,000	19,940
	POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	HSBC	USD	100,000,000	120,850	100,000,000	120,850
POSCO ICT	SANTOS CMI INC. USA	Citi New York	USD	8,000,000	9,668	8,000,000	9,668
	SANTOS CMI S.A.	Citi Ecuador	USD	3,000,000	3,626	3,000,000	3,626
	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	1,800,000	2,175	1,800,000	2,175
	POSCO Engineering CO.,Ltd	HSBC	USD	39,450,863	47,676	39,450,863	47,676
	PT PEN INDONESIA	POSCO Asia Co., Ltd.	USD	5,000,000	6,043	5,000,000	6,043
POSCO M-TECH	PT. POSCO MTECH INDONESIA	POSCO Asia Co., Ltd.	USD	12,500,000	15,106	12,500,000	15,106
	POSCO CHEMTECH						
POSCO Processing & Service	Chemtech Calcination	Hana Bank	USD	33,600,000	40,606	24,470,588	29,573
	POSCO Canada Ltd.	Korea Development Bank	USD	8,114,925	9,807	7,728,500	9,340
	POSCO Gulf SFC LLC	Hana Bank and others	USD	45,700,000	55,228	43,650,000	52,751
	Pos-Sea Pte Ltd	Woori Bank and others	USD	20,000,000	24,170	3,900,000	4,713
	POSCO Japan PC CO.,LTD	Higo Bank and others	JPY	593,200,000	6,151	593,200,000	6,151
POSCO Coated & Color Steel Co.,Ltd.	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd. And others	USD	13,966,947	16,903	13,966,947	16,903
	PT. Krakatau Posco Energy	Export-Import Bank of Korea and others	USD	193,900,000	234,328	153,560,430	185,578
[Associates and joint ventures]							
POSCO	CSP - Compania Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	420,000,000	507,572	420,000,000	507,572
	LLP POSUK Titanium	BNDES	BRL	464,060,000	172,389	461,494,142	171,436
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)		Kookmin Bank	USD	15,000,000	18,128	15,000,000	18,128
	GLOBAL KOMSCO Daewoo LLC	Industrial & Commercial Bank of China and others	USD	9,187,500	11,103	8,225,000	9,940
POSCO ENGINEERING & CONSTRUCTION.,LTD.	New Songdo International City Development, LLC	Others	KRW	340,000	340,000	310,500	310,500
	INCHEON GIMPO EXPRESSWAY CO.,LTD	Korea Development Bank	KRW	100,000	100,000	100,000	100,000
POSCO ICT	UITRANS CORPORATION	Kookmin Bank	KRW	76,000	76,000	76,000	76,000
	KRAKATAU POS-CHEM						
POSCO CHEMTECH	DONG-SUH CHEMICAL	Hana Bank	USD	5,883,750	7,111	2,774,489	3,353
	PT.INDONESIA POS CHEMTECH						
CHOSUN Ref		Hana Bank	USD	3,900,000	4,713	3,900,000	4,713
[Others]							
POSCO DAEWOO Corporation (formerly, Daewoo International Corporation)	Ambatovy Project Investments Limited and others	Export-Import Bank of Korea	USD	87,272,727	105,469	44,620,083	53,923
	Ecocity CO.,LTD and others	Others	KRW	990,350	990,350	364,031	364,031
POSCO ICT	THE GALE INVESTMENTS COMPANY, L.L.C.	Woori Bank	USD	50,000,000	60,425	50,000,000	60,425
	Hyochun CO., LTD	Daegu Bank and others	KRW	39,575	39,575	39,575	39,575
POSCO Engineering CO., Ltd	SMS Energy and others	Hana Bank and others	KRW	123,880	123,880	101,124	101,124
	BLT Enterprise and others	Kyobo Life Insurance Co.,Ltd and others	KRW	1,163,585	1,163,585	1,163,585	1,163,585
POSCO AUSTRALIA PTY LTD	SAMJIN SOLAR ENERGY and others	Hana Bank and others	KRW	10,511	10,511	3,532	3,532
	Department of Trade and Investment (NSW Government)						
POSCO(Suzhou) Automotive Processing Center Co.,Ltd.		Woori Bank and others	AUD	8,277,336	7,218	8,277,336	7,218
	POS INFRA AUTO	Korea Development Bank	USD	405,000	489	405,000	489
			USD	4,841,636,012	5,851,125	4,153,257,823	5,019,217
			KRW	2,843,901	2,843,901	2,158,347	2,158,347
			CNY	1,084,955,000	187,979	1,084,955,000	187,979
			THB	5,501,000,000	184,999	5,501,000,000	184,999
			JPY	593,200,000	6,151	593,200,000	6,151
			AUD	8,277,336	7,218	8,277,336	7,218
			BRL	464,060,000	172,389	461,494,142	171,436

(c) POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩605,508 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION CO., LTD. amounting to ₩303,789 million as of December 31, 2016.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

(d) Other commitments

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

POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of December 31, 2016, 144 million tons of iron ore and 22 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 December 31, 2016, the Company entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which enables the Company to borrow up to the amount of USD 6.49 million. The borrowings are related to the Company's the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the projects. The Company is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of December 31, 2016, the ending balance of the borrowing amounts to USD 4.09 million.</p> <p>POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd. under construction of new power plant.</p>
POSCO ENGINEERING & CONSTRUCTION., LTD.	<p>As of December 31, 2016, POSCO ENGINEERING & CONSTRUCTION., LTD. has comprehensive loan agreements of up to ₩213.5 billion and USD 218 million with Woori Bank. Also, POSCO ENGINEERING & CONSTRUCTION., LTD. has bank overdraft agreements of up to ₩20 billion with Woori Bank. Comprehensive loan agreements include bank overdraft up to ₩20 billion of loans on checking account during the day with Woori Bank.</p>
POSCO ICT	<p>As of December 31, 2016, in relation to contract enforcement, POSCO ICT was provided with ₩137,237 million and ₩50,483 million guaranties from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.</p>

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(e) Litigation in progress

As of December 31, 2016, litigations in progress that POSCO and certain subsidiaries are defendants in legal actions arising from the normal course of business are as follows:

(in millions of Won, in thousands of foreign currencies)

Company	Legal actions	Claim amount	Won equivalent	Description
POSCO	37	KRW 123,858	123,858	Lawsuit on claim for employee right and others(*1)
	2	USD 1,783	2,155	Arbitration on trading and other
POSCO DAEWOO Corporation	1	EUR 2,667	3,381	Lawsuit on claim for payment
(formerly, Daewoo International Corporation)	2	INR 4,469,396	79,511	Lawsuit on claim for payment on guarantees(*1)
	10	KRW 5,802	5,802	Lawsuit on claim for payment and others
	3	USD 15,644	18,906	Lawsuit on claim for damages and others(*1)
	1	CAD 79,000	70,683	Lawsuit on claim for damages
	1	PKR 124,775	1,314	Lawsuit on claim for damages
POSCO ENGINEERING & CONSTRUCTION., LTD.	69	KRW 185,225	185,225	Arbitration on construction costs allocation and others
POSCO Processing&Service	5	KRW 7,800	7,800	Revoking of fraudulent act and others and others(*1)
POSCO Engineering CO.,Ltd	18	KRW 107,441	107,441	Lawsuit on claim for damages and others(*1)
	4	THB 206,207	6,599	Arbitration on damages and others
	1	GHS 84	20	Lawsuit on ownership and payment on usage
POSCO ICT	12	KRW 13,869	13,869	Lawsuit on claim for damages and others
POSCO M-TECH	3	KRW 4,467	4,467	Lawsuit on claim for damages and others
POSCO ENERGY CO., LTD.	2	KRW 5,202	5,202	Lawsuit on claim for damages and revocation of electricity supply contract and others
POSCO E&C CHINA CO., LTD.	4	CNY 4,159	721	Lawsuit on claim for payment of reserve for construction warranty and others
	1	KRW 3,305	3,305	Lawsuit on claim for payment on construction
POSPower Co., Ltd.	1	KRW 9,668	9,668	Lawsuit on claim for payment on service contract(*1)
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	6	TRY 31	11	Lawsuit on claim for unfair dismissal and others
POSCO CHEMTECH	1	KRW 657	657	Lawsuit on claim for payment on construction(*1)
PT. KRAKATAU POSCO	1	IDR 74,548,384	6,694	Lawsuit on claim for payment on construction
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	101	BRL 102,752	38,153	Lawsuit on claim for damages and others(*1)
POSCO Humans	2	KRW 95	95	Lawsuit on claim for debt collection and others
POSCO(Dalian)				
IT Center Development Co., Ltd.	7	CNY 9,440	1,636	Lawsuit over contract dispute dealing apartment and others
Brazil Sao Paulo Steel Processing Center	3	BRL 1,264	469	Lawsuit on claim for payment on construction and others
POSCO A&C	2	KRW 911	911	Lawsuit on claim for payment on service contract and others
eNtoB Corporation	1	KRW 5	5	Lawsuit on claim for payment
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	1	PLN 3	1	Lawsuit on claim for payment
Posco e&c Songdo International Building	3	KRW 313	313	Lawsuit on affirmation of the non-existence of general meeting of stockholders and others

(*1) The Company made a reliable estimate in 73 lawsuits by considering the possibility and amount of outflow of resources and recognized ₩30,425 million as provision for legal contingencies and claims.

For all the other lawsuits and claims, management does not believe the Company has any present obligations and therefore, the Company has not recognized any provisions as of December 31, 2016 for the matters.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

(f) Other contingencies

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

39. Cash Flows from Operating Activities

Adjustments for operating cash flows for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>		2016	2015
Trade accounts and notes receivable	₩	181,189	1,686,910
Other receivables		191,591	259,741
Inventories		(767,501)	2,095,732
Other current assets		(287,377)	42,131
Other non-current assets		33,584	72,826
Trade accounts and notes payable		769,337	(894,129)
Other payables		(179,174)	39,811
Other current liabilities		196,178	(182,518)
Provisions		(124,884)	(119,172)
Payments severance benefits		(278,278)	(157,983)
Plan assets		(138,854)	(115,274)
Other non-current liabilities		(21,626)	25,964
	₩	<u>(425,815)</u>	<u>2,754,039</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

40. Non-Cash Transactions

Significant non-cash investing and financing transactions for the years ended December 31, 2016 and 2015 were as follows:

<i>(in millions of Won)</i>	2016	2015
Increase in borrowings due to guarantee provided to associate	298,865	-
Exchange of investments in available-for-sale securities	-	295,398

41. Operating Segments

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

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2016 and 2015

(b) Information about reportable segments as of and for the years ended December 31, 2016 and 2015 was as follows:

1) As of and for the year ended December 31, 2016

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	26,844,154	16,774,078	6,768,348	2,696,933	53,083,513
Internal revenues		16,062,016	9,646,026	713,703	2,379,945	28,801,690
Including inter segment revenue		8,992,783	5,296,847	557,526	2,285,128	17,132,284
Total revenues		42,906,170	26,420,104	7,482,051	5,076,878	81,885,203
Interest income		126,210	40,424	65,256	13,564	245,454
Interest expenses		(459,345)	(70,841)	(102,292)	(126,523)	(759,001)
Depreciation and amortization		(2,788,535)	(165,863)	(57,719)	(264,299)	(3,276,416)
Impairment loss on property, plant and equipment and others		(99,165)	(45,995)	(9,426)	(88,696)	(243,282)
Impairment loss on available-for-sale investments		(225,225)	(28,988)	(35,331)	(24,902)	(314,446)
Share of loss of equity-accounted investees, net		(211,084)	(53,586)	(283,833)	(6,369)	(554,872)
Income tax expense		(495,874)	(18,629)	107,520	(56,026)	(463,009)
Segment profit (loss)		1,511,383	53,244	(1,403,712)	(25,889)	135,026
Segment assets		69,914,939	13,580,179	9,501,046	8,529,600	101,525,764
Investment in subsidiaries, associates and joint ventures		16,109,360	1,100,973	795,445	1,200,295	19,206,073
Acquisition of non-current assets		2,334,842	249,597	25,533	191,715	2,801,687
Segment liabilities		20,292,764	10,134,170	6,780,380	4,709,689	41,917,003

2) As of and for the year ended December 31, 2015

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	28,292,824	18,315,487	8,515,780	3,068,254	58,192,345
Internal revenues		16,543,951	8,692,020	1,352,067	2,691,361	29,279,399
Including inter segment revenue		9,146,808	4,480,744	1,090,193	2,571,219	17,288,964
Total revenues		44,836,775	27,007,507	9,867,847	5,759,615	87,471,744
Interest income		139,821	55,630	27,134	16,173	238,758
Interest expenses		(560,767)	(76,672)	(91,742)	(141,095)	(870,276)
Depreciation and amortization		(2,782,680)	(166,814)	(50,605)	(282,817)	(3,282,916)
Impairment loss on property, plant and equipment and others		(243,828)	(17,281)	(28,345)	(22,979)	(312,433)
Impairment loss on available-for-sale investments		(151,503)	(1,410)	(47,616)	(40,261)	(240,790)
Share of loss of equity-accounted investees, net		(562,133)	(212,535)	(25,223)	(22,618)	(822,509)
Income tax expense		(390,000)	(4,772)	(30,615)	(18,718)	(444,105)
Segment profit (loss)		181,495	38,843	(275,651)	(65,570)	(120,883)
Segment assets		70,102,972	12,160,406	9,997,683	10,962,594	103,223,655
Investment in subsidiaries, associates and joint ventures		17,457,391	1,097,971	1,076,024	1,186,307	20,817,693
Acquisition of non-current assets		2,102,674	303,753	276,863	345,971	3,029,261
Segment liabilities		21,078,613	8,953,410	5,716,550	6,472,925	42,221,498

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Notes to the Consolidated Financial Statements, Continued
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(c) Reconciliations of total segment revenues, profit or loss, assets and liabilities, and other significant items to their respective consolidated financial statement line items are as follows:

1) Revenues

(in millions of Won)

		2016	2015
Total revenue for reportable segments	₩	81,885,203	87,471,744
Elimination of inter-segment revenue		(28,801,690)	(29,279,399)
	₩	<u>53,083,513</u>	<u>58,192,345</u>

2) Profit (loss)

(in millions of Won)

		2016	2015
Total profit (loss) for reportable segments	₩	135,026	(120,883)
Goodwill and corporate FV adjustments		(123,110)	(95,150)
Elimination of inter-segment profit		1,036,253	119,852
Income tax expense		384,685	276,939
Profit before income tax expense	₩	<u>1,432,854</u>	<u>180,758</u>

3) Assets

(in millions of Won)

		2016	2015
Total assets for reportable segments(*1)	₩	101,525,764	103,223,655
Investment in subsidiaries, associates and joint ventures		(15,322,271)	(16,872,523)
Goodwill and corporate FV adjustments		3,750,915	3,390,277
Elimination of inter-segment assets		(10,191,413)	(9,332,650)
	₩	<u>79,762,995</u>	<u>80,408,759</u>

(*1) As segment assets and liabilities are determined based on separate financial statements, for subsidiaries which are in a different segment from that of its immediate parent company, their carrying amount in separate financial statements is eliminated upon consolidation. In addition, adjustments are made to adjust the amount of investment in associates and joint ventures from the amount reflected in segment assets to that determined using equity method in consolidated financial statements.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
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4) Liabilities

(in millions of Won)

		2016	2015
Total liabilities for reportable segments	₩	41,917,003	42,221,498
Goodwill and corporate FV adjustments		442,178	321,793
Elimination of inter-segment liabilities		(8,434,580)	(7,204,754)
	₩	<u>33,924,601</u>	<u>35,338,537</u>

5) Other significant items

a) December 31, 2016

(in millions of Won)

	Total segment	Goodwill and corporate FV adjustments	Elimination of inter-segment transactions	Consolidated
Interest income	₩ 245,454	-	(62,979)	182,475
Interest expenses	(759,001)	(807)	101,082	(658,726)
Depreciation and amortization	(3,276,416)	(104,949)	167,518	(3,213,847)
Share of loss of equity-accounted investees, net	(554,872)	(38,732)	504,927	(88,677)
Income tax expense	(463,009)	21,945	56,379	(384,685)
Impairment loss on property, plant and equipment and others	(243,282)	-	(125,657)	(368,939)
Impairment loss on available-for-sale investments	(314,446)	-	66,042	(248,404)
	₩ <u>(5,365,572)</u>	<u>(122,543)</u>	<u>707,312</u>	<u>(4,780,803)</u>

b) December 31, 2015

(in millions of Won)

	Total segment	Goodwill and corporate FV adjustments	Elimination of inter-segment transactions	Consolidated
Interest income	₩ 238,758	-	(28,565)	210,193
Interest expenses	(870,276)	1,282	80,222	(788,772)
Depreciation and amortization	(3,282,916)	(117,595)	182,265	(3,218,246)
Share of loss of equity-accounted investees, net	(822,509)	-	316,455	(506,054)
Income tax expense	(444,105)	24,294	142,872	(276,939)
Impairment loss of property, plant and equipment and others	(312,433)	-	(142,234)	(454,667)
Impairment loss on available-for-sale investments	(240,790)	-	98,009	(142,781)
	₩ <u>(5,734,271)</u>	<u>(92,019)</u>	<u>649,024</u>	<u>(5,177,266)</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2016 and 2015

(d) Revenue by geographic area for the years ended December 31, 2016 and 2015 was as follows:

<i>(in millions of Won)</i>		2016	2015
Domestic	₩	34,883,941	39,268,907
Japan		1,892,022	1,934,808
China		5,908,046	5,756,867
Asia-other		5,649,843	5,888,045
North America		1,899,291	1,921,039
Others		2,850,370	3,422,679
	₩	<u>53,083,513</u>	<u>58,192,345</u>

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers.

(e) Non-current assets by geographic area as of December 31, 2016 and 2015 are as follows:

<i>(in millions of Won)</i>		2016	2015
Domestic	₩	31,772,641	32,693,800
Japan		187,266	174,979
China		1,451,405	1,631,863
Asia-other		6,163,388	5,969,215
North America		168,800	152,935
Others		1,233,288	1,390,109
	₩	<u>40,976,788</u>	<u>42,012,901</u>

Non-current assets by geographic area include investment property, property, plant and equipment, goodwill and other intangible assets.

(f) There are no customers whose revenue is 10% or more of the consolidated revenue.