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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF THE REPUBLIC OF KOREA ("KOREA") UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA, AS AMENDED. ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED, SOLD, DELIVERED OR TRANSFERRED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY KOREAN RESIDENT (AS SUCH TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA AND THE ENFORCEMENT DECREE THEREOF) FOR A PERIOD OF ONE YEAR FROM THE DATE OF ISSUANCE OF THE SECURITIES, EXCEPT (I) IF ARTICLE 2-2-2, PARAGRAPH 2, ITEM 3 OF THE REGULATION ON THE ISSUANCE OF SECURITIES AND PUBLIC DISCLOSURE, ETC. OF KOREA IS APPLICABLE, THE SECURITIES MAY BE OFFERED, SOLD, DELIVERED OR TRANSFERRED ONLY TO, BETWEEN OR AMONG KOREAN QUALIFIED INSTITUTIONAL INVESTORS AS SPECIFIED IN ARTICLE 2-2, PARAGRAPH 2, ITEM 4 OF THE ABOVE-MENTIONED REGULATION, PROVIDED THAT AT LEAST 80% OF THE AGGREGATE ISSUANCE AMOUNT OF THE SECURITIES SHALL BE ALLOCATED TO NON-RESIDENTS OF KOREA (AS SUCH TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION ACT OF KOREA AND THE ENFORCEMENT DECREE THEREOF) (WHICH APPLIES ONLY TO THE SECURITIES ACQUIRED FROM THE COMPANY OR ANY INITIAL PURCHASER AT THE TIME OF ISSUANCE OF THE SECURITIES), AND THE OTHER REQUIREMENTS AS SET FORTH IN ARTICLE 2-2-2, PARAGRAPH 2, ITEM 3 ABOVE ARE SATISFIED, OR (II) AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS.

Confirmation of your Representation: In order to be eligible to view the following offering circular or make an investment decision with respect to the securities, investors must be either (I) a Qualified Institutional Buyer within the meaning of Rule 144A under the Securities Act ("QIB") or (II) a non-U.S. person within the meaning of Regulation S under the Securities Act ("non-US person"). By accepting the e-mail and accessing the following offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) a QIB or (b) a non-U.S. person and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to the delivery of such offering circular by electronic transmission.

You are reminded that the following offering circular has been delivered to you on the basis that you are a person into whose possession the following offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following offering circular to any other person. If this is not the case, you must return this offering circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of POSCO in such jurisdiction.

The following offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of BNP Paribas, Citigroup Global Markets Inc., Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch International and Standard Chartered Bank (collectively, the "Joint Bookrunners and Lead Managers") nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners and Lead Managers.

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OFFERING CIRCULAR



(incorporated with limited liability under the laws of the Republic of Korea)

€500,000,000 0.500% Notes due 2024
US\$500,000,000 2.375% Notes due 2023
US\$440,000,000 2.500% Notes due 2025

We are offering €500,000,000 aggregate principal amount of 0.500% notes due 2024 (the “Euro-denominated Notes”), US\$500,000,000 aggregate principal amount of 2.375% notes due 2023 (the “2023 U.S. dollar-denominated Notes”) and US\$440,000,000 aggregate principal amount of 2.500% notes due 2025 (the “2025 U.S. dollar-denominated Notes,” and together with the 2023 U.S. dollar-denominated Notes, the “U.S. dollar-denominated Notes”) (the “Offering”). The Euro-denominated Notes and the U.S. dollar-denominated Notes are referred to collectively as the “Notes.” Until redemption or maturity, interest on the Euro-denominated Notes will be payable in arrears on January 17 of each year, commencing January 17, 2021, interest on the 2023 U.S. dollar-denominated Notes will be payable in arrears on January 17 and July 17 of each year, commencing July 17, 2020 and interest on the 2025 U.S. dollar-denominated Notes will be payable in arrears on January 17 and July 17 of each year, commencing July 17, 2020. We may not redeem the Notes in whole or in part prior to maturity except upon the occurrence of certain events related to Korean tax law as described herein.

The Notes will be our unsecured senior obligations and will rank pari passu with all of our other unsecured senior indebtedness.

The Euro-denominated Notes are being issued as “sustainability bonds” under the POSCO Sustainable Financing Framework. See “Use of Proceeds.”

There is currently no market for the Notes. Approvals in-principle have been received from the Singapore Exchange Securities Trading Limited (the “Singapore Stock Exchange”) for the listing and quotation of the Notes on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of POSCO or the Notes. The Notes are expected to be rated Baa1 by Moody’s Investors Service (“Moody’s”) and BBB+ by S&P Global Ratings, a division of S&P Global, Inc. (“S&P”). Such ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organizations.

The Euro-denominated Notes will also be listed on the Frankfurt Stock Exchange in the Open Market.

The Euro-denominated Notes will be issued in denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, and the U.S. dollar-denominated Notes will be issued in registered form in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Euro-denominated Notes will be represented on issuance by one or more global notes registered in the name of a nominee of the common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”), and the U.S. dollar-denominated Notes will be represented on issuance by one or more global notes registered in the name of a nominee of The Depository Trust Company (“DTC”), as depository. It is expected that delivery of the Euro-denominated Notes will be made through the book-entry facilities of Euroclear and Clearstream, and delivery of the U.S. dollar-denominated Notes will be made through the book-entry facilities of DTC, in each case on or about January 17, 2020. Definitive certificates in respect of beneficial interests in the Unrestricted Global Notes and the Restricted Global Notes will not be issued except as described herein.

Investing in the Notes involves risks. See the section entitled “Risk Factors” beginning on page 10 of this offering circular and the section entitled “Item 3. Key Information — Item 3.D. Risk Factors” contained in our annual report on Form 20-F for the year ended December 31, 2018 (the “POSCO 2018 Annual Report on Form 20-F”) for a discussion of certain factors to be considered in connection with investing in the Notes.

Issue Price:

Euro-denominated Notes: 99.886%
2023 U.S. dollar-denominated Notes: 99.859%
2025 U.S. dollar-denominated Notes: 99.418%

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S under the Securities Act (“Regulation S”). The Notes may be offered for sale only (i) in the United States, to qualified institutional buyers (“QIBs”) within the meaning of, and in reliance on, Rule 144A under the Securities Act (“Rule 144A”); or (ii) outside the United States to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. See “Plan of Distribution — Selling Restrictions” and “Transfer Restrictions.”

Joint Bookrunners and Lead Managers

BofA Merrill Lynch

BNP PARIBAS

Citigroup

HSBC

**Standard
Chartered Bank**

The date of this offering circular is January 13, 2020.

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We have incorporated by reference into this offering circular the POSCO 2018 Annual Report on Form 20-F which includes risk factors, our audited consolidated financial statements and disclosure concerning our business and financial condition and results of operations, as well as other matters. See “Presentation of Financial Information.” You should carefully review the entire offering circular, including the POSCO 2018 Annual Report on Form 20-F, before making an investment decision.

You should rely only on the information contained in this offering circular or to which we have referred you. We have not authorized anyone to provide you with information that is different. This offering circular may only be used where it is legal to sell these securities. The information in this offering circular may only be accurate on the date of this offering circular.

IN CONNECTION WITH THIS OFFERING, TO THE EXTENT PERMITTED BY, AND IN ACCORDANCE WITH, APPLICABLE LAWS AND REGULATIONS, EACH OF THE INITIAL PURCHASERS (AS DEFINED IN “PLAN OF DISTRIBUTION”), WHO MAY ACT AS STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS), MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL (A “STABILIZING ACTION”). HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) WILL UNDERTAKE A STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE

OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA ("FSC") UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE "FSCMA"). ACCORDINGLY, THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, DELIVERED, OR SOLD DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A "KOREAN QIB," AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION (THE "KOFIA") AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

No person has been authorized in connection with any offering of the Notes to give any information or make any representation other than as contained in or incorporated by reference into this offering circular and, if given or made, that information or representation must not be relied upon as having been authorized by us or by the Initial Purchasers. This offering circular does not constitute an offer to sell or a solicitation of an offer to buy any Notes by any person except in compliance with all applicable laws and regulations. No representation or warranty, express or implied, is made by the Initial Purchasers or any of their affiliates or advisers as to the accuracy or completeness of the information contained in or incorporated by reference into this offering circular, and nothing contained in or incorporated by reference into this offering circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their affiliates or advisers. Neither the delivery of this offering circular nor any sale made in connection with this offering circular shall under any circumstances imply that the information in this offering circular is correct as of any date subsequent to the date of this offering circular or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs since the date of this offering circular.

We, having made all reasonable inquiries, confirm that this offering circular contains all information with respect to us and the Notes which is material in the context of the issue and offering of the Notes, that the information contained in or incorporated by reference into this offering circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this offering circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this offering circular as a whole or any information or the expression of any opinions or intentions expressed in this offering circular misleading in any material respect. We accept responsibility accordingly.

The Notes have not been registered with or approved or disapproved by the U.S. Securities and Exchange Commission ("SEC"), any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense.

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This offering circular does not constitute, and may not be used for purposes of, an offer, invitation or solicitation by anyone in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation. The distribution of this offering circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular may come are required by us and the Initial Purchasers to inform themselves about and to observe the relevant restrictions. For a description of certain restrictions on offers and sales of the Notes and distribution of this offering circular, see “Plan of Distribution” and “Transfer Restrictions.” No action is being taken in any jurisdiction to permit an offering to the general public of Notes or the distribution of this offering circular in any jurisdiction where action would be required for those purposes.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering of the Notes, including the merits and risks involved. We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any laws or regulations. The contents of this offering circular should not be construed as providing legal, business, accounting or tax advice.

For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore. Definitive Notes will be issued in registered form through, and will clear and settle in, the book-entry system maintained by POSCO or its agent.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) — we have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to “Korea” contained in this offering circular shall mean The Republic of Korea. All references to the “Government” shall mean the government of The Republic of Korea. All references to “we,” “us” or “our” shall mean POSCO and, unless the context otherwise requires, its consolidated subsidiaries. References to “POSCO” or the “Company” shall mean POSCO, but shall not include its consolidated subsidiaries. All references to “U.S.” shall mean the United States of America.

All references to “Won” or “₩” in this offering circular are to the lawful currency of Korea, all references to “Dollars,” “\$” or “US\$” are to the lawful currency of the United States of America, all references to “Yen” or “¥” are to the lawful currency of Japan, all references to “AU\$” are to the lawful currency of the Commonwealth of Australia and all references to “EUR” or “€” are to the lawful currency of the European Economic and Monetary Union.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation with limited liability organized under the laws of Korea. All of our directors and officers and certain other persons named in this offering circular reside in Korea, and all or a significant portion of the assets of the directors and officers and certain other persons named in this offering circular and substantially all of our assets are located in Korea. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, we will be required under each of the Fiscal Agency Agreements to be entered into as of the closing date of this offering (the “Fiscal Agency Agreements”) between POSCO and Citibank, N.A., London Branch, as the fiscal agent (the “Fiscal Agent”) with respect to each of the Euro-denominated Notes, 2023 U.S. dollar-denominated Notes and the 2025 U.S. dollar-denominated Notes, to furnish, upon request, to a Holder (as defined in “Description of the Euro-denominated Notes — General” and “Description of the U.S. dollar-denominated Notes — General”) of a Note and a prospective investor designated by such Holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request we are a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), or we are exempt from the registration requirements of Section 12(g) of the Exchange Act (and therefore are required to publish on our website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act). In accordance with each of the Fiscal Agency Agreements, the Fiscal Agent also will make available for inspection by Holders of the Notes upon prior written notice and satisfaction of proof of holding, at the corporate trust office of the Fiscal Agent or, in certain cases, arrange for the mailing to such Holders, certain reports or communications received from us. See “Description of the Euro-denominated Notes — Notices” and “Description of the U.S. dollar-denominated Notes — Notices.”

INCORPORATION BY REFERENCE OF FORM 20-F

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may also read and copy materials that we file with the SEC’s public reference room at 100 F Street, N.E., Washington D.C., 20549. You may obtain information, as well as copies of our filings, from the Office of Investor

Education and Advocacy by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. The POSCO 2018 Annual Report on Form 20-F filed on April 30, 2019 is incorporated by reference into this offering circular. The POSCO 2018 Annual Report on Form 20-F is also available free of charge from the specified offices of the Fiscal Agent during normal business hours on any weekday upon prior written notice and satisfaction of proof of holding for so long as any Notes are outstanding.

The incorporation by reference of the POSCO 2018 Annual Report on Form 20-F into this offering circular should not be understood to mean that any statements contained in the POSCO 2018 Annual Report on Form 20-F are true or complete as of any date subsequent to April 30, 2019. Any statement contained in a document or part of a document which is incorporated by reference herein shall be modified or superseded for the purpose of this offering circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, be part of this offering circular.

PRESENTATION OF FINANCIAL INFORMATION

This offering circular contains our condensed consolidated interim financial statements as of September 30, 2019 and December 31, 2018 and for the nine months ended September 30, 2019 and 2018. Such financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), specifically K-IFRS 1034 "Interim Financial Reporting," as adopted by the Korean Accounting Standards Board (the "KASB"). The POSCO 2018 Annual Report on Form 20-F, which is incorporated by reference into this offering circular, contains our audited consolidated financial statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016. Such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB").

K-IFRS differs in certain respects from IFRS as issued by the IASB. See the POSCO 2018 Annual Report on Form 20-F under the section entitled "Item 5.A. Operating Results — Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS."

All financial information, descriptions and other information in this offering circular regarding our activities, financial condition and results of operations are, unless otherwise indicated or required by context, presented on a consolidated basis.

FORWARD-LOOKING STATEMENTS

This offering circular contains certain "forward-looking statements" that are based on our current expectations, assumptions, estimates and projections about us and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "intend," "target," "seek," "aim," "contemplate," "project," "plan," "goal," "should" and similar expressions or the negatives thereof. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, cash flows, margins, profitability, liquidity and capital resources. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed elsewhere in this offering circular. See the section entitled

“Risk Factors” beginning on page 10 of this offering circular and the section entitled “Item 3. Key Information — Item 3.D. Risk Factors” contained in the POSCO 2018 Annual Report on Form 20-F. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances, except as required by law.

SUMMARY

You should read the following summary as an introduction to and in conjunction with the more detailed information about us contained in the POSCO 2018 Annual Report on Form 20-F incorporated by reference into this offering circular.

The Company

We are the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world, based on annual crude steel production. We produced approximately 42.2 million tons of crude steel and stainless steel in 2016, approximately 42.2 million tons in 2017, approximately 42.9 million tons in 2018 and approximately 32.2 million tons in the first nine months of 2019, a substantial portion of which was produced at Pohang Works and Gwangyang Works. As of December 31, 2018, we had approximately 47.6 million tons of annual crude steel and stainless steel production capacity, including 17.6 million tons of production capacity of Pohang Works and 24.8 million tons of production capacity of Gwangyang Works. We believe Pohang Works and Gwangyang Works are two of the most technologically advanced integrated steel facilities in the world. We manufacture and sell a diversified line of steel products, including cold rolled and hot rolled products, stainless steel products, plates, wire rods and silicon steel sheets, and we are able to meet a broad range of customer needs from manufacturing industries that consume steel, including the automotive, shipbuilding, home appliance, engineering and machinery industries.

Korea is our most important market. Domestic sales accounted for 39.4% of our total revenue from steel products produced and sold by us in 2016, 39.0% in 2017, 38.4% in 2018 and 38.8% in the first nine months of 2019. On a non-consolidated basis, we believe that our steel products constituted approximately 41% of the total sales volume of such steel products sold in Korea in 2016, approximately 44% in 2017, approximately 50% in 2018 and approximately 48% in the first nine months of 2019. Our export sales and overseas sales to customers abroad accounted for 60.6% of our total revenue from steel products produced and sold by us in 2016, 61.0% in 2017, 61.6% in 2018 and 61.2% in the first nine months of 2019. Our major export market is Asia, with China accounting for 28.9%, Asia other than China and Japan accounting for 23.4% and Japan accounting for 10.3% of our total steel export revenue from steel products produced and exported by us in 2018. In the first nine months of 2019, China accounted for 28.8%, Asia other than China and Japan accounted for 20.9% and Japan accounted for 11.0% of our total steel export revenue from steel products produced and exported by us.

We also engage in businesses that complement our steel manufacturing operations as well as carefully seek out promising investment opportunities to diversify our businesses both vertically and horizontally, in part to prepare for the eventual maturation of the Korean steel market. POSCO International is a global trading company that primarily engages in the trading of steel and raw materials as well as investing in energy and mineral development projects throughout the world. POSCO E&C is one of the leading engineering and construction companies in Korea that primarily engages in the planning, design and construction of industrial plants and architectural works and civil engineering. POSCO Energy Corporation is the largest private power generation company in Korea.

We generated revenue of Won 48,356 billion and profit of Won 2,722 billion in the first nine months of 2018, compared to revenue of Won 48,324 billion and profit of Won 1,957 billion in the first nine months of 2019. We had total assets of Won 78,777 billion and total equity of Won 46,673 billion as of December 31, 2018, compared to total assets of Won 79,619 billion and total equity of Won 48,128 billion as of September 30, 2019. For our financial condition and results of operations data in 2016, 2017 and 2018, see the POSCO 2018 Annual Report on Form 20-F.

Selected Financial Data

The selected financial data presented below should be read in conjunction with the section entitled “Recent Developments — Operating Results for the First Nine Months of 2018 and the First Nine Months of 2019,” as well as our condensed consolidated interim financial statements and related notes thereto included elsewhere in this offering circular, and the section entitled “Item 5.A. Operating Results” and the other historical financial information contained in the POSCO 2018 Annual Report on Form 20-F.

The selected financial data as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 set forth below have been derived from our audited consolidated financial statements and related notes contained in the POSCO 2018 Annual Report on Form 20-F incorporated by reference into this offering circular. Such financial statements have been prepared in accordance with IFRS as issued by the IASB.

Statement of Comprehensive Income Data

IASB IFRS	For the Year Ended December 31,		
	2016	2017	2018
	(in billions of Won)		
Revenue	₩ 52,940	₩ 60,187	₩ 65,155
Cost of sales	46,271	51,916	57,129 ⁽¹⁾
Gross profit	6,668	8,271	8,026
Impairment loss on trade accounts and notes receivable	165	174	75
Other administrative expenses	2,126	2,003	1,986
Selling expenses	1,554	1,557	369 ⁽¹⁾
Impairment loss on other receivables	38	98	63
Other operating income	202	448	524
Other operating expenses	705	691	2,014
Operating profit	2,282	4,196	4,042
Share of profit (loss) of equity-accounted investees, net	(89)	11	113
Finance income	2,232	2,373	1,706
Finance costs	3,014	2,484	2,244
Profit before income tax	1,412	4,095	3,616
Income tax expense	380	1,186	1,684
Profit	1,032	2,909	1,932
Profit (loss) for the period attributable to:			
Owners of the controlling company	1,355	2,756	1,712
Non-controlling interests	(323)	153	220

- (1) Following our adoption of IFRS No. 15 “Revenue from Contracts with Customers” starting on January 1, 2018, we began classifying a substantial majority of our freight and custody expenses as cost of sales, which had all been recognized as selling expenses in 2017. See the POSCO 2018 Annual Report on Form 20-F under the section entitled “Item 5.A. Operating Results — Operating Results — 2017 Compared to 2018.”

Statement of Financial Position Data

IASB IFRS

	As of December 31,	
	2017	2018
	(in billions of Won)	
Working capital ⁽¹⁾	₩ 12,354	₩ 14,721
Total current assets	31,844	34,152
Property, plant and equipment, net	31,884	30,018
Total non-current assets	47,941	44,625
Total assets	79,786	78,777
Short-term borrowings and current installments of long-term borrowings	11,275	10,290
Long-term borrowings, excluding current installments	9,789	9,920
Total liabilities	32,459	32,104
Share capital	482	482
Total equity	47,327	46,673

(1) "Working capital" means current assets minus current liabilities.

The selected financial data as of September 30, 2019 and December 31, 2018 and for the nine months ended September 30, 2019 and 2018 set forth below have been derived from our condensed consolidated interim financial statements and related notes included elsewhere in this offering circular. We initially adopted K-IFRS 1116 "Leases" from January 1, 2019, which was applied using the modified retrospective approach by recognizing the cumulative effect of initial application as of the adoption date. Accordingly, the comparative information has not been restated. See Note 3 of Notes to the Condensed Consolidated Interim Financial Statements. The selected financial data as of December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017 set forth below have been derived from our audited consolidated financial statements and related notes that are not included in this offering circular. Such financial statements have been prepared in accordance with K-IFRS.

K-IFRS differs in certain respects from IFRS as issued by the IASB. See the POSCO 2018 Annual Report on Form 20-F under the section entitled "Item 5.A. Operating Results — Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS."

Statement of Comprehensive Income Data

K-IFRS

	For the Year Ended December 31,	
	2017	2018
	(in billions of Won)	
Revenue	₩ 60,655	₩ 64,978
Cost of sales	52,299	57,005 ⁽¹⁾
Gross profit	8,356	7,972
Impairment loss on trade accounts and notes receivable	174	75
Other administrative expenses	2,003	1,986
Selling expenses	1,557	369 ⁽¹⁾
Operating profit	4,622	5,543
Share of profit of equity-accounted investees, net	11	113
Finance income	2,373	1,706
Finance costs	2,484	2,244
Impairment loss on other receivables	98	63
Other non-operating income	448	524
Other non-operating expenses	691	2,014
Profit before income tax	4,180	3,563
Income tax expense	1,206	1,671
Profit	2,973	1,892
Profit for the period attributable to:		
Owners of the controlling company	2,790	1,691
Non-controlling interests	183	201

- (1) Following our adoption of K-IFRS No. 1115 "Revenue from Contracts with Customers" starting on January 1, 2018, we began classifying a substantial majority of our freight and custody expenses as cost of sales, which had all been recognized as selling expenses in 2017.

K-IFRS

	For the Nine Months Ended September 30,	
	2018	2019
	(in billions of Won)	
Revenue	₩ 48,356	₩ 48,324
Cost of sales	42,338	43,284
Gross profit	6,019	5,040
Impairment loss (reversal of impairment loss) on trade accounts and notes receivable	39	(14)
Other administrative expenses	1,462	1,473
Selling expenses	247	269
Operating profit	4,271	3,311
Share of profit of equity-accounted investees, net	75	230
Finance income	1,264	1,630
Finance costs	1,752	1,852
Impairment loss on other receivables	18	26
Other non-operating income	436	272
Other non-operating expenses	418	594
Profit before income tax	3,858	2,971
Income tax expense	1,137	1,014
Profit	2,722	1,957
Profit for the period attributable to:		
Owners of the controlling company	2,558	1,784
Non-controlling interests	163	172

Statement of Financial Position Data

K-IFRS	As of December 31,		As of
	2017	2018	September 30, 2019
	(in billions of Won)		
Working capital ⁽¹⁾	₩ 12,181	₩ 14,713	₩ 17,948
Total current assets	31,127	33,651	34,710
Property, plant and equipment, net	31,884	30,018	30,335 ⁽²⁾
Total non-current assets	47,898	44,597	44,909
Total assets	79,025	78,248	79,619
Short-term borrowings and current installments of long-term borrowings	11,275	10,290	8,358
Long-term borrowings, excluding current installments	9,789	9,920	11,497
Total liabilities	31,561	31,489	31,491 ⁽²⁾
Share capital	482	482	482
Total equity	47,464	46,760	48,128

(1) "Working capital" means current assets minus current liabilities.

(2) We have adopted K-IFRS No. 1116 "Leases" beginning on January 1, 2019. We applied K-IFRS No. 1116 "Leases" using the modified retrospective approach by recognizing the cumulative effect of initial application as of January 1, 2019, the date of initial application. Accordingly, the comparative information presented for 2018 and 2017 has not been restated. See Note 3 of Notes to the Condensed Consolidated Interim Financial Statements.

The Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Euro-denominated Notes” and “Description of the U.S. dollar-denominated Notes.”

Issuer	POSCO
Notes offered	€500,000,000 0.500% notes due 2024; US\$500,000,000 2.375% notes due 2023; and US\$440,000,000 2.500% notes due 2025
Maturity	Euro-denominated Notes: January 17, 2024 2023 U.S. dollar-denominated Notes: January 17, 2023 2025 U.S. dollar-denominated Notes: January 17, 2025
Issue Price	Euro-denominated Notes: 99.886% 2023 U.S. dollar-denominated Notes: 99.859% 2025 U.S. dollar-denominated Notes: 99.418%
Interest Payment Dates	Until redemption or maturity, interest on the Euro-denominated Notes will be payable in arrears on January 17 of each year, commencing January 17, 2021, interest on the 2023 U.S. dollar-denominated Notes will be payable in arrears on January 17 and July 17 of each year, commencing July 17, 2020 and interest on the 2025 U.S. dollar-denominated Notes will be payable in arrears on January 17 and July 17 of each year, commencing July 17, 2020. For a further description of payments of interest on the Notes, see “Description of the Euro-denominated Notes — Payments” and “Description of the U.S. dollar-denominated Notes — Payments.”
Ranking of the Notes	The Notes will be unsecured and will be the direct, unconditional and unsubordinated general obligations of the Company and will rank <i>pari passu</i> among themselves without any preference of one over the other by reason of priority of date of issue or otherwise and at least equally with all other outstanding unsecured and unsubordinated general obligations of the Company (subject to certain statutory exceptions under the laws of Korea).
Denomination; Form	The Euro-denominated Notes will be issued in denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, and the U.S. dollar-denominated Notes will be issued in denominations of US\$200,000 principal amount and integral multiples of US\$1,000 in excess thereof.

We will issue the Euro-denominated Notes in the form of one or more fully registered global notes, registered in the name of a nominee of, and deposited with the common depositary for, Euroclear and Clearstream. We will issue the U.S. dollar-denominated Notes in the form of one or more fully registered global notes, registered in the name of a nominee of DTC. Except as described in “Description of the Euro-denominated

	Notes” and “Description of the U.S. dollar-denominated Notes,” the global notes will not be exchangeable for Notes in definitive registered form and will not be issued in definitive registered form. Any secondary market trading of book-entry interests in the Euro-denominated Notes will take place through Euroclear and Clearstream participants. Any secondary market trading of book-entry interests in the U.S. dollar-denominated Notes will take place through DTC participants, including Euroclear and Clearstream. The Notes may not be sold or otherwise transferred except in accordance with the restrictions described under “Transfer Restrictions.”
Certain Covenants	The Notes contain certain limitations on the creation, incurrence, issuance or assumption or the guarantee by the Company or certain of its subsidiaries of certain debt secured by any mortgage, charge, pledge, or other security interest on certain properties or assets of the Company or those of such subsidiaries. The Notes also contain certain limitations on sale and leaseback transactions by the Company or certain of its subsidiaries. See “Description of the Euro-denominated Notes — Certain Covenants” and “Description of the U.S. dollar-denominated Notes — Certain Covenants.”
Optional Tax Redemption	The Company may, at its option, redeem the Notes, in whole but not in part, at their principal amount plus accrued interest to the date fixed for redemption, if the Company has or would become obligated to pay Additional Amounts in respect of certain Korean taxes imposed in respect of payments of principal of or interest on the Notes. See “Description of the Euro-denominated Notes — Optional Tax Redemption” and “Description of the U.S. dollar-denominated Notes — Optional Tax Redemption.”
Use of Proceeds	The net proceeds from the issuance of the Euro-denominated Notes are expected to be approximately €497 million, the net proceeds from the issuance of the 2023 U.S. dollar-denominated Notes are expected to be approximately US\$497 million, and the net proceeds from the issuance of the 2025 U.S. dollar-denominated Notes are expected to be approximately US\$435 million, in each case after deducting underwriting commissions but not estimated expenses of the Offering. The net proceeds from the 2023 U.S. dollar-denominated Notes and the 2025 U.S. dollar-denominated Notes will be used for refinancing existing indebtedness, capital expenditures and other general corporate purposes. See “Use of Proceeds.” The net proceeds from the Euro-denominated Notes will be allocated towards the financing or refinancing, in whole or in part, of Eligible Sustainability Bond Projects (as defined in “Use of Proceeds”) in accordance with the POSCO Sustainable

	Financing Framework, which is in alignment with the Green Bond Principles 2018, the Social Bond Principles 2018 and the Green Loan Principles 2018 published by the International Capital Markets Association. See “Use of Proceeds.”
Rating of the Notes	The Notes are expected to be rated Baa1 by Moody’s and BBB+ by S&P. Such ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organizations. Each such rating should be evaluated independently of any other rating of the Notes.
Listing	Approvals in-principle have been received from the Singapore Stock Exchange for the listing and quotation of the Notes on the Singapore Stock Exchange. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, the Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Euro-denominated Notes and the U.S. dollar-denominated Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of €200,000 and US\$200,000, respectively. The Euro-denominated Notes will also be listed on the Frankfurt Stock Exchange in the Open Market.
Lock-up	The Company has agreed that it will not issue, offer, sell or contract to sell, or announce the offering of, any Dollar- or Euro-denominated debt securities issued or guaranteed by it (other than the Notes), without the prior written consent of the Initial Purchasers for a period of 30 days following the date of the Purchase Agreement (as defined below). For the avoidance of doubt, the Company may, during such period, issue, offer, sell or contract to sell, or announce the offering of, any debt securities issued or guaranteed by the Company other than Dollar- or Euro-denominated debt securities. See “Plan of Distribution.”
Further Issues	Subject to the lock-up provisions, the Company may from time to time, without the consent of the existing holders of the Notes, create and issue additional notes under each of the Fiscal Agency Agreements having the same terms and conditions as the Notes in all respects except for issue date and issue price; provided, however, that such additional notes shall be issued under a separate CUSIP, ISIN and Common Code unless the additional notes are issued pursuant to a “qualified reopening” of the Notes, are otherwise treated as part of the same “issue” of debt instruments as the Notes or are issued with no more than a de minimis amount of original issue discount, in each case for U.S. federal income tax purposes. Additional notes issued in this manner (other than additional notes issued under a separate CUSIP, ISIN or Common Code) may be

	consolidated with and form a single series with the Notes outstanding at the time of such further issuance.		
Selling Restrictions	There are certain restrictions on the offer, sale and transfer of the Notes. See “Plan of Distribution — Selling Restrictions.”		
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S. The Notes may be offered for sale only (i) in the United States, to QIBs within the meaning of, and in reliance on, Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives. See “Plan of Distribution — Selling Restrictions” and “Transfer Restrictions.”		
Governing Law	The Notes and each of the Fiscal Agency Agreements will be governed by New York law.		
Risk Factors	See the section entitled “Risk Factors” beginning on page 10 of this offering circular, the section entitled “Item 3. Key Information — Item 3.D. Risk Factors” contained in the POSCO 2018 Annual Report on Form 20-F incorporated by reference into this offering circular and the other information in this offering circular for a discussion of factors you should carefully consider before deciding to invest in the Notes.		
Security Codes		<u>Restricted Notes</u>	<u>Unrestricted Notes</u>
	Euro-denominated Notes		
	CUSIP:	Not Applicable	Not Applicable
	ISIN:	XS2103230236	XS2103230152
	2023 U.S. dollar-denominated Notes		
	CUSIP:	693483 AG4	Y70750 BU0
	ISIN:	US693483AG42	USY70750BU03
	2025 U.S. dollar-denominated Notes		
	CUSIP:	693483 AH2	Y70750 BV8
	ISIN:	US693483AH25	USY70750BV85

RISK FACTORS

An investment in the Notes involves various risks and uncertainties. If you are considering purchasing the Notes, you should carefully consider the risks described below (which in some cases supplements or replaces certain information under the headings below in the POSCO 2018 Annual Report on Form 20-F) and in the POSCO 2018 Annual Report on Form 20-F under the section entitled “Item 3. Key Information — Item 3.D. Risk Factors,” in addition to the other information contained in or incorporated by reference into this offering circular, before making an investment decision. The risks described below and in the POSCO 2018 Annual Report on Form 20-F are not the only risks that may be relevant to us or the Notes. Additional risks and uncertainties, including those of which our management is not currently aware or deems immaterial, may also have an adverse effect on our business, results of operations, financial condition or future prospects or may result in other events that could cause investors to lose all or part of their investment.

Risks Relating to the Company

We are dependent on imported raw materials, and significant increases in market prices of essential raw materials could adversely affect our margins and profits.

We purchase substantially all of the principal raw materials we use from sources outside Korea, including iron ore and coal. POSCO imported approximately 40 million dry metric tons of iron ore and 22 million wet metric tons of coal in the first nine months of 2019. Iron ore is imported primarily from Australia, Brazil and Canada. Coal is imported primarily from Australia, Canada and Russia. Although we have not experienced significant unanticipated supply disruptions in the past, supply disruptions, which could be caused by political or other events in the countries from which we import these materials, could adversely affect our operations. In addition, we are particularly exposed to increases in the prices of coal, iron ore and nickel, which represent the largest components of our cost of goods sold. The prices of our key raw materials have fluctuated significantly in recent years. For example, the average market price of coal per wet metric ton (Premium Low Vol Coking Coal, FOB Australia Index announced by Platts) was US\$202 in the first nine months of 2018 and US\$190 in the first nine months of 2019. The average market price of iron ore per dry metric ton (Iron Ore 62% Fe, CFR China Index announced by Platts) was US\$69 in the first nine months of 2018 and US\$95 in the first nine months of 2019.

Our long-term supply contracts generally have terms of three to ten years and provide for periodic price adjustments to the then-market prices. We typically adjust the prices on a quarterly basis and maintain approximately one month of inventory of raw materials. Such price adjustments are driven by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. For both coal and iron ore, we typically agree on the purchase price with the suppliers primarily based on the spot market price periodically announced by Platts (Premium Low Vol Coking Coal, FOB Australia Index and Iron Ore 62% Fe, CFR China Index). As of September 30, 2019, 93 million tons of iron ore and 12 million tons of coal remained to be purchased under long-term supply contracts. Future increases in prices of our key raw materials and our inability to pass along such increases to our customers could adversely affect our margins and profits. Increased prices may also cause potential customers to defer purchase of steel products, while rapidly falling prices may increase loss on valuation of raw material inventory purchased when prices were higher, either of which could have an adverse effect on our business, financial condition and results of operations.

Risks Relating to Korea

Escalations in tensions with North Korea could have an adverse effect on us and the market value of the Notes.

Relations between Korea and North Korea have been tense throughout Korea’s modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of

current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and ballistic missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaesong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017 in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.
- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea or the United States and North Korea break down or further military hostilities occur, could have a material adverse effect on the Korean economy and on our business, financial condition and results of operations and the market value of the Notes.

Risks Relating to the Notes

The Notes are unsecured obligations.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occurs, our assets may not be sufficient to pay amounts due on any of the Notes. In addition, any secured indebtedness incurred by us would have priority over our unsecured indebtedness to the extent of the assets securing such indebtedness.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. In addition, subject to the conditions set forth in the applicable Fiscal Agency Agreement (as defined in “Description of the Euro-denominated Notes” and “Description of the U.S. dollar-denominated Notes”), a Note may be transferred only if the principal amount of Notes transferred is at least €100,000 for Euro-denominated Notes and US\$200,000 for U.S. dollar-denominated Notes. For a further discussion of the transfer restrictions applicable to the Notes, see “Description of the Euro-denominated Notes,” “Description of the U.S. dollar-denominated Notes” and “Transfer Restrictions.”

The Notes have not been and will not be registered with the FSC under the FSCMA. Accordingly, the Notes may not be offered, sold, delivered or transferred, directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Act of Korea and the Enforcement Decree thereof) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB registered with the KOFIA as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

The Notes are subject to prescription regulations in Korea.

Failure to exercise a right of action for more than a certain period of time may operate as a bar to exercise of such right. Under Korean laws, claims against the issuer in respect of the payment of principal of notes or bonds are prescribed upon the expiry of ten years, and claims for payment of interest in respect of notes or bonds are prescribed upon the expiry of five years, in each case, from the relevant due date as adjusted by any acceleration or otherwise, in respect thereof. If the Note holders fail to exercise his or her right of payment for more than the period set forth above, the Korean courts may not enforce a claim for payment for principal or interest in respect of the Notes.

The Notes may have limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market. Approvals in-principle have been received from the Singapore Stock Exchange for the listing and quotation of the Notes on the Singapore Stock Exchange. The offer and sale of the Notes is not conditioned on obtaining a listing and quotation of the Notes on the Singapore Stock Exchange or any other exchange. Although the Initial Purchasers have advised us that they currently intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice in their sole discretion. For a further discussion of the Initial Purchasers' planned market-making activities, see “Plan of Distribution.”

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;

- our results of operations and financial condition;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial and other sectors.

The credit ratings assigned to us and the Notes are limited in scope.

We and our debt securities, including the Notes, are subject to periodic review by independent credit rating agencies. Accordingly, increases in the level of our outstanding indebtedness, a deterioration in our operating performance or other events could cause the rating agencies to downgrade our credit ratings generally and the ratings on the Notes, which could adversely impact the trading prices for, or the liquidity of, the Notes. Any such downgrade could also adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in future debt agreements.

The Notes are expected to be rated Baa1 by Moody's and BBB+ by S&P. The credit ratings assigned to the Notes are limited in scope, and may not reflect the potential impact of all risks related to structure and other factors that may affect the value of the Notes. Each agency's rating should be evaluated independently of any other agency's rating. A credit rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. There can be no assurance that these ratings will remain in effect for a given period or that these ratings will not be revised by the rating agencies in the future.

The Euro-denominated Notes may not be a suitable investment for all investors seeking exposure to "green," "social," or "sustainability" assets.

We will allocate an amount equivalent to the net proceeds from the issuance of the Euro-denominated Notes to finance or refinance, in whole or in part, Eligible Sustainability Bond Projects (as defined in "Use of Proceeds") in accordance with the POSCO Sustainable Financing Framework, which is in alignment with the Green Bond Principles 2018, the Social Bond Principles 2018 and the Green Loan Principles 2018 published by the International Capital Markets Association. See "Use of Proceeds." The examples of Eligible Sustainability Bond Projects provided in "Use of Proceeds" are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by us during the term of the Euro-denominated Notes. The POSCO Sustainable Financing Framework and the Second Party Opinion (as defined in "Use of Proceeds") are not incorporated into, and do not form a part of, this offering circular.

There is currently no market consensus on what precise attributes are required for a particular project or series of notes to be defined as "green," "social" or "sustainability" and therefore no assurance can be provided to potential investors that selected Eligible Sustainability Bond Projects will meet all investor expectations regarding environmental or social performance. Although the Eligible Sustainability Bond Projects are expected to be selected in accordance with the categories recognized under the POSCO Sustainable Financing Framework and are expected to be developed in accordance with relevant legislation and standards, there can be no guarantee that the projects will deliver the environmental or social benefits as anticipated, or that adverse environmental or social impacts will not occur during the design, construction, commissioning or operation of any such projects. In addition, where any negative impacts are insufficiently mitigated, the projects may become controversial and may be criticized by activist groups or other stakeholders.

The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of

the Euro-denominated Notes. The Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of the date that the Second Party Opinion was initially issued. In addition, although we have agreed to certain reporting and use of proceeds obligations in connection with certain environmental and social criteria, our failure to comply with such obligations does not constitute a breach or an event of default under the Euro-denominated Notes. A withdrawal of the Second Party Opinion or any failure by us to use an amount equivalent to the net proceeds from the issuance of the Euro-denominated Notes on the Eligible Sustainability Bond Projects or to meet or continue to meet the investment requirements of certain environmentally- or socially-focused investors with respect to the Euro-denominated Notes may affect the value of the Euro-denominated Notes and may have consequences for certain investors with portfolio mandates to invest in “green,” “social” or “sustainability” assets.

No assurance can be provided with respect to the suitability of the Second Party Opinion or that the Euro-denominated Notes will fulfill the environmental, social and sustainability criteria to qualify as “green,” “social” or “sustainability” bonds. Each potential purchaser of the Euro-denominated Notes should determine for itself the relevance of the information contained in this offering circular regarding the use of proceeds and its purchase of the Euro-denominated Notes should be based upon such investigation as it deems necessary.

RECENT DEVELOPMENTS

Operational Data for the First Nine Months of 2018 and the First Nine Months of 2019

Steel Segment — Production

We produced approximately 32.2 million tons of crude steel in the first nine months of 2019 and approximately 32.1 million tons in the first nine months of 2018, a substantial portion of which was produced at our Pohang Works and Gwangyang Works.

The following table sets out the combined capacity utilization rates of Pohang Works and Gwangyang Works for the periods indicated.

	As of or for the Nine Months Ended September 30,	
	2018	2019
Crude steel and stainless steel production capacity (million tons)	31.71	31.71
Actual crude steel and stainless steel output (million tons)	28.23	28.41
Capacity utilization rate (%) ⁽¹⁾	89.0%	89.6%

(1) Calculated by dividing actual crude steel and stainless steel output by the actual crude steel and stainless steel production capacity for the relevant period as determined by us.

Our various subsidiaries and joint ventures around the world, including Zhangjiagang Pohang Stainless Steel Co., Ltd. (“Zhangjiagang Pohang”) in China, PT. Krakatau POSCO in Indonesia and POSCO SS Vina Co., Ltd. (“POSCO SS Vina”) in Vietnam, engage in steel production activities.

The following table sets out Zhanjiagang Pohang’s capacity utilization for the periods indicated.

	As of or for the Nine Months Ended September 30,	
	2018	2019
Crude steel and stainless steel production capacity (thousand tons)	825	825
Actual crude steel and stainless steel output (thousand tons)	863	861
Capacity utilization rate (%) ⁽¹⁾	104.6%	104.4%

(1) Calculated by dividing actual crude steel and stainless steel output by the actual crude steel and stainless steel production capacity for the relevant period as determined by us.

The following table sets out PT. Krakatau POSCO’s capacity utilization rates for the periods indicated.

	As of or for the Nine Months Ended September 30,	
	2018	2019
Crude steel production capacity (thousand tons)	2,155	2,213
Actual crude steel output (thousand tons)	2,249	2,246
Capacity utilization rate (%) ⁽¹⁾	104.4%	101.5%

(1) Calculated by dividing actual crude steel output by the actual crude steel production capacity for the relevant period as determined by us.

The following table sets out POSCO SS Vina’s capacity utilization rates for the periods indicated.

	As of or for the Nine Months Ended September 30,	
	2018	2019
Crude steel production capacity (thousand tons)	825	825
Actual crude steel output (thousand tons)	738	674
Capacity utilization rate (%) ⁽¹⁾	89.4%	81.7%

- (1) Calculated by dividing actual crude steel output by the actual crude steel production capacity for the relevant period as determined by us.

Steel Segment — Sales Revenues and Sales Volume

The tables below set out our sales revenues and sales volume of steel products produced by us and directly sold to external customers, which are recognized as external revenue and sales volume of the Steel Segment, by major steel product categories for the periods indicated. Such amounts do not include steel products produced by us and sold to our consolidated subsidiaries.

Sales Revenues

Steel Products	For the Nine Months Ended September 30,			
	2018		2019	
	Billions of Won	%	Billions of Won	%
Hot rolled products	₩ 4,390	18.0%	₩ 4,152	17.0%
Plates	2,735	11.2	3,072	12.6
Wire rods	1,414	5.8	1,364	5.6
Cold rolled products	7,712	31.6	7,744	31.6
Silicon steel sheets	745	3.0	678	2.8
Stainless steel products	5,035	20.6	5,315	21.7
Subtotal	22,031	90.1	22,325	91.2
Others	2,414	9.9	2,153	8.8
Total	₩ 24,444	100.0%	₩ 24,478	100.0%

Sales Volume

Steel Products	For the Nine Months Ended September 30,			
	2018		2019	
	Thousands of Tons	%	Thousands of Tons	%
Hot rolled products	6,412	27.1%	6,145	26.0%
Plates	3,828	16.2	4,052	17.1
Wire rods	1,687	7.1	1,631	6.9
Cold rolled products	8,977	37.9	8,908	37.7
Silicon steel sheets	653	2.8	606	2.6
Stainless steel products	2,142	9.0	2,307	9.8
Total ⁽¹⁾	23,700	100.0%	23,650	100.0%

- (1) Not including sales volume of steel products categorized under “others.”

In addition to steel products produced by us and directly sold to external customers, we engage our consolidated sales subsidiaries to sell our steel products produced by us. Our revenue from steel products produced by us and sold to our consolidated sales subsidiaries that in turn sold them to their external customers amounted to Won 9,742 billion in the first nine months of 2018 and Won 9,307 billion in the first nine months of 2019. Sales of such steel products by our consolidated sales subsidiaries to external customers are recognized as external revenue of the Trading Segment.

Steel Segment — Unit Sales Prices

The tables below set out the average unit sales prices for our semi-finished and finished steel products for the periods indicated.

Steel Products	For the Nine Months Ended September 30,	
	2018	2019
	(Thousands of Won per Ton)	
Hot rolled products	₩ 685	₩ 676
Plates	714	758
Wire rods	838	836
Cold rolled products	859	869
Silicon steel sheets	1,140	1,118
Stainless steel products	2,350	2,303
Average ⁽¹⁾	₩ 930	₩ 944

- (1) "Average" prices are based on the weighted average, by sales volume, of our sales for the listed principal products produced by us and directly sold to external customers. The average unit sales price calculation does not include sales results of steel products categorized as "others."

Steel Segment — Domestic Market

On a non-consolidated basis, we maintained an overall domestic market share of approximately 48% in the first nine months of 2019. On a non-consolidated basis, our domestic market shares for our major steel products in the first nine months of 2019 were 50% for hot rolled products, 48% for plates, 56% for wire rods, 59% for cold rolled products, 82% for silicon steel sheets and 42% for stainless steel products.

The table below sets out our estimate of the market share of steel products sold in Korea for the periods indicated based on sales volume.

Source	For the Nine Months Ended September 30,	
	2018	2019
POSCO's sales ⁽¹⁾	50%	48%
Other Korean steel companies' sales	27	27
Imports	23	25
Total	100%	100%

- (1) POSCO's sales volume includes steel products produced by us (but not by our subsidiaries) and sold through our consolidated sales subsidiaries in addition to steel products produced by us (but not by our subsidiaries) and directly sold to external customers.

Steel Segment — Exports

Our export sales represented 61.2% of our total sales revenues of steel products in the first nine months of 2019, 60.7% of which was generated from export sales and overseas sales to customers in Asian countries. Our export sales and overseas sales to customers abroad in terms of sales revenue increased by 10.2%, or Won 1,704 billion, from Won 16,776 billion in the first nine months of 2018 to Won 18,480 billion in the first nine months of 2019. The tables below set out our export sales and overseas sales to customers abroad in terms of sales revenue of steel products by geographical markets and by products for the periods indicated.

Region	For the Nine Months Ended September 30,			
	2018		2019	
	Billions of Won	%	Billions of Won	%
China	₩ 5,077	30.3%	₩ 5,324	28.8%
Asia (other than China and Japan)	4,219	25.1	3,863	20.9
Japan	1,549	9.2	2,026	11.0
Europe	1,396	8.3	1,833	9.9
North America	1,290	7.7	1,446	7.8
Middle East	48	0.3	60	0.3
Others	3,199	19.1	3,927	21.3
Total	₩ 16,776	100.0%	₩ 18,480	100.0%

Steel Products	For the Nine Months Ended September 30,			
	2018		2019	
	Billions of Won	%	Billions of Won	%
Hot rolled products	₩ 1,918	11.4%	₩ 2,279	12.3%
Plates	1,026	6.1	1,606	8.7
Wire rods	329	2.0	560	3.0
Cold rolled products	7,304	43.5	7,479	40.5
Silicon steel sheets	636	3.8	712	3.9
Stainless steel products	3,825	22.8	4,522	24.5
Others	1,740	10.4	1,322	7.2
Total	₩ 16,776	100.0%	₩ 18,480	100.0%

Steel Segment — Raw Materials

We purchase substantially all of the principal raw materials, including iron ore and coal, we use from sources outside Korea. POSCO imported approximately 40 million dry metric tons of iron ore and 22 million wet metric tons of coal in the first nine months of 2019. Iron ore is imported primarily from Australia, Brazil and Canada. Coal is imported primarily from Australia, Canada and Russia.

The average market price of coal per wet metric ton (Premium Low Vol Coking Coal, FOB Australia Index announced by Platts) was US\$202 in the first nine months of 2018 and US\$190 in the first nine months of 2019. The average market price of iron ore per dry metric ton (Iron Ore 62% Fe, CFR China index announced by Platts) was US\$69 in the first nine months of 2018 and US\$95 in the first nine months of 2019.

Trading Segment

Our trading activities consist primarily of trading activities of POSCO International Corporation (“POSCO International” and formerly known as POSCO Daewoo Corporation). The following table sets forth a breakdown of POSCO International’s total consolidated sales by export sales, domestic sales and third-country trades as well as product category for the periods indicated:

Product Category	For the Nine Months Ended September 30,			
	2018		2019	
	(in billions of Won, except percentages)			
Export trading sales:				
Steel and metal	₩ 4,212	22.3%	₩ 3,866	20.9%
Chemical and commodities	1,182	6.3	1,366	7.4
Automobiles and machinery parts	1,399	7.4	781	4.2
Natural resources items	—	—	—	—
Other goods	0	0.0	0	0.0
Sub-total	6,794	36.0	6,013	32.5
Domestic trading sales:				
Steel and metal	2,498	13.2	2,358	12.8
Chemical and commodities	17	0.1	8	0.0
Automobiles and machinery parts	13	0.1	30	0.2
Sub-total	2,527	13.4	2,395	13.0
Manufactured product sales	404	2.1	459	2.5
Others	174	0.9	314	1.7
Third-Country Trades:				
Trading	12,873	68.2	13,024	70.5
Natural resources development	588	3.1	1,029	5.6
Others	246	1.3	81	0.4
Total third-country trades	13,707	72.6	14,134	76.5
Consolidation adjustments	(4,727)	(25.0)	(4,831)	(26.1)
Total sales	₩18,879	100.0%	₩18,484	100.0%

Operating Results for the First Nine Months of 2018 and the First Nine Months of 2019

The following table presents our income statement information and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes	
	2018	2019	First Nine Months of 2018 versus First Nine Months of 2019	
			Amount	%
	(In billions of Won)			
Revenue	₩ 48,356	₩ 48,324	₩ (33)	(0.1)%
Cost of sales	42,338	43,284	946	2.2
Gross profit	6,019	5,040	(979)	(16.3)
Impairment loss on (reversal of impairment loss on)				
trade accounts and notes receivable	39	(14)	(53)	N.A. ⁽¹⁾
Other administrative expenses	1,462	1,473	11	0.8
Selling expenses	247	269	23	9.2
Operating profit	4,271	3,311	(960)	(22.5)
Share of profit of equity-accounted investees, net	75	230	155	205.1
Finance income	1,264	1,630	365	28.9
Finance costs	1,752	1,852	101	5.7
Impairment loss on other receivables	18	26	8	42.2
Other non-operating income	436	272	(164)	(37.6)
Other non-operating expenses	418	594	176	42.0
Profit before income tax	3,858	2,971	(888)	(23.0)
Income tax expense	1,137	1,014	(123)	(10.8)
Profit	2,722	1,957	(765)	(28.1)

(1) N.A. means not applicable.

Revenue

The following table presents our revenue by segment and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes First Nine Months of 2018 versus First Nine Months of 2019	
	2018	2019	Amount	%
	(In billions of Won)			
Steel Segment:				
External revenue	₩ 24,444	₩ 24,478	₩ 34	0.1%
Internal revenue	13,780	13,313	(467)	(3.4)
Total revenue from Steel Segment	38,224	37,790	(434)	(1.1)
Trading Segment:				
External revenue	16,697	16,516	(181)	(1.1)
Internal revenue	12,153	11,876	(276)	(2.3)
Total revenue from Trading Segment	28,850	28,393	(457)	(1.6)
Construction Segment:				
External revenue	4,932	4,901	(31)	(0.6)
Internal revenue	370	497	127	34.2
Total revenue from Construction Segment	5,303	5,398	96	1.8
Others Segment:				
External revenue	2,283	2,428	145	6.4
Internal revenue	2,032	2,004	(28)	(1.4)
Total revenue from Others Segment	4,315	4,432	117	2.7
Total revenue prior to consolidation adjustments	76,692	76,014	(678)	(0.9)
Consolidation adjustments	(28,335)	(27,690)	645	(2.3)
Revenue	₩ 48,356	₩ 48,324	(33)	(0.1)

Our revenue decreased by 0.1%, or Won 33 billion, from Won 48,356 billion in the first nine months of 2018 to Won 48,324 billion in the first nine months of 2019 due to decreases in external revenues from the Trading Segment and the Construction Segment, which were offset in part by increases in revenues from the Others Segment and the Steel Segment. Specifically:

Steel Segment. External revenue from the Steel Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, increased slightly by 0.1%, or Won 34 billion, from Won 24,444 billion in the first nine months of 2018 to Won 24,478 billion in the first nine months of 2019 primarily due to an increase in the average unit sales price per ton of the principal steel products produced by us and sold to external customers, which was partially offset by a decrease in our sales volume of such products. The weighted average unit sales price per ton of the principal steel products produced by us and directly sold to external customers increased by 1.5% from Won 929,543 per ton in the first nine months of 2018 to Won 943,950 per ton in the first nine months of 2019, while the overall sales volume of the principal steel products produced by us and directly sold to external customers decreased by 0.2% from 23.7 million tons in the first nine months of 2018 to 23.6 million tons in the first nine months of 2019. Such factors were principally attributable to the following:

- The unit sales prices in Won of plates and cold rolled products increased from the first nine months of 2018 to the first nine months of 2019. The unit sales prices in Won of plates and cold rolled products produced by us and directly sold to external customers increased by 6.1% and 1.2%, respectively, from the first nine months of 2018 to the first nine months of 2019. On the other hand, the unit sales prices in Won of stainless steel products, silicon steel sheets, hot rolled products and wire rods produced by us and directly sold to external

customers decreased by 2.0%, 1.9%, 1.3% and 0.2% from the first nine months of 2018 to the first nine months of 2019. For a discussion of changes in the unit sales prices of each of our principal product lines, see “— Operational Data for First Nine Months of 2018 and First Nine Months of 2019 — Steel Segment — Unit Sales Prices” above.

- The sales volume of silicon steel sheets, hot rolled products, wire rods and cold rolled products produced by us and directly sold to external customers decreased by 7.2%, 4.2%, 3.3% and 0.8%, respectively, from the first nine months of 2018 to the first nine months of 2019. On the other hand, the sales volume of stainless steel products and plates produced by us and directly sold to external customers increased by 7.7% and 5.9%, respectively, from the first nine months of 2018 to the first nine months of 2019. For a discussion of changes in the sales volume of each of our principal product lines, see “— Operational Data for First Nine Months of 2018 and First Nine Months of 2019 — Steel Segment — Sales Revenues and Sales Volume” above.

Total revenue from the Steel Segment, which includes internal revenue from inter-company transactions, decreased by 1.1%, or Won 434 billion, from Won 38,224 billion in the first nine months of 2018 to Won 37,790 billion in the first nine months of 2019 as internal revenue from inter-company transactions decreased by 3.4%, or Won 467 billion, from Won 13,780 billion in the first nine months of 2018 to Won 13,313 billion in the first nine months of 2019 primarily due to a decrease in our steel sales activities through trading subsidiaries, particularly POSCO International.

Trading Segment. External revenue from the Trading Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, decreased by 1.1%, or Won 181 billion, from Won 16,697 billion in the first nine months of 2018 to Won 16,516 billion in the first nine months of 2019 primarily due to decreases in POSCO International's export trading sales of automobiles and machinery parts as well as steel and metal products, which was offset in part by an increase in revenue from the natural resources development activities of POSCO International.

Total revenue from the Trading Segment, which includes internal revenue from inter-company transactions, decreased by 1.6%, or Won 457 billion, from Won 28,850 billion in the first nine months of 2018 to Won 28,393 billion in the first nine months of 2019 as internal revenue from inter-company transactions decreased by 2.3%, or Won 276 billion, from Won 12,153 billion in the first nine months of 2018 to Won 11,876 billion in the first nine months of 2019 primarily due to a decrease in our steel sales activities through trading subsidiaries.

Construction Segment. External revenue from the Construction Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, decreased by 0.6%, or Won 31 billion, from Won 4,932 billion in the first nine months of 2018 to Won 4,901 billion in the first nine months of 2019 primarily due to a decrease in external revenue from construction projects abroad.

Total revenue from the Construction Segment, which includes internal revenue from inter-company transactions, increased by 1.8%, or Won 96 billion, from Won 5,303 billion in the first nine months of 2018 to Won 5,398 billion in the first nine months of 2019 as internal revenue from inter-company transactions increased by 34.2%, or Won 127 billion, from Won 370 billion in the first nine months of 2018 to Won 497 billion in the first nine months of 2019. Such increase in internal revenue reflected an increase in the amount of construction activities for member companies of the POSCO Group in the first nine months of 2019 compared to the first nine months of 2018.

Others Segment. The Others Segment primarily includes power generation, LNG logistics, manufacturing of various industrial materials and information technology service. External revenue from the Others Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, increased by 6.4%, or Won 145 billion, from Won 2,283 billion in the first nine months of 2018 to Won 2,428 billion in the first nine months of 2019, primarily due to

increases in revenue of POSCO Energy Corporation and POSCO Chemical Co., Ltd. Revenue of POSCO Energy Corporation increased primarily due to a temporary decrease in production in the first half of 2018 due to planned maintenance at a byproduct processing facility, compared to no such maintenance in the first nine months of 2019, as well as a general increase in electricity price in the third quarter of 2019. Revenue of POSCO Chemical Co., Ltd. increased primarily due to a general increase in price of chemical products in the first nine months of 2019, which was impacted by an increase in oil price, as well as an increase in sales volume of burned lime.

Total revenue from the Others Segment, which includes internal revenue from inter-company transactions, increased by 2.7%, or Won 117 billion, from Won 4,315 billion in the first nine months of 2018 to Won 4,432 billion in the first nine months of 2019 as internal revenue from inter-company transactions decreased by 1.4% or Won 28 billion, from Won 2,032 billion in the first nine months of 2018 to Won 2,004 billion in the first nine months of 2019.

Cost of Sales

The following table presents a breakdown of our cost of sales by segment and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes First Nine Months of 2018 versus First Nine Months of 2019	
	2018	2019	Amount	%
	(In billions of Won)			
Steel Segment	₩ 20,490	₩ 21,292	₩ 802	3.9%
Trading Segment	15,367	15,306	(61)	(0.4)
Construction Segment	4,443	4,562	119	2.7
Others Segment	2,038	2,124	86	4.2
Cost of sales	₩ 42,338	₩ 43,284	946	2.2

Our cost of sales increased by 2.2%, or Won 946 billion, from Won 42,338 billion in the first nine months of 2018 to Won 43,284 billion in the first nine months of 2019 due to increases in cost of sales of the Steel Segment, the Construction Segment and the Others Segment, which were offset in part by a decrease in cost of sales of the Trading Segment. Specifically:

Steel Segment. The cost of sales of our Steel Segment increased by 3.9%, or Won 802 billion, from Won 20,490 billion in the first nine months of 2018 to Won 21,292 billion in the first nine months of 2019 primarily due to an increase in the average prices in Won terms of certain raw materials used to manufacture our steel products, which was offset in part by a slight decrease in our sales volume of principal steel products produced by us and sold to external customers.

Trading Segment. The cost of sales of our Trading Segment decreased by 0.4%, or Won 61 billion, from Won 15,367 billion in the first nine months of 2018 to Won 15,306 billion in the first nine months of 2019 primarily due to a general decrease in our trading activities, which was offset in part by an increase in our natural resources development activities.

Construction Segment. The cost of sales of our Construction Segment increased by 2.7%, or Won 119 billion, from Won 4,443 billion in the first nine months of 2018 to Won 4,562 billion in the first nine months of 2019, reflecting an increase in the amount of engineering, procurement and construction projects abroad.

Others Segment. The cost of sales of our Others Segment increased by 4.2%, or Won 86 billion, from Won 2,038 billion in the first nine months of 2018 to Won 2,124 billion in the first nine months of 2019 primarily due to an increase in production of POSCO Energy Corporation and POSCO Chemical Co., Ltd. as described above.

Gross Profit

The following table presents our gross profit by segment and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes First Nine Months of 2018 versus First Nine Months of 2019	
	2018	2019	Amount	%
	(In billions of Won)			
Steel Segment	₩ 3,954	₩ 3,186	₩ (768)	(19.4)%
Trading Segment	1,330	1,211	(119)	(8.9)
Construction Segment	489	340	(149)	(30.5)
Others Segment	246	304	57	23.2
Gross profit	₩ 6,019	₩ 5,040	(979)	(16.3)

Our gross profit decreased by 16.3%, or Won 979 billion, from Won 6,019 billion in the first nine months of 2018 to Won 5,040 billion in the first nine months of 2019 primarily due to decreases in gross profit of the Steel Segment, the Construction Segment and the Trading Segment, which were offset in part by an increase in gross profit of the Others Segment. Our gross margin, which is gross profit as a percentage of total revenue, decreased from 12.4% in the first nine months of 2018 to 10.4% in the first nine months of 2019.

Steel Segment. The gross profit of our Steel Segment decreased by 19.4%, or Won 768 billion, from Won 3,954 billion in the first nine months of 2018 to Won 3,186 billion in the first nine months of 2019 primarily due to an increase in the average prices in Won terms of certain raw materials used to manufacture our finished steel products that outpaced an increase in the average unit sales price per ton of the principal steel products produced by us and sold to external and internal customers during the period. In particular, the average market price of iron ore per dry metric ton (Iron Ore 62% Fe, CFR China Index announced by Platts) was US\$69 in the first nine months of 2018 and US\$95 in the first nine months of 2019. The gross margin of our Steel Segment decreased from 16.2% in the first nine months of 2018 to 13.0% in the first nine months of 2019.

Trading Segment. The gross profit of our Trading Segment decreased by 8.9%, or Won 119 billion, from Won 1,330 billion in the first nine months of 2018 to Won 1,211 billion in the first nine months of 2019 primarily due to a decrease in gross profit from trading activities of POSCO International, which was partially offset by an increase in gross profit from its natural resources development activities. The gross margin of our Trading Segment decreased from 8.0% in the first nine months of 2018 to 7.3% in the first nine months of 2019.

Construction Segment. The gross profit of our Construction Segment decreased by 30.5%, or Won 149 billion, from Won 489 billion in the first nine months of 2018 to Won 340 billion in the first nine months of 2019 primarily reflecting a decrease in POSCO E&C's participation in higher margin construction projects in the first nine months of 2019. The gross margin of our Construction Segment decreased from 9.9% in the first nine months of 2018 to 6.9% in the first nine months of 2019.

Others Segment. The gross profit of our Others Segment increased by 23.2%, or Won 57 billion, from Won 246 billion in the first nine months of 2018 to Won 304 billion in the first nine months of 2019 primarily due to increases in gross profit of POSCO Energy Corporation and POSCO Chemical Co., Ltd. The gross margin of our Others Segment improved from 10.7% in the first nine months of 2018 to 12.5% in the first nine months of 2019.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes First Nine Months of 2018 versus First Nine Months of 2019	
	2018	2019	Amount	%
(In billions of Won)				
Impairment loss (reversal of impairment loss) on trade accounts and notes receivable	₩ 39	₩ (14)	₩ (53)	N.A. ⁽¹⁾
Wages and salaries	599	616	17	2.8%
Expenses related to post-employment benefits	53	65	12	22.9
Other employee benefits	137	132	(5)	(3.6)
Depreciation	75	99	25	33.4
Amortization	84	85	1	1.5
Taxes and public dues	52	47	(5)	(9.3)
Rental	53	30	(23)	(43.1)
Advertising	81	63	(18)	(22.1)
Research and development	84	84	(1)	(0.7)
Service fees	115	125	10	8.4
Increase to provisions	11	5	(6)	(56.8)
Others	118	122	4	3.3
Total other administrative expenses	₩ 1,462	₩ 1,473	11	0.8
Freight and custody expenses	₩ 128	₩ 130	₩ 2	1.9%
Sales commissions	47	57	10	20.7
Sales insurance premium	28	24	(4)	(14.7)
Contract cost	11	25	14	123.3
Others	32	33	1	2.9
Total selling expenses	₩ 247	₩ 269	23	9.2
Total selling and administrative expenses	₩ 1,748	₩ 1,729	(19)	(1.1)

(1) N.A. means not applicable.

Our selling and administrative expenses decreased by 1.1%, or Won 19 billion, from Won 1,748 billion in the first nine months of 2018 to Won 1,729 billion in the first nine months of 2019, primarily due to an impairment loss on trade accounts and notes receivable in the first nine months of 2018 compared to a reversal of such impairment loss in the first nine months of 2019 as well as decreases in rental and advertising expenses, which were offset in part by increases in depreciation expenses and wages and salaries. Such factors were principally attributable to the following:

- We recognized impairment loss on trade accounts and notes receivable of Won 39 billion in the first nine months of 2018 primarily related to impairment loss on trade accounts and notes receivables of POSCO E&C and its subsidiary in Vietnam. However, we recognized reversal of such impairment loss of Won 14 billion in the first nine months of 2019 primarily due to a reversal of impairment loss on trade accounts and notes receivables of POSCO E&C.
- Our rental expenses decreased by 43.1%, or Won 23 billion, from Won 53 billion in the first nine months of 2018 to Won 30 billion in the first nine months of 2019 primarily due to decreases in rental expenses of POSCO E&C and our subsidiary in Japan.
- Our advertising expenses decreased by 22.1%, or Won 18 billion, from Won 81 billion in the first nine months of 2018 to Won 63 billion in the first nine months of 2019 primarily reflecting our advertising activities in the first nine months of 2018 related to our sponsorship of the 2018 PyeongChang Olympic Games compared to no such advertising activities in the first nine months of 2019.

- Our depreciation expenses increased by 33.4%, or Won 25 billion, from Won 75 billion in the first nine months of 2018 to Won 99 billion in the first nine months of 2019 primarily due to our adoption of K-IFRS 1116 in the first nine months of 2019, under which we recognized depreciation expenses related to our right-of-use assets. See Note 3 of Notes to the Condensed Consolidated Interim Financial Statements.
- Our wages and salaries increased by 2.8%, or Won 17 billion, from Won 599 billion in the first nine months of 2018 to Won 616 billion in the first nine months of 2019 primarily due to increases in base salaries at our domestic subsidiaries.

Operating Profit

Due to the factors described above, our operating profit decreased by 22.5%, or Won 960 billion, from Won 4,271 billion in the first nine months of 2018 to Won 3,311 billion in the first nine months of 2019. Our operating margin decreased from 8.8% in the first nine months of 2018 to 6.9% in the first nine months of 2019.

Share of Profit of Equity-Accounted Investees

Our share of profit of equity-accounted investees increased by 205.1%, or Won 155 billion, from Won 75 billion in the first nine months of 2018 to Won 230 billion in the first nine months of 2019.

In the first nine months of 2018, we recognized a net gain for our proportionate share of equity-accounted investees of Won 75 billion primarily due to our share of gains of Won 56 billion of POSCO Mitsubishi Carbon Technology, Won 54 billion of KOBRASCO, Won 47 billion of Roy Hill Holdings Pty Ltd and Won 23 billion of AES-VCM Mong Duong Power Company Limited, which were offset in large part by our share of loss of Won 132 billion of CSP — Companhia Siderurgica do Pacem.

In the first nine months of 2019, we recognized a net gain for our proportionate share of equity-accounted investees of Won 230 billion primarily due to our share of gains of Won 109 billion of Roy Hill Holdings Pty Ltd., Won 52 billion of South-East Asia Gas Pipeline Company Ltd., Won 49 billion of KOBRASCO and Won 24 billion of POSCO Mitsubishi Carbon Technology, which were offset in part by our share of loss of Won 58 billion of CSP — Companhia Siderurgica do Pacem. See Note 9 of Notes to the Condensed Consolidated Interim Financial Statements.

Finance Income and Finance Costs

The following table presents a breakdown of our finance income and costs and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes	
	2018	2019	First Nine Months of 2018 versus First Nine Months of 2019	
			Amount	%
	(In billions of Won)			
Interest income	₩ 237	₩ 228	₩ (9)	(3.8)%
Dividend income	50	67	17	32.9
Gain on foreign currency transactions	532	638	106	20.0
Gain on foreign currency translations	177	277	100	56.4
Gain on derivatives transactions	173	148	(25)	(14.3)
Gain on valuation of derivatives	79	244	165	207.9
Others	15	27	12	79.2
Total finance income	₩ 1,264	₩ 1,630	365	28.9
Interest expenses	₩ 534	₩ 571	₩ 37	7.0%
Loss on foreign currency transactions	563	535	(28)	(5.0)
Loss on foreign currency translations	388	423	34	8.9
Loss on derivatives transactions	153	185	33	21.3
Loss on valuation of derivatives	65	64	(1)	(1.4)
Loss on disposal of trade accounts and notes receivables	31	30	(1)	(3.8)
Others	19	45	26	142.8
Total finance costs	₩ 1,752	₩ 1,852	101	5.7

We recognized net loss on foreign currency transactions of Won 31 billion in the first nine months of 2018 compared to a net gain on foreign currency transactions of Won 104 billion in the first nine months of 2019 and our net loss on foreign currency translations decreased by 31.1%, or Won 66 billion, from Won 211 billion in the first nine months of 2018 to Won 145 billion in the first nine months of 2019, as the Won depreciated against the Dollar in the first nine months of 2018 and further depreciated in the first nine months of 2019. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the Won depreciated from Won 1,071.4 to US\$1.00 as of December 31, 2017 to Won 1,112.7 to US\$1.00 as of September 30, 2018 and further depreciated from Won 1,118.1 to US\$1.00 as of December 31, 2018 to Won 1,201.3 to US\$1.00 as of September 30, 2019. Against such fluctuations, our net gain on valuations of derivatives increased by 1,177.1%, or Won 166 billion, from Won 14 billion in the first nine months of 2018 to Won 180 billion in the first nine months of 2019, and we recognized a net gain on transactions of derivatives of Won 20 billion in the first nine months of 2018 compared to a net loss on transactions of derivatives of Won 37 billion in the first nine months of 2019.

Our dividend income increased by 32.9%, or Won 17 billion, from Won 50 billion in the first nine months of 2018 to Won 67 billion in the first nine months of 2019 primarily due to an increase in dividends from Congonhas Minerios S.A. Our interest expense increased by 7.0%, or Won 37 billion, from Won 534 billion in the first nine months of 2018 to Won 571 billion in the first nine months of 2019 primarily due to an increase in the level of long-term borrowings, as well as our adoption of K-IFRS 1116 in the first nine months of 2019, under which we recognized additional interest expenses from our lease liabilities. See Note 3 of Notes to the Condensed Consolidated Interim Financial Statements.

Other Non-operating Income and Expenses

The following table presents our impairment loss on other receivables and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes	
	2018	2019	First Nine Months of 2018 versus First Nine Months of 2019	
			Amount	%
	(In billions of Won)			
Impairment loss on other receivables	₩ 18	₩ 26	₩ 8	42.2%

Our impairment loss on other receivables increased by 42.2%, or Won 8 billion, from Won 18 billion in the first nine months of 2018 to Won 26 billion in the first nine months of 2019 primarily due to a decrease in our reversals on other receivables, as well as an increase in allowance for bad debt of POSCO International's subsidiary in China.

The following table presents a breakdown of our other non-operating income and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes	
	2018	2019	First Nine Months of 2018 versus First Nine Months of 2019	
			Amount	%
	(In billions of Won)			
Gain on disposal of investments in subsidiaries, associates and joint ventures	₩ 46	₩ 21	₩ (25)	(54.4)%
Gain on disposal of property, plant and equipment	37	22	(15)	(40.4)
Gain on disposal of intangible assets	111	1	(109)	(98.8)
Gain on valuation of firm commitment	39	52	13	32.5
Gain on valuation of emission rights	—	25	25	N.A. ⁽¹⁾
Gain on disposal of emission rights	—	11	11	N.A. ⁽¹⁾
Reversal of other provisions	3	35	32	1,097.9
Others	201	104	(96)	(48.0)
Total other non-operating income	₩ 436	₩ 272	(164)	(37.6)

(1) N.A. means not applicable.

Our other non-operating income decreased by 37.6%, or Won 164 billion, from Won 436 billion in the first nine months of 2018 to Won 272 billion in the first nine months of 2019, primarily due to decreases in gain on disposal of intangible assets and our recognition of a tax refund in the first nine months of 2018, which were partially offset by increases in reversal of other provisions and gain on valuation of emission rights in the first nine months of 2019. Such factors were principally attributable to the following:

- Our gain on disposal of intangible assets decreased by 98.8%, or Won 109 billion, from Won 111 billion in the first nine months of 2018 to Won 1 billion in the first nine months of 2019 primarily due to a gain from exchange or disposal of emission allowances in the first nine months of 2018, compared to no such gain in the first nine months of 2019.
- In the first nine months of 2018, we recognized a tax refund of Won 55 billion (which we included in "others"), compared to no such refund in the first nine months of 2019.
- Our reversal of other provisions increased by 1,097.9%, or Won 32 billion, from Won 3 billion in the first nine months of 2018 to Won 35 billion in the first nine months of 2019 primarily due to a reversal of other provisions related to a lawsuit involving POSCO E&C.

- We recognized gain on valuation of emission rights of Won 25 billion in the first nine months of 2019 compared to no such gain in the first nine months of 2018.

The following table presents a breakdown of our other non-operating expenses and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes	
	2018	2019	First Nine Months of 2018 versus First Nine Months of 2019	
	(In billions of Won)		Amount	%
Impairment loss on assets held for sale	₩ 48	₩ 41	₩ (7)	(14.0)%
Loss on disposals of property, plant and equipment	79	61	(17)	(22.1)
Impairment loss on property, plant and equipment	19	195	176	930.6
Loss on valuation of firm commitment	36	30	(6)	(16.2)
Idle tangible asset expenses	6	27	20	311.1
Increase to provisions	82	13	(69)	(84.0)
Donations	26	24	(2)	(6.2)
Impairment loss on intangible assets	2	126	124	5,957.6
Others	121	77	(43)	(36.4)
Total other non-operating expenses	₩ 418	₩594	176	42.0

Our other non-operating expenses increased by 42.0%, or Won 176 billion, from Won 418 billion in the first nine months of 2018 to Won 594 billion in the first nine months of 2019, primarily due to an increase in impairment loss on property, plant and equipment and write-offs of intangible assets related to POSCO International, which were offset in part by a decrease in increase to provisions. Such factors were principally attributable to the following:

- Our impairment loss on property, plant and equipment increased by 930.6%, or Won 176 billion, from Won 19 billion in the first nine months of 2018 to Won 195 billion in the first nine months of 2019 primarily due to impairment losses recognized in the first nine months of 2019 related to a ferro silicon facility in Pohang Works and a compact endless cast-rolling mill in Gwangyang Works.
- In the first nine months of 2019, we recognized write-offs of intangible assets of Won 118 billion related to the termination of an exploration project in Myanmar of POSCO International, compared to no such write-offs in the first nine months of 2018.
- Increase to provisions decreased by 84.0%, or Won 69 billion, from Won 82 billion in the first nine months of 2018 to Won 13 billion in the first nine months of 2019. In the first nine months of 2018, we recognized provisions of Won 74 billion in connection with a lawsuit of POSCO ICT, compared to no such provisions in the first nine months of 2019.

Profit before Income Taxes

Due to the factors described above, our profit before income taxes decreased by 23.0%, or Won 888 billion, from Won 3,858 billion in the first nine months of 2018 to Won 2,971 billion in the first nine months of 2019.

The following table presents our profit and loss by segment, prior to adjusting for corporate fair value adjustments, elimination of inter-segment profits and income tax expense, and changes therein for the first nine months of 2018 and the first nine months of 2019.

	For the Nine Months Ended September 30,		Changes First Nine Months of 2018 versus First Nine Months of 2019	
	2018	2019	Amount	%
	(In billions of Won)			
Steel Segment	₩ 2,458	₩ 1,550	₩ (908)	(37.0)%
Trading Segment	133	169	36	27.3
Construction Segment	124	91	(33)	(26.2)
Others Segment	151	420	269	178.0
Corporate fair value adjustments	(59)	(61)	(2)	3.5
Elimination of inter-segment profits	(85)	(213)	(127)	149.0
Income tax expense	1,137	1,014	(123)	(10.8)
Profit before income taxes	₩ 3,858	₩ 2,971	(888)	(23.0)

Income Tax Expense

Our income tax expense decreased by 10.8%, or Won 123 billion, from Won 1,137 billion in the first nine months of 2018 to Won 1,014 billion in the first nine months of 2019, primarily reflecting a decrease in profit before income tax described above. However, our effective tax rate increased from 29.5 % in the first nine months of 2018 to 34.1% in the first nine months of 2019 primarily due to a transfer of a certain business division from POSCO Energy to POSCO, which resulted in additional income tax expenses without impacting our consolidated profit before income tax. See Note 32 of Notes to the Condensed Consolidated Interim Financial Statements.

Profit

Due to the factors described above, our profit decreased by 28.1%, or Won 765 billion, from Won 2,722 billion in the first nine months of 2018 to Won 1,957 billion in the first nine months of 2019.

Liquidity and Capital Resources for the First Nine Months of 2018 and the First Nine Months of 2019

The following table sets forth the summary of our cash flows for the periods indicated.

	For the Nine Months Ended September 30,	
	2018	2019
	(In billions of Won)	
Net cash provided by operating activities	₩ 4,219	₩ 3,940
Net cash used in investing activities	(2,652)	(1,538)
Net cash used in financing activities	(944)	(2,297)
Effect of exchange rate fluctuations on cash held	2	92
Cash and cash equivalents at beginning of period	2,613	2,644
Cash and cash equivalents at end of period	3,237	2,841
Net increase in cash and cash equivalents	625	197

Capital Requirements

Historically, uses of cash consisted principally of purchases of property, plant and equipment and other assets and repayments of outstanding debt and payments of dividends.

Net cash used in investing activities was Won 2,652 billion in the first nine months of 2018 and Won 1,538 billion in the first nine months of 2019. Our cash outflows for acquisition of property, plant

and equipment amounted to Won 1,354 billion in the first nine months of 2018 and Won 1,610 billion in the first nine months of 2019. We plan to spend approximately Won 1,851 billion in capital expenditures in the fourth quarter of 2019, which we may adjust on an ongoing basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. We may delay or not implement some of our current capital expenditure plans based on our assessment of such market conditions. We had net acquisitions of short-term financial instruments, after adjusting for proceeds from disposal of short-term financial instruments, of Won 1,541 billion in the first nine months of 2018, and we had net proceeds from disposal of short-term financial instruments, after adjusting for acquisition of short-term financial instruments, of Won 431 billion in the first nine months of 2019.

In our financing activities, our repayments of borrowings were Won 1,448 billion in the first nine months of 2018 and Won 2,459 billion in the first nine months of 2019. We paid cash dividends on common stock in the amount of Won 570 billion in the first nine months of 2018 and Won 786 billion in the first nine months of 2019.

In recent years, we have also selectively considered various opportunities to acquire or invest in companies that may complement our businesses, as well as invest in overseas resources development projects. We may require additional capital for such acquisitions or entering into other strategic relationships. Other than capital required for such activities, we anticipate that capital expenditures, repayments of outstanding debt and payments of cash dividends will represent the most significant uses of funds for the next several years.

Payments of contractual obligations and commitments will also require considerable resources. In our ordinary course of business, we routinely enter into commercial commitments for various aspects of our operations, as well as issue guarantees for indebtedness of our related parties and others. For our contingent liabilities on outstanding guarantees provided by us, see Note 35(a) of Notes to the Condensed Consolidated Interim Financial Statements. The following table sets forth certain of our contractual obligations and commitments as of September 30, 2019.

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years
			(In billions of Won)		
Long-term debt obligations ^(a)	₩13,141	₩ 1,802	₩ 6,431	₩ 3,419	₩ 1,489
Interest payments on long-term debt ^(b)	1,324	486	549	233	56
Lease obligations	936	160	312	173	291
Purchase obligations ^(c)	22,108	10,912	5,707	2,700	2,789
Long-term shipping service contracts	17,694	2,617	4,691	4,016	6,370
Total	₩55,203	₩15,977	₩17,690	₩10,541	₩10,995

(a) Includes the current portion and premium on bond redemption but excludes amortization of discount on debentures and issuance costs.

(b) As of September 30, 2019, a portion of our long-term debt carried variable interest rates. We used the interest rate in effect as of September 30, 2019 in calculating the interest payments on long-term debt for the periods indicated.

(c) Our purchase obligations include supply contracts to purchase iron ore, coal, nickel, LNG and other raw materials. These contracts generally have terms of one to ten years and the long-term contracts provide for periodic price adjustments according to the market prices. As of September 30, 2019, 93 million tons of iron ore and 12 million tons of coal remained to be purchased under long-term contracts. In addition, we entered into an agreement with Tangguh LNG Consortium in Indonesia to purchase 550 thousand tons of LNG for 20 years commencing in August 2005. The purchase price under the agreement with Tangguh LNG Consortium is variable based on the monthly standard oil price (as represented by the Japan Customs cleared Crude Price), subject to a ceiling. We used the market price and exchange rate in effect as of September 30, 2019 in calculating the iron ore, coal and LNG purchase obligations described above for the periods indicated.

The following table presents, as of December 31, 2018, the expected amount of severance benefits that we will be required to pay under applicable Korean law to all of our employees when they reach their normal retirement age. The amounts were determined based on the employees' current

salary rates and the number of service years that will be accumulated upon their retirement. These amounts do not include amounts that may be paid to employees who cease to work at the company before their normal retirement age.

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years
			(In billions of Won)		
Accrued severance benefits	₩2,961	₩110	₩326	₩408	₩2,117

Capital Resources

We have traditionally met our working capital and other capital requirements principally from cash provided by operations while raising the remainder of our requirements primarily through long-term debt and short-term borrowings. We expect that these sources will continue to be our principal sources of cash in the future. From time to time, we may also generate cash through issuance of hybrid bonds and sale of treasury shares and our holdings in available-for-sale securities.

Our net cash provided by operating activities decreased by 6.6%, or Won 279 billion, from Won 4,219 billion in the first nine months of 2018 to Won 3,940 billion in the first nine months of 2019. Our gross cash flow from our sales activities decreased slightly as discussed above. We recorded cash inflow related to our management of trade accounts and notes payable of Won 84 billion in the first nine months of 2018 compared to cash outflow of Won 673 billion in the first nine months of 2019, which in turn negatively impacted our net cash provided by operating activities. In addition, our cash outflow related to income taxes paid increased from Won 803 billion in the first nine months of 2018 to Won 1,295 billion in the first nine months of 2019. Partially offsetting such impact, we recorded cash outflow related to our management of the buildup of inventories of Won 903 billion in the first nine months of 2018 compared to cash inflow of Won 20 billion in the first nine months of 2019, which in turn positively impacted our net cash provided by operating activities. In addition, our cash outflow related to our management of trade accounts and notes receivable decreased from Won 621 billion in the first nine months of 2018 to Won 59 billion in the first nine months of 2019, which in turn positively impacted our net cash provided by operating activities.

Our net cash used in financing activities increased by 143.4%, or Won 1,354 billion, from Won 944 billion in the first nine months of 2018 to Won 2,297 billion in the first nine months of 2019. Our net repayments of short-term borrowings were Won 194 billion in the first nine months of 2018 and Won 1,466 billion in the first nine months of 2019. We recorded cash inflow of Won 1,048 billion in the first nine months of 2018 and Won 163 billion in the first nine months of 2019 for net proceeds from borrowings, after adjusting for repayment of borrowings. Partially offsetting such impact, we recorded repayment of hybrid bonds of Won 1,160 billion in the first nine months of 2018 compared to no such repayment in the first nine months of 2019. We paid cash dividends on common stock in the amount of Won 570 billion in the first nine months of 2018 and Won 786 billion in the first nine months of 2019.

Long-term borrowings, excluding current installments, were Won 9,920 billion as of December 31, 2018 and Won 11,497 billion as of September 30, 2019. Total short-term borrowings and current installments of long-term borrowings were Won 10,290 billion as of December 31, 2018 and Won 8,358 billion as of September 30, 2019. Our outstanding hybrid bonds remained constant at Won 199 billion as of December 31, 2018 and September 30, 2019.

We periodically increase our short-term borrowings and adjust our long-term debt financing levels depending on changes in our capital requirements. From time to time, we also generate cash from the sale of our treasury shares. We believe that we have sufficient working capital for our current requirements and that we have a variety of alternatives available to us to satisfy our liquidity requirements to the extent that they are not met by funds generated by operations, including the issuance of debt and equity securities and bank borrowings denominated in Won and various foreign currencies. However, our ability to rely on some of these alternatives could be affected by factors such

as the liquidity of the Korean and the global financial markets, prevailing interest rates, our credit rating and the Government's policies regarding Won currency and foreign currency borrowings.

Liquidity

We had working capital (current assets minus current liabilities) of Won 14,713 billion as of December 31, 2018 and Won 17,948 billion as of September 30, 2019. Our holdings of cash and cash equivalents were Won 2,644 billion as of December 31, 2018 and Won 2,832 billion as of September 30, 2019. Our holdings of other short-term financial assets were Won 8,081 billion as of December 31, 2018 and Won 7,912 billion as of September 30, 2019. On a non-consolidated basis, we had total available credit lines of Won 1,175 billion as of September 30, 2019, none of which was used as of such date. We have not had, and do not believe that we will have, difficulty gaining access to short-term financing sufficient to meet our current requirements.

USE OF PROCEEDS

The net proceeds from the issuance of the Euro-denominated Notes are expected to be approximately €497 million, the net proceeds from the issuance of the 2023 U.S. dollar-denominated Notes are expected to be approximately US\$497 million, and the net proceeds from the issuance of the 2025 U.S. dollar-denominated Notes are expected to be approximately US\$435 million, in each case after deducting underwriting commissions but not estimated expenses of the Offering.

The net proceeds from the 2023 U.S. dollar-denominated Notes and the 2025 U.S. dollar-denominated Notes will be used for refinancing existing indebtedness, capital expenditures and other general corporate purposes.

The net proceeds from the Euro-denominated Notes (“Sustainability Bond Proceeds”) will be allocated toward the financing or refinancing, in whole or in part, of new or existing projects related to (i) electric vehicle batteries, (ii) renewable energy, (iii) employment for the underprivileged, (iv) supporting small- and medium-sized enterprises and (v) financing new business ventures and start-ups (“Eligible Sustainability Bond Projects”) in accordance with the POSCO Sustainable Financing Framework, which is in alignment with the Green Bond Principles 2018, the Social Bond Principles 2018 and the Green Loan Principles 2018 published by the International Capital Markets Association. Under such principles published by the International Capital Markets Association, only the notes allocated exclusively to financing or refinancing “green eligible categories,” “social eligible categories” or a combination of the two categories may be designated as “green bonds,” “social bonds” or “sustainability bonds,” respectively.

Examples of Eligible Sustainability Bond Projects include the following:

- electric vehicle batteries: production of materials and components used for electric vehicle batteries and energy storage, such as lithium hydroxide and lithium carbonate;
- renewable energy: development and generation of energy from renewable sources, such as wind, sunlight, tides and running water, as well as construction of infrastructure for renewable energy, such as transmission lines and substations;
- employment for the underprivileged: training and employing the disabled, the elderly and low-income individuals for various services including office support, information technology and sanitation;
- supporting small- and medium-sized enterprises: providing funds for research and development activities; strengthening sales channels by providing training, workshops and consulting; sharing our patents; providing below-market interest rate loans; and assisting talent recruitment process; and
- financing new business ventures and start-ups: angel investing as well as establishing programs for discovering new business ideas.

Project Evaluation and Selection Process

Under our project evaluation and selection process, Eligible Sustainability Bond Projects will be identified and assessed using the criteria indicated above by our Sustainable Financing Working Group, which is composed of leadership from our finance department, corporate sustainability department, operations department and audit department. The Sustainable Financing Working Group will review and approve the allocation of proceeds on an annual basis.

Management of Proceeds

The Sustainability Bond Proceeds will be deposited in our general funding accounts and earmarked for allocation for Eligible Sustainability Bond Projects. The allocation of the Sustainability

Bond Proceeds will be recorded and monitored by our Sustainable Financing Register. Any balance of the Sustainability Bond Proceeds not yet allocated to Eligible Sustainability Bond Projects will be managed in accordance with our general liquidity management policies and may be invested domestically or internationally in money market instruments with satisfactory credit ratings and market liquidity until allocation to Eligible Sustainability Bond Projects.

Reporting

We will publish Sustainable Financing Reports on an annual basis. Such reports will include allocation information, such as the aggregate amount allocated to Eligible Sustainability Bond Projects, the specifics of such Eligible Sustainability Bond Projects and the remaining balance of unallocated proceeds. The reports will also include the analysis of the environmental and social impacts of the Eligible Sustainability Bond Projects through key performance indicators such as the sales volume of electric vehicle batteries, the amount of renewable energy generated, the amount of greenhouse gas reduced and the number of jobs created.

Sustainalytics, an external consultant, issued an opinion dated April 18, 2018 (the “Second Party Opinion”) regarding the POSCO Sustainable Financing Framework’s alignment with the Green Bond Principles 2018, the Social Bond Principles 2018 and the Green Loan Principles 2018 issued by the International Capital Markets Association. Such opinion and the POSCO Sustainable Financing Framework are publicly available on the following website: <http://www.posco.co.kr/homepage/docs/eng6/jsp/invest/archive/s91b6010070l.jsp>.

CAPITALIZATION

The following table sets forth our capitalization (defined as the sum of long-term debt, excluding current portion, and total equity) as of September 30, 2019 and as adjusted to give effect to the issuance of the Notes, before deducting underwriting commissions and estimated expenses of the Offering payable by us and on the assumption that the proceeds from the issuance of the Notes will not be used for the immediate repayment of outstanding borrowings. For additional information, see “Selected Financial Data” and our consolidated financial statements and related notes included elsewhere in this offering circular. This table should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this offering circular.

	As of September 30, 2019	
	Outstanding	As Adjusted
	(In billions of Won)	
Long-term debt:		
Long-term borrowings, excluding current installments	₩ 11,497	₩ 11,497
Notes offered hereby ⁽¹⁾⁽²⁾	—	1,787
Total long-term debt	₩ 11,497	₩ 13,284
Shareholders' equity:		
Share capital	₩ 482	₩ 482
Capital surplus	1,371	1,371
Hybrid bonds	199	199
Reserves	(1,069)	(1,069)
Treasury shares	(1,508)	(1,508)
Retained earnings	45,281	45,281
Non-controlling interest	3,372	3,372
Total equity	₩ 48,128	₩ 48,128
Total capitalization ⁽³⁾	₩ 59,625	₩ 61,412

- (1) Pursuant to the Financial Accounting Standards of the Republic of Korea, the Notes will be accounted for as long-term debt for purposes of our capitalization.
- (2) Translated into Won amount at the market average exchange rate of Won 1,201.3 to US\$1.00 and Won 1,314.6 to €1.00 on September 30, 2019 as announced by the Seoul Money Brokerage Services, Ltd.
- (3) Sum of long-term debt (excluding current portion) and total equity.

Except for our issuances of (i) US\$500 million 2.375% bonds due November 2022, (ii) Won 610 billion 1.564% bonds due October 2022, (iii) Won 190 billion 1.636% bonds due October 2024 and (iv) Won 200 billion 1.771% bonds due October 2029, there have been no material changes in our capitalization since September 30, 2019.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd., between Won and dollars and rounded down to the nearest tenth of one Won. No representation is made that the Won or dollar amounts referred to herein could have been or could be converted into dollars or Won, as the case may be, at any particular rate or at all.

Period	At End of Period	Average Rate ⁽¹⁾	High	Low
		(Won per US\$1.00)		
2015	₩ 1,172.0	₩ 1,131.5	₩ 1,203.1	₩ 1,068.1
2016	1,208.5	1,160.5	1,240.9	1,093.2
2017	1,071.4	1,130.8	1,208.5	1,071.4
2018	1,118.1	1,100.3	1,142.5	1,057.6
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020 (through January 6)	1,162.7	1,159.2	1,162.7	1,156.9
January (through January 6)	1,162.7	1,159.2	1,162.7	1,156.9

Source: Seoul Money Brokerage Services, Ltd.

(1) The average rate for the period is calculated as the average of the market average exchange rates on each business day during the relevant period.

DESCRIPTION OF THE EURO-DENOMINATED NOTES

The Euro-denominated Notes will be issued under a fiscal agency agreement to be dated as of January 17, 2020 (the “Euro Fiscal Agency Agreement”), between the Company and Citibank, N.A., London Branch, as fiscal agent (the “Fiscal Agent”), paying agent, transfer agent and registrar. The following summaries of certain provisions of the Euro-denominated Notes and the Euro Fiscal Agency Agreement do not purport to be complete and are qualified in their entirety by reference to the provisions of the Euro-denominated Notes and the Euro Fiscal Agency Agreement.

General

The Euro-denominated Notes will be issued in an initial aggregate principal amount of EUR500,000,000 and will mature on January 17, 2024. The Euro-denominated Notes are the direct, unconditional, unsecured and unsubordinated general obligations of the Company. The Euro-denominated Notes will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or otherwise, and at least equally with all other outstanding unsecured and unsubordinated general obligations of the Company (subject to certain statutory exceptions under the laws of the Republic of Korea).

The Euro-denominated Notes will bear interest at the rate of 0.500% per annum from and including January 17, 2020, payable in arrears on January 17 of each year, commencing January 17, 2021, to the holders of record (“Holders”) as of the close of business on the fifteenth day preceding such interest payment date. Interest on the Euro-denominated Notes will be calculated on the basis of the Actual/Actual (ICMA) business day convention. In any case where the date for the payment of any principal or interest on any Note is not a day on which banking institutions at any place of payment, including London and the Trans-European Automated Real Time Gross Settlement Express Transfer System, are open for business (a “Business Day”), then payment of such principal or interest need not be made on such date at such place of payment but may be made on the next succeeding day at such place of payment which is a Business Day with the same force and effect as if made on the date for such payment of principal or interest, and no interest shall accrue for the period after such date.

The Euro-denominated Notes may be redeemed at the option of the Company in whole, but not in part, at any time prior to maturity under the circumstances described under “— Optional Tax Redemption.” The Euro-denominated Notes do not have the benefit of any sinking fund.

Payments

Payments of interest and principal of the Euro-denominated Notes will be made in such coin or currency of the member states of the European Union that adopted the single currency pursuant to the Treaty on the Functioning of the European Union on a bank that processes payments in Euros, by wire transfer to a bank account designated by such Holder in writing (such designation to be signed by two authorized officers of such Holder if it is not an individual) to the Fiscal Agent at least ten days prior to the relevant payment date.

Book-Entry System and Form of Notes

Upon issuance, the Euro-denominated Notes are expected to be represented by Global Notes in fully registered form. The Global Notes will be deposited with or on behalf of a common depositary for Euroclear and Clearstream (the “Common Depositary”) and registered in the name of a nominee of the Common Depositary. A Global Note may not be transferred except as a whole by the Common Depositary to a nominee of the Common Depositary or by a nominee of the Common Depositary to the Common Depositary or another nominee of the Common Depositary or by the Common Depositary or any such nominee to a successor of or a nominee of such successor.

Upon the issuance of the Global Notes, the Common Depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of the Euro-denominated Notes represented by such Global Notes to the accounts of persons that have accounts with Euroclear and Clearstream (“participants”). The accounts to be initially credited shall be designated by the Initial Purchasers participating in the initial offer and sale of the Euro-denominated Notes. Ownership of beneficial interests in the Global Notes will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Common Depositary for such Global Notes (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants).

The Common Depositary or their nominee, as the case may be, as registered Holder of the Global Notes will be considered the sole owner or holder of the Euro-denominated Notes represented by each Global Note for all purposes under the Euro-denominated Notes and the Euro Fiscal Agency Agreement.

Principal and interest payments on Euro-denominated Notes represented by the Global Notes registered in the name of the Common Depositary or their nominee will be made to the Common Depositary or their nominee, as the case may be, as the registered owner of such Global Notes. None of the Company, the Fiscal Agent or any paying agent for such Euro-denominated Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the Common Depositary, upon receipt of any payment of principal or interest, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Notes as shown on the records of the Common Depositary. The Company also expects that payments by participants to owners of beneficial interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the account of customers registered in “street names,” and will be the responsibility of such participants.

If (i) both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so, or (ii) the Euro-denominated Notes have become immediately due and payable pursuant to the Euro Fiscal Agency Agreement, the Company will issue Euro-denominated Notes in definitive registered form in exchange for the Global Notes representing such Euro-denominated Notes. The Euro-denominated Notes will be issued only in fully registered form without coupons in denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof. If the Euro-denominated Notes are issued in definitive registered form, the Company will make payments of principal of and interest on the Euro-denominated Notes, and transfers and exchanges of the Euro-denominated Notes will be affected, subject to the terms of the Euro Fiscal Agency Agreement and the Euro-denominated Notes (without any service charge) upon surrender of the Euro-denominated Notes at the offices of the Fiscal Agent.

Same-Day Settlement

Initial settlement for the Euro-denominated Notes will be made in same-day funds.

Restrictions on Transfer

The Euro-denominated Notes may not be sold or otherwise transferred except in accordance with the restrictions described under “Transfer Restrictions.”

Meetings of Holders; Modification and Amendment

The Company may at any time, and the Fiscal Agent shall at any time after the Euro-denominated Notes shall have become immediately due and payable due to a default upon a request in writing made by Holders holding not less than 10% of the aggregate outstanding principal amount of the Euro-denominated Notes, convene a meeting of the Holders. At a meeting of the Holders, persons entitled to vote a majority in aggregate principal amount of the Euro-denominated Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Euro-denominated Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. Any resolution at a meeting of the Holders to modify or amend, or to waive compliance with, any of the covenants or conditions (other than those set forth below as requiring the consent of each Holder of a Note affected thereby) shall be effectively passed if passed by the lesser of (i) a majority in aggregate principal amount of Euro-denominated Notes then outstanding or (ii) 75% in aggregate principal amount of the Euro-denominated Notes represented and voting at the meeting.

Modifications and amendments to the Euro Fiscal Agency Agreement or the Euro-denominated Notes requiring consent of Holders may be made, and future compliance therewith or past defaults by the Company may be waived, with the consent of the Company and the Holders of more than 50% in aggregate principal amount of the Euro-denominated Notes at the time outstanding, or of such lesser percentage as may act at a meeting of the Holders held in accordance with the provisions of the Euro Fiscal Agency Agreement; *provided* that no such modification, amendment or waiver of the Euro Fiscal Agency Agreement or any Note may, without the consent of each Holder affected thereby, (i) change the stated maturity of the principal of, or the date for the payment of interest on, any such Note; (ii) reduce the principal of or interest on any such Note; (iii) change the currency of payment of the principal of or interest on any such Note; or (iv) reduce the above-stated percentage of aggregate principal amount of Euro-denominated Notes outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action.

The Euro Fiscal Agency Agreement and the terms and conditions of the Euro-denominated Notes may be modified, supplemented or amended, without the consent of the Holders, for the purposes of (i) adding to the covenants of the Company for the benefit of such Holders, (ii) surrendering any right or power conferred upon the Company, (iii) securing the Euro-denominated Notes, (iv) curing any ambiguity or correcting or supplementing any defective provision contained in the Euro Fiscal Agency Agreement or the Euro-denominated Notes, (v) implementing the provisions described under “— Meetings of Holders; Modification and Amendment” herein, (vi) evidencing and providing for the acceptance of appointment of a successor Fiscal Agent with respect to the Euro-denominated Notes and to add to or change any provisions of the Euro Fiscal Agency Agreement that shall be necessary to provide for or facilitate the administration of the trusts by more than one Fiscal Agent or (vii) in any other manner which the Company may deem necessary or desirable, *provided* that such action, in the opinion of the Company, shall not adversely affect in any material respect the interests of the Holders of such Euro-denominated Notes at the time outstanding. In all other cases, any amendment of the Euro Fiscal Agency Agreement will require the consent of the Holders pursuant to a resolution of the Holders adopted in accordance with the provisions of the Euro Fiscal Agency Agreement. Any determination as to material adverse effect with respect to the interest of Holders pursuant to in this paragraph will be made by the Company, and the Fiscal Agent shall not have any responsibility or liability whatsoever with respect to such determination. Any modification shall be binding on the Holders and any modification shall be notified by the Company to the Holders as soon as reasonably practicable thereafter in accordance with the provisions of the Euro Fiscal Agency Agreement.

Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all Holders whether or not they have given such consent or were present at such meeting, and on all future Holders whether or not notation of such modifications, amendments or waivers is made upon the Euro-denominated Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

Certain Covenants

Limitation on Liens

So long as any of the Euro-denominated Notes are outstanding, the Company will not itself, and will not permit any Material Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any mortgage, charge, pledge, encumbrance or other security interest (a "Lien") on any Principal Property without in any such case effectively providing that the Euro-denominated Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Material Subsidiary then existing or thereafter created) shall be secured equally and ratably with or prior to such secured External Indebtedness, so long as such secured External Indebtedness shall be so secured, unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness then outstanding *plus* Attributable Debt of the Company and its Material Subsidiaries in respect of Sale/Leaseback Transactions as described under "— Limitation on Sale and Leaseback Transactions" below (other than such Sale/Leaseback Transactions permitted under clause (b) of the covenant described in such section) would not exceed an amount equal to 15% of Consolidated Net Tangible Assets.

The foregoing restriction will not apply to External Indebtedness secured by:

- (i) any Lien existing on any Principal Property prior to the acquisition thereof by the Company or any of its Material Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (ii) any Lien on any Principal Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such Principal Property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;
- (iii) any Lien existing on any Principal Property of any Material Subsidiary prior to the time such Material Subsidiary becomes a Subsidiary of the Company or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;
- (iv) any Lien securing External Indebtedness owing to the Company or to a Subsidiary; or
- (v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing as of the date of the Euro Fiscal Agency Agreement, provided that such External Indebtedness is not increased and is not secured by any additional Principal Property.

For the purposes of the covenants described hereunder and under "— Limitation on Sale and Leaseback Transactions" below, the giving of a guarantee which is secured by a Lien on a Principal Property, and the creation of a Lien on a Principal Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Principal Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

Limitation on Sale and Leaseback Transactions

So long as any of the Euro-denominated Notes are outstanding, the Company will not itself, and will not permit any Material Subsidiary to, enter into any Sale/Leaseback Transaction after the date of the Euro Fiscal Agency Agreement (other than such Sale/Leaseback Transactions permitted under clause (b) below), unless either:

- (a) the Attributable Debt of the Company and its Material Subsidiaries in respect of such Sale/Leaseback Transaction and all other Sale/Leaseback Transactions entered into after the date of the Euro Fiscal Agency Agreement (other than such Sale/Leaseback Transactions permitted under clause (b) below) plus the aggregate principal amount of External Indebtedness secured by Liens on Principal Properties then outstanding (excluding any such External Indebtedness secured by Liens described in clauses (i) through (v) under “— Limitation on Liens” above or existing on the date of the Euro Fiscal Agency Agreement) without equally and ratably securing the Euro-denominated Notes, would not exceed 15% of Consolidated Net Tangible Assets; or
- (b) the Company, within 12 months after such Sale/Leaseback Transaction, applies or causes a Material Subsidiary, as the case may be, to apply an amount equal to the net proceeds of such sale or transfer of the Principal Property which is the subject of such Sale/Leaseback Transaction, to the retirement of External Indebtedness of the Company or a Material Subsidiary, as the case may be, which is not subordinate to the Euro-denominated Notes; provided that the amount to be so applied shall be reduced by (i) the principal amount of Euro-denominated Notes delivered within 12 months after such Sale/Leaseback Transaction to the Fiscal Agent for retirement and cancellation, and (ii) the principal amount of External Indebtedness of the Company or a Material Subsidiary, other than the Euro-denominated Notes, voluntarily retired by the Company or a Material Subsidiary within 12 months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this clause (b) may be effected by payment at maturity or pursuant to any mandatory prepayment provision.

Notwithstanding the foregoing, where the Company or any Material Subsidiary is the lessee in any Sale/Leaseback Transaction, Attributable Debt shall not include any External Indebtedness resulting from the guarantee by the Company or any other Material Subsidiary of the lessee's obligation in such Sale/Leaseback Transaction. The foregoing restrictions shall not apply to any transaction between the Company and a Subsidiary or between a Material Subsidiary and a Subsidiary.

Certain Definitions

All accounting terms used in the Euro Fiscal Agency Agreement and the Euro-denominated Notes and not expressly defined shall have the meanings given to them in accordance with Korean IFRS, and the term “Korean IFRS” shall mean the International Financial Reporting Standards as adopted by the Republic at the date or time of any computation.

“Attributable Debt” means, with respect to any Sale/Leaseback Transaction, the lesser of:

- (i) the fair market value of the Principal Property subject to the Sale/Leaseback Transaction; and
- (ii) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with Korean IFRS) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges) during the term of the lease.

“*Consolidated Net Tangible Assets*” means, at any date, the total amount of assets of the Company and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom:

- (i) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible at the option of the Company);
- (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets; and
- (iii) all write-ups of fixed assets, net of accumulated depreciation thereon, after December 31, 2018, other than as permitted under the Asset Revaluation Law, or successor law, of the Republic, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with Korean IFRS.

“*External Indebtedness*” means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of the Republic and which has a final maturity of one year or more from its date of incurrence or issuance.

“*Long-term Debt*” means any note, bond, debenture or other similar indebtedness for money borrowed having a maturity of more than one year from the date such indebtedness was incurred or having a maturity of less than or equal to one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such indebtedness was incurred.

“*Material Subsidiary*” means any Subsidiary that owns a Principal Property.

“*person*” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*Principal Property*” means:

- (i) Pohang Works, Gwangyang Works and any other steel producing or processing facility located in the Republic, whether at the date of the Euro Fiscal Agency Agreement owned or thereafter acquired, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, reasonably determined by the Company’s Board of Directors not to be of material importance to the total business conducted by the Company and its Subsidiaries as a whole; and
- (ii) any share of common or participating preferred stock of a Material Subsidiary.

“*Sale/Leaseback Transaction*” means any arrangement with any person which provides for the leasing by the Company or any Material Subsidiary, for an initial term of three years or more, of any Principal Property, whether now owned or hereafter acquired, which is to be sold or transferred by the Company or any Material Subsidiary after the date of the Euro Fiscal Agency Agreement to such person for a sale price of US\$30,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the currency of the Republic.

“*Subsidiary*” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

Provision of Information to Holders

The Company covenants that for so long as the Euro-denominated Notes are “restricted securities” within the meaning of Rule 144 under the Securities Act, the Company will, at any time

when it is not subject to either the periodic reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Holder or prospective purchaser of Euro-denominated Notes designated by such Holder, upon the request of such Holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Events of Default

The term “Event of Default” wherever used in the Euro Fiscal Agency Agreement with respect to the Euro-denominated Notes means any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) which shall have occurred and be continuing:

- (a) default in the payment of any installment of interest upon any of the Euro-denominated Notes when it becomes due and payable, and continuance of such default for a period of 30 days; or
- (b) default in the payment of all or any part of the principal of (or premium, if any, on) any of the Euro-denominated Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or
- (c) default in the performance, or breach, of the covenants or agreements on the part of the Company contained in the Euro-denominated Notes or in the Euro Fiscal Agency Agreement, and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company at the office of the Fiscal Agent by the Holders of at least 10% in aggregate principal amount of the Euro-denominated Notes at the time outstanding a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Euro-denominated Notes; or
- (d) any External Indebtedness of the Company in the aggregate outstanding principal amount of US\$30,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of External Indebtedness of any other person not being honored when, and remaining dishonored after becoming, due and called; provided that, in the case of (i) above, if any such default under any such External Indebtedness shall be cured or waived, then the default under the Euro-denominated Notes by reason thereof shall be deemed to have been cured and waived; or
- (e) the entry of a decree or order for relief in respect of the Company by a court having jurisdiction in the premises in an involuntary case under any applicable bankruptcy, insolvency, rehabilitation or other similar law in effect on the date of the Euro-denominated Notes or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or
- (f) the commencement by the Company of a voluntary case under any applicable bankruptcy, insolvency, rehabilitation or other similar law in effect on the date of the Euro-denominated Notes or thereafter, or the consent by the Company to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of

any substantial part of its property, or the mailing by the Company of an assignment for the benefit of its creditors, or the admission by the Company in writing of inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action.

If an Event of Default with respect to the Euro-denominated Notes occurs and is continuing, the Holders of not less than 25% in aggregate principal amount of the Euro-denominated Notes then outstanding may declare the principal amount of and all accrued but unpaid interest on all the Euro-denominated Notes to be due and payable immediately, by a notice in writing to the Company at the office of the Fiscal Agent, and upon such declaration any such principal amount and interest shall become immediately due and payable. Upon such declaration, the Fiscal Agent shall give notice thereof to the Company and to the Holders, by mail and publication. If, after any such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Company pays or deposits with the Fiscal Agent all amounts then due with respect to the Euro-denominated Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Euro-denominated Notes, such defaults may be waived and such declaration may be annulled and rescinded by the Holders of more than 50% in aggregate outstanding principal amount of the Euro-denominated Notes by written notice thereof to the Company at the office of the Fiscal Agent.

Consolidation, Merger and Sale of Assets

The Company, without the consent of the Holders of any of the Euro-denominated Notes, may consolidate with, or merge into, or sell, transfer, lease or convey its assets as an entirety or substantially as an entirety to any corporation organized under the laws of the Republic; *provided that* (a) any successor corporation expressly assumes the Company's obligations under the Euro-denominated Notes and the Euro Fiscal Agency Agreement, (b) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (c) if, as a result of such transaction, the Company or any successor corporation becomes subject to a Lien which would not be permitted by the Euro-denominated Notes, such steps shall have been taken as are necessary to secure the Euro-denominated Notes equally and ratably with (or prior to) all indebtedness secured thereby, and (d) certain other conditions as per the Euro Fiscal Agency Agreement are satisfied.

Defeasance and Discharge

The Euro Fiscal Agency Agreement provides that the Company need not comply with certain covenants ("covenant defeasance") of the Euro-denominated Notes (including those described under "— Certain Covenants — Limitation on Liens" and "— Certain Covenants — Limitation on Sale and Leaseback Transactions"), if:

- (i) the Company irrevocably deposits, in trust with a trustee (which may be the Fiscal Agent) for the benefit of the Holders, cash in Euros in an amount sufficient to pay all the principal of, and interest on, the Euro-denominated Notes on the dates such payments are due in accordance with the terms of such Euro-denominated Notes;
- (ii) no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default with respect to the Euro-denominated Notes shall have occurred and be continuing on the date of such deposit;
- (iii) the Company delivers to such trustee an opinion of counsel in the United States reasonably acceptable to such trustee to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the exercise of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the

same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

- (iv) the Company delivers to such trustee an opinion of counsel in the Republic to the effect that such deposit and related covenant defeasance will not cause the Holders, other than the Holders (x) who are or who are deemed to be residents of the Republic or (y) who use or hold or are deemed to use or hold their Euro-denominated Notes in carrying on a business in the Republic, to recognize income, gain or loss for Korean income tax purposes, and to the effect that payments out of the trust fund will be free and exempt from any and all withholding and other income taxes of whatever nature of the Republic or any province or political subdivision thereof or therein having power to tax, except in the case of Euro-denominated Notes beneficially owned (x) by a person who is or is deemed to be a resident of the Republic or (y) by a person who uses or holds or is deemed to use or hold such Euro-denominated Notes in carrying on a business in the Republic; and
- (v) the Company delivers to such trustee a certificate executed by a duly authorized officer of the Company and an opinion of counsel, each stating that all conditions precedent provided for relating to the covenant defeasance have been complied with.

Additional Amounts

All payments of principal of and interest on the Euro-denominated Notes shall be made by the Company without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic or by or within any political subdivision thereof or any authority therein having power to tax ("Korean Tax"), unless deduction or withholding of such Korean Tax is required by law. In the event that the deduction or withholding of Korean Tax is required by law, the Company will pay such additional amounts ("Additional Amounts") as will result in the payment to the Holder of the amounts which would otherwise have been receivable in respect of principal and interest in the absence of such deduction or withholding, except that no such Additional Amount shall be payable in respect of the Euro-denominated Notes:

- (a) to or on behalf of a Holder who is subject to such Korean Tax in respect of such Note by reason of such Holder being or having been connected with the Republic (or any political subdivision thereof) otherwise than merely by holding such Note or receiving principal or interest in respect thereof; or
- (b) to or on behalf of a Holder who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Company to make such a declaration or claim, such Holder fails to do so within 30 days; or
- (c) to or on behalf of a Holder who presents a Note (where presentation is required) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting a Note for payment on the last day of such 30-day period; for this purpose the "Relevant Date" in relation to any payments of interest on, or principal of, any Note means: (i) the due date for payment thereof; or (ii) if the full amount of the monies payable on such date has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with the Euro Fiscal Agency Agreement; or
- (d) to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such

fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Euro-denominated Note; or

(e) any combination of (a), (b), (c) or (d) above.

The obligation of the Company to pay such Additional Amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (ii) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal or interest on the Euro-denominated Notes; *provided that*, except as otherwise set forth in the Euro-denominated Notes and in the Euro Fiscal Agency Agreement, the Company shall pay all stamp and other taxes and duties, if any, which may be imposed by the Republic, the United States, or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Euro Fiscal Agency Agreement or as a consequence of the initial issuance of the Euro-denominated Notes.

References to principal or interest in respect of the Euro-denominated Notes shall be deemed also to refer to any Additional Amounts which may be payable as set forth in the Euro-denominated Note.

Optional Tax Redemption

The Euro-denominated Notes may be redeemed at the option of the Company, in whole, but not in part, upon not less than 30 nor more than 60 days' notice, at any time at a redemption price equal to the principal amount thereof plus accrued interest to (but excluding) the date fixed for redemption if, as a result of any change in, expiration of or amendment to the laws of the Republic (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Republic (or such political subdivision or taxing authority) is a party, which change, amendment, expiration or treaty becomes effective on or after January 13, 2020, the Company is or would be obligated on the next succeeding due date for a payment with respect to the Euro-denominated Notes to pay Additional Amounts with respect to the Euro-denominated Notes, and such obligation cannot be avoided by the use of reasonable measures available to the Company; *provided, however*, that (i) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Company would be obligated to pay such Additional Amounts, and (ii) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Before giving any notice of such redemption, the Company shall deliver to the Fiscal Agent a certificate of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred.

Purchase of Notes

The Company may at any time purchase Euro-denominated Notes by tender (available to all Holders alike) or in the open market at any price. If the Company shall acquire any Euro-denominated Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Euro-denominated Notes unless and until such Euro-denominated Notes are delivered to the Fiscal Agent for cancelation and are canceled and retired by the Fiscal Agent. Euro-denominated Notes purchased or otherwise acquired by the Company may be held, resold or, at its discretion, surrendered to the Fiscal Agent for cancelation.

Fiscal Agent

The Fiscal Agent may resign at any time or may be removed by the Company. If the Fiscal Agent resigns, is removed or becomes incapable of acting as Fiscal Agent or if a vacancy occurs in the office of the Fiscal Agent for any cause, a successor Fiscal Agent shall be appointed in accordance with the provisions of the Euro Fiscal Agency Agreement.

The address of the relevant corporate trust office of the Fiscal Agent is Citibank, N.A., London Branch, 1 North Wall Quay, Dublin 1, Ireland.

Paying and Transfer Agents

The Fiscal Agent will serve as the initial paying agent and transfer agent (together with any additional paying agent and transfer agent, the “Paying and Transfer Agents”). The Paying and Transfer Agents may resign at anytime or may be removed by the Company. If any of the Paying and Transfer Agents is removed or becomes incapable of acting as a Paying and Transfer Agent or if a vacancy occurs in the office of any of the Paying and Transfer Agents for any cause, a successor Paying and Transfer Agent will be appointed in accordance with the provisions of the Euro Fiscal Agency Agreement.

For so long as the Euro-denominated Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Global Note is exchanged for definitive Euro-denominated Notes, the Company will appoint and maintain a paying agent in Singapore, where the Euro-denominated Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Euro-denominated Notes, an announcement of such exchange will be made by or on behalf of the Company through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Euro-denominated Notes, including details of the paying agent in Singapore.

Further Issues

Subject to the lock-up provisions, the Company may from time to time, without the consent of the existing Holders, create and issue further notes to the extent permitted under the applicable laws, having the same terms and conditions as the Euro-denominated Notes in all respects except for issue date and/or issue price; provided, however, that such additional notes shall be issued under a separate ISIN and Common Code unless the additional notes are issued pursuant to a “qualified reopening” of the Euro-denominated Notes, are otherwise treated as part of the same “issue” of debt instruments as the Euro-denominated Notes or are issued with no more than a *de minimis* amount of original issue discount, in each case for U.S. federal income tax purposes. Additional notes issued in this manner (other than additional notes issued under a separate ISIN or Common Code) may be consolidated with and form a single series with the Euro-denominated Notes outstanding at the time of such further issuance.

Notices

Except as otherwise expressly provided in the Euro Fiscal Agency Agreement, whenever the Euro Fiscal Agency Agreement or the Euro-denominated Notes require that the Company or the Fiscal Agent give notice to the Holders, the Company or the Fiscal Agent will cause such notice to be mailed to the Holders (at the expense of the Company) at their respective addresses as they appear on the Note Register (as defined in the Euro Fiscal Agency Agreement) of the Company.

Governing Law and Jurisdiction

The Euro Fiscal Agency Agreement and the Euro-denominated Notes will be governed by, and interpreted in accordance with, the laws of the State of New York.

The Company has consented to the jurisdiction of the state and federal courts in the Borough of Manhattan, the State and City of New York, United States of America with respect to any action that may be brought in connection with the Euro Fiscal Agency Agreement or the Euro-denominated Notes (except actions arising under the United States federal securities laws) and has appointed POSCO America Corp. at 6456 E. Johns Crossing, Suite 200, Johns Creek, GA 30097, as its authorized agent upon whom process may be served in any such action.

Foreign Exchange Controls

Korean law does not limit the right of non-Koreans to hold Euro-denominated Notes outside of the Republic. In order for the Company to issue the Euro-denominated Notes outside of the Republic, the Company is required to file a report with the Ministry of Economy and Finance through a designated foreign exchange bank for the issuance of the Euro-denominated Notes. Such report must be obtained prior to the offer and sale of the Euro-denominated Notes. Furthermore, in order for the Company to make payments of principal of or interest on the Euro-denominated Notes and other amounts as provided in the Euro Fiscal Agency Agreement and the Euro-denominated Notes, the Company is required to submit the relevant documents to a foreign exchange bank at the time of each actual payment. The purpose of this submission is to enable such foreign exchange bank to verify that the amount being remitted conforms to the amount required to be paid under the relevant documents and that any necessary requirement under the Foreign Exchange Transaction Act of Korea has been met. Under the Foreign Exchange Transaction Act of Korea, if the Government determines that intervention is unavoidable due to certain emergency circumstances such as natural disasters or sudden and severe adverse changes in domestic and foreign economic conditions, it may temporarily suspend payments, receipts or foreign exchange or impose other necessary restrictions. Furthermore, if the Government deems that extreme difficulty in stabilizing the balance of payments, substantial disturbance in international capital markets or other analogous condition is likely to occur, it may require the participants of capital transactions to comply with certain obligations including, but not limited to, an obligation to obtain prior approval from the relevant Korean authority.

DESCRIPTION OF THE U.S. DOLLAR-DENOMINATED NOTES

The 2023 U.S. dollar-denominated Notes will be issued under a fiscal agency agreement to be dated as of January 17, 2020 (the “2023 US\$ Fiscal Agency Agreement”), between the Company and the Fiscal Agent and the 2025 U.S. dollar-denominated Notes will be issued under a fiscal agency agreement to be dated as of January 17, 2020 (the “2025 US\$ Fiscal Agency Agreement” and together with the 2023 US\$ Fiscal Agency Agreement, the “US\$ Fiscal Agency Agreements”), between the Company and the Fiscal Agent. The following summaries of certain provisions of the U.S. dollar-denominated Notes and the US\$ Fiscal Agency Agreements do not purport to be complete and are qualified in their entirety by reference to the provisions of the U.S. dollar-denominated Notes and the US\$ Fiscal Agency Agreements.

General

The 2023 U.S. dollar-denominated Notes will be issued in an initial aggregate principal amount of US\$500,000,000 and will mature on January 17, 2023. The 2025 U.S. dollar-denominated Notes will be issued in an initial aggregate principal amount of US\$440,000,000 and will mature on January 17, 2025. The U.S. dollar-denominated Notes are the direct, unconditional, unsecured and unsubordinated general obligations of the Company. Each of the U.S. dollar-denominated Notes will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or otherwise, and at least equally with all other outstanding unsecured and unsubordinated general obligations of the Company (subject to certain statutory exceptions under the laws of the Republic of Korea).

The 2023 U.S. dollar-denominated Notes will bear interest at the rate of 2.375% per annum and the 2025 U.S. dollar-denominated Notes will bear interest at the rate of 2.500% per annum from and including January 17, 2020. Interest on each of the U.S. dollar-denominated Notes will be payable semi-annually in arrears on January 17 and July 17 of each year, commencing July 17, 2020, to the holders of record (“Holders”) as of the close of business on the fifteenth day preceding such interest payment date. Interest on the U.S. dollar-denominated Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. In any case where the date for the payment of any principal or interest on any Note is not a day on which banking institutions at any place of payment, including New York and London, are open for business (a “Business Day”), then payment of such principal or interest need not be made on such date at such place of payment but may be made on the next succeeding day at such place of payment which is a Business Day with the same force and effect as if made on the date for such payment of principal or interest, and no interest shall accrue for the period after such date.

The U.S. dollar-denominated Notes may be redeemed at the option of the Company in whole, but not in part, at any time prior to maturity under the circumstances described under “— Optional Tax Redemption.” The U.S. dollar-denominated Notes do not have the benefit of any sinking fund.

Payments

Payments of interest and principal of the U.S. dollar-denominated Notes will be made in such coin or currency of the United States of America on a bank that processes payments in Dollars, by wire transfer to a bank account designated by such Holder in writing (such designation to be signed by two authorized officers of such Holder if it is not an individual) to the Fiscal Agent at least ten days prior to the relevant payment date.

Book-Entry System and Form of Notes

Upon issuance, the U.S. dollar-denominated Notes are expected to be represented by Global Notes in fully registered form. The Global Notes will be deposited with or on behalf of DTC and registered in the name of a nominee of DTC. A Global Note may not be transferred except as a whole

by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of or a nominee of such successor.

Upon the issuance of the Global Notes, DTC will credit, on its book-entry registration and transfer system, the respective principal amounts of the U.S. dollar-denominated Notes represented by such Global Notes to the accounts of persons that have accounts with DTC (“participants”), including depositaries for Euroclear and Clearstream. The accounts to be initially credited shall be designated by the Initial Purchasers participating in the initial offer and sale of the U.S. dollar-denominated Notes. Ownership of beneficial interests in the Global Notes will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC for such Global Notes (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants).

DTC or its nominee, as the case may be, as registered Holder of the Global Notes will be considered the sole owner or holder of the U.S. dollar-denominated Notes represented by each Global Note for all purposes under the U.S. dollar-denominated Notes and the US\$ Fiscal Agency Agreements.

Principal and interest payments on U.S. dollar-denominated Notes represented by the Global Notes registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of such Global Notes. None of the Company, the Fiscal Agent or any paying agent for such U.S. dollar-denominated Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC, upon receipt of any payment of principal or interest, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Notes as shown on the records of DTC. The Company also expects that payments by participants to owners of beneficial interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the account of customers registered in “street names”, and will be the responsibility of such participants.

If (i) at any time DTC notifies the Company in writing that it is unwilling or unable to continue as depositary or ceases to be a “clearing agency” under the Exchange Act, and a successor depositary is not appointed by the Company within 90 days after the Company is notified by DTC or becomes aware of such condition, or (ii) the U.S. dollar-denominated Notes have become immediately due and payable pursuant to the US\$ Fiscal Agency Agreements, the Company will issue U.S. dollar-denominated Notes in definitive registered form in exchange for the Global Notes representing such U.S. dollar-denominated Notes. The U.S. dollar-denominated Notes will be issued only in fully registered form without coupons in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. If the U.S. dollar-denominated Notes are issued in definitive registered form, the Company will make payments of principal of and interest on the U.S. dollar-denominated Notes, and transfers and exchanges of the U.S. dollar-denominated Notes will be affected, subject to the terms of the US\$ Fiscal Agency Agreements and the U.S. dollar-denominated Notes (without any service charge) upon surrender of the U.S. dollar-denominated Notes at the offices of the Fiscal Agent.

Same-Day Settlement

Initial settlement for the U.S. dollar-denominated Notes will be made in same-day funds.

Restrictions on Transfer

The U.S. dollar-denominated Notes may not be sold or otherwise transferred except in accordance with the restrictions described under “Transfer Restrictions.”

Meetings of Holders; Modification and Amendment

The Company may at any time, and the Fiscal Agent shall at any time after the U.S. dollar-denominated Notes shall have become immediately due and payable due to a default upon a request in writing made by Holders holding not less than 10% of the aggregate outstanding principal amount of the respective U.S. dollar-denominated Notes, convene a meeting of the Holders. At a meeting of the Holders, persons entitled to vote a majority in aggregate principal amount of the respective U.S. dollar-denominated Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the respective U.S. dollar-denominated Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. Any resolution at a meeting of the Holders to modify or amend, or to waive compliance with, any of the covenants or conditions (other than those set forth below as requiring the consent of each Holder of a Note affected thereby) shall be effectively passed if passed by the lesser of (i) a majority in aggregate principal amount of respective U.S. dollar-denominated Notes then outstanding or (ii) 75% in aggregate principal amount of the respective U.S. dollar-denominated Notes represented and voting at the meeting.

Modifications and amendments to the US\$ Fiscal Agency Agreements or the U.S. dollar-denominated Notes requiring consent of Holders may be made, and future compliance therewith or past defaults by the Company may be waived, with the consent of the Company and the Holders of more than 50% in aggregate principal amount of the respective U.S. dollar-denominated Notes at the time outstanding, or of such lesser percentage as may act at a meeting of the Holders held in accordance with the provisions of the US\$ Fiscal Agency Agreements; *provided* that no such modification, amendment or waiver of the US\$ Fiscal Agency Agreements or any Note may, without the consent of each Holder affected thereby, (i) change the stated maturity of the principal of, or the date for the payment of interest on, any such Note; (ii) reduce the principal of or interest on any such Note; (iii) change the currency of payment of the principal of or interest on any such Note; or (iv) reduce the above-stated percentage of aggregate principal amount of respective U.S. dollar-denominated Notes outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action.

The US\$ Fiscal Agency Agreements and the terms and conditions of the U.S. dollar-denominated Notes may be modified, supplemented or amended, without the consent of the Holders, for the purposes of (i) adding to the covenants of the Company for the benefit of such Holders, (ii) surrendering any right or power conferred upon the Company, (iii) securing the U.S. dollar-denominated Notes, (iv) curing any ambiguity or correcting or supplementing any defective provision contained in the US\$ Fiscal Agency Agreements or the U.S. dollar-denominated Notes, (v) implementing the provisions described under “— Meetings of Holders; Modification and Amendment” herein, (vi) evidencing and providing for the acceptance of appointment of a successor Fiscal Agent with respect to the U.S. dollar-denominated Notes and to add to or change any provisions of the US\$ Fiscal Agency Agreements that shall be necessary to provide for or facilitate the administration of the trusts by more than one Fiscal Agent or (vii) in any other manner which the Company may deem necessary or desirable, *provided* that such action, in the opinion of the Company, shall not adversely affect in any material respect the interests of the Holders of such U.S. dollar-denominated Notes at the time outstanding. In all other cases, any amendment of the US\$ Fiscal Agency Agreements will require the consent of the Holders pursuant to a resolution of the Holders

adopted in accordance with the provisions of the US\$ Fiscal Agency Agreements. Any determination as to material adverse effect with respect to the interest of Holders pursuant to in this paragraph will be made by the Company, and the Fiscal Agent shall not have any responsibility or liability whatsoever with respect to such determination. Any modification shall be binding on the Holders and any modification shall be notified by the Company to the Holders as soon as reasonably practicable thereafter in accordance with the provisions of the US\$ Fiscal Agency Agreements.

Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all Holders whether or not they have given such consent or were present at such meeting, and on all future Holders whether or not notation of such modifications, amendments or waivers is made upon the U.S. dollar-denominated Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

Certain Covenants

Limitation on Liens

So long as any of the U.S. dollar-denominated Notes are outstanding, the Company will not itself, and will not permit any Material Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any mortgage, charge, pledge, encumbrance or other security interest (a "Lien") on any Principal Property without in any such case effectively providing that the U.S. dollar-denominated Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Material Subsidiary then existing or thereafter created) shall be secured equally and ratably with or prior to such secured External Indebtedness, so long as such secured External Indebtedness shall be so secured, unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness then outstanding *plus* Attributable Debt of the Company and its Material Subsidiaries in respect of Sale/Leaseback Transactions as described under "— Limitation on Sale and Leaseback Transactions" below (other than such Sale/Leaseback Transactions permitted under clause (b) of the covenant described in such section) would not exceed an amount equal to 15% of Consolidated Net Tangible Assets.

The foregoing restriction will not apply to External Indebtedness secured by:

- (i) any Lien existing on any Principal Property prior to the acquisition thereof by the Company or any of its Material Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (ii) any Lien on any Principal Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such Principal Property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;
- (iii) any Lien existing on any Principal Property of any Material Subsidiary prior to the time such Material Subsidiary becomes a Subsidiary of the Company or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;
- (iv) any Lien securing External Indebtedness owing to the Company or to a Subsidiary; or
- (v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing as of the date of the US\$ Fiscal Agency Agreements, provided that such External Indebtedness is not increased and is not secured by any additional Principal Property.

For the purposes of the covenants described hereunder and under "— Limitation on Sale and Leaseback Transactions" below, the giving of a guarantee which is secured by a Lien on a Principal

Property, and the creation of a Lien on a Principal Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Principal Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

Limitation on Sale and Leaseback Transactions

So long as any of the U.S. dollar-denominated Notes are outstanding, the Company will not itself, and will not permit any Material Subsidiary to, enter into any Sale/Leaseback Transaction after the date of the US\$ Fiscal Agency Agreements (other than such Sale/Leaseback Transactions permitted under clause (b) below), unless either:

- (a) the Attributable Debt of the Company and its Material Subsidiaries in respect of such Sale/Leaseback Transaction and all other Sale/Leaseback Transactions entered into after the date of the US\$ Fiscal Agency Agreements (other than such Sale/Leaseback Transactions permitted under clause (b) below) plus the aggregate principal amount of External Indebtedness secured by Liens on Principal Properties then outstanding (excluding any such External Indebtedness secured by Liens described in clauses (i) through (v) under “— Limitation on Liens” above or existing on the date of the US\$ Fiscal Agency Agreements) without equally and ratably securing the respective U.S. dollar-denominated Notes, would not exceed 15% of Consolidated Net Tangible Assets; or
- (b) the Company, within 12 months after such Sale/Leaseback Transaction, applies or causes a Material Subsidiary, as the case may be, to apply an amount equal to the net proceeds of such sale or transfer of the Principal Property which is the subject of such Sale/Leaseback Transaction, to the retirement of External Indebtedness of the Company or a Material Subsidiary, as the case may be, which is not subordinate to the U.S. dollar-denominated Notes; provided that the amount to be so applied shall be reduced by (i) the principal amount of respective U.S. dollar-denominated Notes delivered within 12 months after such Sale/Leaseback Transaction to the Fiscal Agent for retirement and cancellation, and (ii) the principal amount of External Indebtedness of the Company or a Material Subsidiary, other than the respective U.S. dollar-denominated Notes, voluntarily retired by the Company or a Material Subsidiary within 12 months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this clause (b) may be effected by payment at maturity or pursuant to any mandatory prepayment provision.

Notwithstanding the foregoing, where the Company or any Material Subsidiary is the lessee in any Sale/Leaseback Transaction, Attributable Debt shall not include any External Indebtedness resulting from the guarantee by the Company or any other Material Subsidiary of the lessee's obligation in such Sale/Leaseback Transaction. The foregoing restrictions shall not apply to any transaction between the Company and a Subsidiary or between a Material Subsidiary and a Subsidiary.

Certain Definitions

All accounting terms used in the US\$ Fiscal Agency Agreements and the U.S. dollar-denominated Notes and not expressly defined shall have the meanings given to them in accordance with Korean IFRS, and the term “Korean IFRS” shall mean the International Financial Reporting Standards as adopted by the Republic at the date or time of any computation.

“*Attributable Debt*” means, with respect to any Sale/Leaseback Transaction, the lesser of:

- (i) the fair market value of the Principal Property subject to the Sale/Leaseback Transaction; and

- (ii) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with Korean IFRS) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges) during the term of the lease.

“Consolidated Net Tangible Assets” means, at any date, the total amount of assets of the Company and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom:

- (i) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible at the option of the Company);
- (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets; and
- (iii) all write-ups of fixed assets, net of accumulated depreciation thereon, after December 31, 2018, other than as permitted under the Asset Revaluation Law, or successor law, of the Republic, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with Korean IFRS.

“External Indebtedness” means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of the Republic and which has a final maturity of one year or more from its date of incurrence or issuance.

“Long-term Debt” means any note, bond, debenture or other similar indebtedness for money borrowed having a maturity of more than one year from the date such indebtedness was incurred or having a maturity of less than or equal to one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such indebtedness was incurred.

“Material Subsidiary” means any Subsidiary that owns a Principal Property.

“person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Principal Property” means:

- (i) Pohang Works, Gwangyang Works and any other steel producing or processing facility located in the Republic, whether at the date of the US\$ Fiscal Agency Agreements owned or thereafter acquired, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, reasonably determined by the Company’s Board of Directors not to be of material importance to the total business conducted by the Company and its Subsidiaries as a whole; and
- (ii) any share of common or participating preferred stock of a Material Subsidiary.

“Sale/Leaseback Transaction” means any arrangement with any person which provides for the leasing by the Company or any Material Subsidiary, for an initial term of three years or more, of any Principal Property, whether now owned or hereafter acquired, which is to be sold or transferred by the Company or any Material Subsidiary after the date of the US\$ Fiscal Agency Agreements to such person for a sale price of US\$30,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the currency of the Republic.

“Subsidiary” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

Provision of Information to Holders

The Company covenants that for so long as the U.S. dollar-denominated Notes are “restricted securities” within the meaning of Rule 144 under the Securities Act, the Company will, at any time when it is not subject to either the periodic reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Holder or prospective purchaser of U.S. dollar-denominated Notes designated by such Holder, upon the request of such Holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Events of Default

The term “Event of Default” wherever used in the US\$ Fiscal Agency Agreements with respect to the U.S. dollar-denominated Notes means any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) which shall have occurred and be continuing:

- (a) default in the payment of any installment of interest upon any of the U.S. dollar-denominated Notes when they become due and payable, and continuance of such default for a period of 30 days; or
- (b) default in the payment of all or any part of the principal of (or premium, if any, on) any of the U.S. dollar-denominated Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or
- (c) default in the performance, or breach, of the covenants or agreements on the part of the Company contained in the U.S. dollar-denominated Notes or in the US\$ Fiscal Agency Agreements, and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company at the office of the Fiscal Agent by the Holders of at least 10% in aggregate principal amount of the respective U.S. dollar-denominated Notes at the time outstanding a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” under the U.S. dollar-denominated Notes; or
- (d) any External Indebtedness of the Company in the aggregate outstanding principal amount of US\$30,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of External Indebtedness of any other person not being honored when, and remaining dishonored after becoming, due and called; provided that, in the case of (i) above, if any such default under any such External Indebtedness shall be cured or waived, then the default under the U.S. dollar-denominated Notes by reason thereof shall be deemed to have been cured and waived; or
- (e) the entry of a decree or order for relief in respect of the Company by a court having jurisdiction in the premises in an involuntary case under any applicable bankruptcy, insolvency, rehabilitation or other similar law in effect on the date of the U.S. dollar-denominated Notes or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

- (f) the commencement by the Company of a voluntary case under any applicable bankruptcy, insolvency, rehabilitation or other similar law in effect on the date of the U.S. dollar-denominated Notes or thereafter, or the consent by the Company to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the mailing by the Company of an assignment for the benefit of its creditors, or the admission by the Company in writing of inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action.

If an Event of Default with respect to the U.S. dollar-denominated Notes occurs and is continuing, the Holders of not less than 25% in aggregate principal amount of the respective U.S. dollar-denominated Notes then outstanding may declare the principal amount of and all accrued but unpaid interest on all the respective U.S. dollar-denominated Notes to be due and payable immediately, by a notice in writing to the Company at the office of the Fiscal Agent, and upon such declaration any such principal amount and interest shall become immediately due and payable. Upon such declaration, the Fiscal Agent shall give notice thereof to the Company and to the Holders, by mail and publication. If, after any such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Company pays or deposits with the Fiscal Agent all amounts then due with respect to the respective U.S. dollar-denominated Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the respective U.S. dollar-denominated Notes, such defaults may be waived and such declaration may be annulled and rescinded by the Holders of more than 50% in aggregate outstanding principal amount of the respective U.S. dollar-denominated Notes by written notice thereof to the Company at the office of the Fiscal Agent.

Consolidation, Merger and Sale of Assets

The Company, without the consent of the Holders of any of the respective U.S. dollar-denominated Notes, may consolidate with, or merge into, or sell, transfer, lease or convey its assets as an entirety or substantially as an entirety to any corporation organized under the laws of the Republic; *provided that* (a) any successor corporation expressly assumes the Company's obligations under the U.S. dollar-denominated Notes and the US\$ Fiscal Agency Agreements, (b) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (c) if, as a result of such transaction, the Company or any successor corporation becomes subject to a Lien which would not be permitted by the U.S. dollar-denominated Notes, such steps shall have been taken as are necessary to secure the U.S. dollar-denominated Notes equally and ratably with (or prior to) all indebtedness secured thereby, and (d) certain other conditions as per the US\$ Fiscal Agency Agreements are satisfied.

Defeasance and Discharge

The US\$ Fiscal Agency Agreements provides that the Company need not comply with certain covenants ("covenant defeasance") of the U.S. dollar-denominated Notes (including those described under "— Certain Covenants — Limitation on Liens" and "— Certain Covenants — Limitation on Sale and Leaseback Transactions"), if:

- (i) the Company irrevocably deposits, in trust with a trustee (which may be the Fiscal Agent) for the benefit of the Holders, (a) cash in Dollars in an amount, or (b) U.S. Government Obligations (as defined below) which through the payment of interest thereon and principal thereof in accordance with their terms will provide cash in Dollars in an amount, or (c) any combination of (a) and (b), sufficient to pay all the principal of, and interest on, the

respective U.S. dollar-denominated Notes on the dates such payments are due in accordance with the terms of such U.S. dollar-denominated Notes;

- (ii) no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default with respect to the U.S. dollar-denominated Notes shall have occurred and be continuing on the date of such deposit;
- (iii) the Company delivers to such trustee an opinion of counsel in the United States reasonably acceptable to such trustee to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the exercise of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;
- (iv) the Company delivers to such trustee an opinion of counsel in the Republic to the effect that such deposit and related covenant defeasance will not cause the Holders, other than the Holders (x) who are or who are deemed to be residents of the Republic or (y) who use or hold or are deemed to use or hold their U.S. dollar-denominated Notes in carrying on a business in the Republic, to recognize income, gain or loss for Korean income tax purposes, and to the effect that payments out of the trust fund will be free and exempt from any and all withholding and other income taxes of whatever nature of the Republic or any province or political subdivision thereof or therein having power to tax, except in the case of U.S. dollar-denominated Notes beneficially owned (x) by a person who is or is deemed to be a resident of the Republic or (y) by a person who uses or holds or is deemed to use or hold such U.S. dollar-denominated Notes in carrying on a business in the Republic; and
- (v) the Company delivers to such trustee a certificate executed by a duly authorized officer of the Company and an opinion of counsel, each stating that all conditions precedent provided for relating to the covenant defeasance have been complied with.

“U.S. Government Obligations” means securities which are (i) direct obligations of the United States government or are (ii) direct obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States government, the payment of which is unconditionally guaranteed by the United States government, which, in either case, are full faith and credit obligations of the United States government payable in Dollars and are not callable or redeemable at the option of the issuer thereof and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

Additional Amounts

All payments of principal of and interest on the U.S. dollar-denominated Notes shall be made by the Company without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic or by or within any political subdivision thereof or any authority therein having power to tax (“Korean Tax”), unless deduction or withholding of such Korean Tax is required by law. In the event that the deduction or withholding of Korean Tax is required by law, the Company will pay such additional amounts (“Additional Amounts”) as will result in the payment to the Holder of the amounts which would otherwise have been receivable in respect of principal and interest in the absence of such

deduction or withholding, except that no such Additional Amount shall be payable in respect of the U.S. dollar-denominated Notes:

- (a) to or on behalf of a Holder who is subject to such Korean Tax in respect of such Note by reason of such Holder being or having been connected with the Republic (or any political subdivision thereof) otherwise than merely by holding such Note or receiving principal or interest in respect thereof; or
- (b) to or on behalf of a Holder who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Company to make such a declaration or claim, such Holder fails to do so within 30 days; or
- (c) to or on behalf of a Holder who presents a Note (where presentation is required) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting a Note for payment on the last day of such 30-day period; for this purpose the "Relevant Date" in relation to any payments of interest on, or principal of, any Note means: (i) the due date for payment thereof; or (ii) if the full amount of the monies payable on such date has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Holders in accordance with the US\$ Fiscal Agency Agreements; or
- (d) to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the U.S. dollar-denominated Note; or
- (e) any combination of (a), (b), (c) or (d) above.

The obligation of the Company to pay such Additional Amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (ii) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal or interest on the U.S. dollar-denominated Notes; *provided* that, except as otherwise set forth in the U.S. dollar-denominated Notes and in the US\$ Fiscal Agency Agreements, the Company shall pay all stamp and other taxes and duties, if any, which may be imposed by the Republic, the United States, or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the US\$ Fiscal Agency Agreements or as a consequence of the initial issuance of the U.S. dollar-denominated Notes.

References to principal or interest in respect of the U.S. dollar-denominated Notes shall be deemed also to refer to any Additional Amounts which may be payable as set forth in the U.S. dollar-denominated Note.

Optional Tax Redemption

The U.S. dollar-denominated Notes may be redeemed at the option of the Company, in whole, but not in part, upon not less than 30 nor more than 60 days' notice, at any time at a redemption price equal to the principal amount thereof plus accrued interest to (but excluding) the date fixed for redemption if, as a result of any change in, expiration of or amendment to the laws of the Republic (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of

or amendment to, any treaty or treaties affecting taxation to which the Republic (or such political subdivision or taxing authority) is a party, which change, amendment, expiration or treaty becomes effective on or after January 13, 2020, the Company is or would be obligated on the next succeeding due date for a payment with respect to the U.S. dollar-denominated Notes to pay Additional Amounts with respect to the U.S. dollar-denominated Notes, and such obligation cannot be avoided by the use of reasonable measures available to the Company; *provided, however*, that (i) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Company would be obligated to pay such Additional Amounts, and (ii) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Before giving any notice of such redemption, the Company shall deliver to the Fiscal Agent a certificate of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred.

Purchase of Notes

The Company may at any time purchase U.S. dollar-denominated Notes by tender (available to all Holders alike) or in the open market at any price. If the Company shall acquire any U.S. dollar-denominated Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such U.S. dollar-denominated Notes unless and until such U.S. dollar-denominated Notes are delivered to the Fiscal Agent for cancellation and are canceled and retired by the Fiscal Agent. U.S. dollar-denominated Notes purchased or otherwise acquired by the Company may be held, resold or, at its discretion, surrendered to the Fiscal Agent for cancellation.

Fiscal Agent

The Fiscal Agent may resign at any time or may be removed by the Company. If the Fiscal Agent resigns, is removed or becomes incapable of acting as Fiscal Agent or if a vacancy occurs in the office of the Fiscal Agent for any cause, a successor Fiscal Agent shall be appointed in accordance with the provisions of the US\$ Fiscal Agency Agreements.

The address of the relevant corporate trust office of the Fiscal Agent is Citibank, N.A., London Branch, 1 North Wall Quay, Dublin 1, Ireland.

Paying and Transfer Agents

The Fiscal Agent will serve as the initial paying agent and transfer agent (together with any additional paying agent and transfer agent, the "Paying and Transfer Agents"). The Paying and Transfer Agents may resign at anytime or may be removed by the Company. If any of the Paying and Transfer Agents is removed or becomes incapable of acting as a Paying and Transfer Agent or if a vacancy occurs in the office of any of the Paying and Transfer Agents for any cause, a successor Paying and Transfer Agent will be appointed in accordance with the provisions of the US\$ Fiscal Agency Agreements.

For so long as the U.S. dollar-denominated Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Global Note is exchanged for definitive U.S. dollar-denominated Notes, the Company will appoint and maintain a paying agent in Singapore, where the U.S. dollar-denominated Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive U.S. dollar-denominated Notes, an announcement of such exchange will be made by or on behalf of the Company through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive U.S. dollar-denominated Notes, including details of the paying agent in Singapore.

Further Issues

Subject to the lock-up provisions, the Company may from time to time, without the consent of the existing Holders, create and issue further notes to the extent permitted under the applicable laws, having the same terms and conditions as the U.S. dollar-denominated Notes in all respects except for issue date and/or issue price; provided, however, that such additional notes shall be issued under a separate CUSIP, ISIN and Common Code unless the additional notes are issued pursuant to a “qualified reopening” of the U.S. dollar-denominated Notes, are otherwise treated as part of the same “issue” of debt instruments as the U.S. dollar-denominated Notes or are issued with no more than a *de minimis* amount of original issue discount, in each case for U.S. federal income tax purposes. Additional notes issued in this manner (other than additional notes issued under a separate CUSIP, ISIN or Common Code) may be consolidated with and form a single series with the U.S. dollar-denominated Notes outstanding at the time of such further issuance.

Notices

Except as otherwise expressly provided in the US\$ Fiscal Agency Agreements, whenever the US\$ Fiscal Agency Agreements or the U.S. dollar-denominated Notes require that the Company or the Fiscal Agent give notice to the Holders, the Company or the Fiscal Agent will cause such notice to be mailed to the Holders (at the expense of the Company) at their respective addresses as they appear on the Note Register (as defined in the US\$ Fiscal Agency Agreements) of the Company.

Governing Law and Jurisdiction

The US\$ Fiscal Agency Agreements and the U.S. dollar-denominated Notes will be governed by, and interpreted in accordance with, the laws of the State of New York.

The Company has consented to the jurisdiction of the state and federal courts in the Borough of Manhattan, the State and City of New York, United States of America with respect to any action that may be brought in connection with the US\$ Fiscal Agency Agreements or the U.S. dollar-denominated Notes (except actions arising under the United States federal securities laws) and has appointed POSCO America Corp. at 6456 E. Johns Crossing, Suite 200, Johns Creek, GA 30097, as its authorized agent upon whom process may be served in any such action.

Foreign Exchange Controls

Korean law does not limit the right of non-Koreans to hold U.S. dollar-denominated Notes outside of the Republic. In order for the Company to issue the U.S. dollar-denominated Notes outside of the Republic, the Company is required to file a report with the Ministry of Economy and Finance through a designated foreign exchange bank for the issuance of the U.S. dollar-denominated Notes. Such report must be obtained prior to the offer and sale of the U.S. dollar-denominated Notes. Furthermore, in order for the Company to make payments of principal of or interest on the U.S. dollar-denominated Notes and other amounts as provided in the US\$ Fiscal Agency Agreements and the U.S. dollar-denominated Notes, the Company is required to submit the relevant documents to a foreign exchange bank at the time of each actual payment. The purpose of this submission is to enable such foreign exchange bank to verify that the amount being remitted conforms to the amount required to be paid under the relevant documents and that any necessary requirement under the Foreign Exchange Transaction Act of Korea has been met. Under the Foreign Exchange Transaction Act of Korea, if the Government determines that intervention is unavoidable due to certain emergency circumstances such as natural disasters or sudden and severe adverse changes in domestic and foreign economic conditions, it may temporarily suspend payments, receipts or foreign exchange or impose other necessary restrictions. Furthermore, if the Government deems that extreme difficulty in stabilizing the balance of payments, substantial disturbance in international capital markets or other analogous condition is likely to occur, it may require the participants of capital transactions to comply with certain obligations including, but not limited to, an obligation to obtain prior approval from the relevant Korean authority.

UNITED STATES FEDERAL INCOME TAXATION

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a U.S. Holder (as defined below) of a Note. This summary is based on provisions of the Internal Revenue Code of 1986, as amended, applicable Treasury regulations, laws, rulings and decisions as currently in effect, all of which are subject to change, possibly with retroactive effect. This summary deals only with beneficial owners of Notes that will hold Notes as capital assets and that acquired the Notes upon original issuance at their original offering price. It does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, entities or arrangements taxed as partnerships for U.S. federal income tax purposes or the partners therein, U.S. expatriates or persons that have a “functional currency” other than the U.S. dollar.

This summary addresses only U.S. federal income tax consequences and does not address consequences arising under state, local, foreign tax laws, the alternative minimum tax or the Medicare tax on net investment income. Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

As used herein, a “U.S. Holder” is a beneficial owner of a Note that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the Note.

U.S. Holders that use an accrual method of accounting for tax purposes (“accrual method holders”) generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the “book/tax conformity rule”). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although it is not clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. However, recently released proposed regulations generally would exclude, among other items, original issue discount (“OID”) and market discount (in either case, whether or not de minimis) from the applicability of the book/tax conformity rule. Although the proposed regulations generally will not be effective until taxable years beginning after the date on which they are issued in final form, taxpayers generally are permitted to elect to rely on their provisions currently. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

Investors should consult their tax advisors concerning the particular U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, as well as the consequences under the laws of any other taxing jurisdiction.

Payments of Interest and Additional Amounts

The gross amount of stated interest and any Additional Amounts (i.e., without reduction for Korean withholding taxes determined utilizing the appropriate Korean withholding tax rate applicable to the U.S. Holder), excluding any pre-issuance accrued interest, will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is actually or constructively received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will not be issued with more than a de minimis amount of OID. In general, however, if the Notes are issued with more than de minimis OID, a U.S. Holder will be required to include OID in gross income, as ordinary income, under a “constant-yield method” before

the receipt of cash attributable to such income, regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

As discussed in "Korean Taxation — Tax on Interest," interest paid on the Notes to a U.S. Holder is expected to be exempt from Korean taxes. If, however, that tax exemption were to cease to apply, then, subject to generally applicable restrictions and conditions under U.S. tax law, Korean withholding taxes paid at the appropriate rate applicable to the U.S. Holder will be treated as foreign income taxes eligible (i) for credit against the U.S. Holder's U.S. federal income tax liability, or (ii) if the U.S. Holder so elects, for deduction in computing the U.S. Holder's taxable income (provided that the U.S. Holder elects to deduct, rather than credit, all foreign income taxes paid or accrued for the relevant taxable year). Interest and Additional Amounts will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category income." The calculation of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of such deduction, involves the application of rules that depend on a U.S. Holder's particular circumstances. Investors should consult their tax advisors regarding the availability of foreign tax credits or deductions in their particular situation.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. Holder's tax basis in such Note. A U.S. Holder's tax basis in a Note will generally equal the cost of the Note to the U.S. Holder. Gain or loss recognized upon a sale, exchange or retirement of a Note generally will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

As discussed in "Korean Taxation — Tax on Capital Gains," no Korean tax is currently expected to be imposed in respect of a sale or other disposition of Notes by a U.S. Holder (excluding sale or disposition to a Korean resident). If Korean tax were to be imposed on such a disposition of Notes, however, a U.S. Holder may not be able to credit the tax against the U.S. Holder's U.S. federal income tax liability, unless the credit can be applied (subject to applicable conditions and limitations) against tax due on other income treated as derived from foreign sources, because capital gains recognized by a U.S. Holder generally will be U.S.-source gains. Investors should consult their tax advisors as to the foreign tax credit implications of a disposition of the Notes.

Specified Foreign Financial Assets

Individual U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the Notes made to, and the proceeds of dispositions of Notes effected by, certain U.S. Holders. In addition, certain U.S. Holders may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Non-U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. Investors should consult their tax advisers about these rules and any other reporting obligations that may apply to their ownership or disposition of Notes.

KOREAN TAXATION

Republic of Korea

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.

The taxation of non-resident individuals and non-Korean corporations (“Non-Residents”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Notes paid to Non-Residents (excluding payments to their permanent establishment in Korea), being foreign currency denominated bonds issued outside of Korea, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law of Korea (the “STTCL”).

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax is withheld by the payer or us. Tax rates may be reduced or exempted by applicable tax treaties, conventions or agreements between Korea and the country of the recipient of the interest. The relevant tax treaties are summarized below.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents with or without permanent establishments in Korea from the transfer taking place outside Korea of the Notes are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies. The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding

agent must withhold an amount equal to 11% of the gross realization proceeds. Any amounts withheld by the purchaser or withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or the withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or had resided in Korea continuously for at least 183 days immediately prior to his death and (b) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies according to the value of the relevant property and the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned. And, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Holders should consult their personal tax advisers regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by us. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this offering circular, Korea has tax treaties with, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on interest is reduced, generally to between 5 and 16.5% (including local income tax), and the tax on capital gains is often eliminated.

Each Holder should inquire whether he is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or us a certificate as to his residence. In the absence of sufficient proof, the payer or we must withhold taxes in accordance with the above discussion.

In order to claim the benefit of a tax rate reduction or tax exemption available under the applicable tax treaties, a non-resident holder should submit to the payer of such Korean source income an application (for a reduced withholding tax rate, the "application for entitlement to reduced tax rate," and for an exemption from withholding tax, the "application for exemption" under a tax treaty along with a certificate of the non-resident holder's tax residence issued by a competent authority of the non-resident holder's residence country) as the beneficial owner of such Korean source income ("BO

Application”). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is not the beneficial owner of such income) (“OIV”), a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income.

Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to STTCL. However, in the event that the payer or we are required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in “Terms and Conditions of the Notes — Additional Amounts”) we have agreed to pay (subject to the customary exceptions as set out in “Terms and Conditions of the Notes — Additional Amounts”) such Additional Amounts as may be necessary in order that the net amounts received by the Holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such Holder in the absence of such withholding or deduction.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated January 13, 2020 (the “Purchase Agreement”), each initial purchaser named below (each, an “Initial Purchaser” and collectively, the “Initial Purchasers”) has severally agreed to purchase from us, and we have agreed to sell to such Initial Purchaser, the principal amount of the Euro-denominated Notes and the U.S. dollar-denominated Notes set forth opposite the name of such Initial Purchaser.

Initial Purchaser	Principal Amount of the Euro- denominated Notes	Principal Amount of the 2023 U.S. dollar- denominated Notes	Principal Amount of the 2025 U.S. dollar- denominated Notes
BNP Paribas	EUR100,000,000	US\$100,000,000	US\$88,000,000
Citigroup Global Markets Inc.	100,000,000	100,000,000	88,000,000
The Hongkong and Shanghai Banking Corporation Limited	100,000,000	100,000,000	88,000,000
Merrill Lynch International	100,000,000	100,000,000	88,000,000
Standard Chartered Bank	100,000,000	100,000,000	88,000,000
Total	EUR500,000,000	US\$500,000,000	US\$440,000,000

The Purchase Agreement provides that the obligations of each of the Initial Purchasers to purchase the Notes are subject to approval of certain legal matters by counsel and to certain other conditions. Each of the Initial Purchasers must purchase all the Notes set forth opposite its name if they purchase any of the Notes.

We have been advised that the Initial Purchasers propose to resell the Notes at the issue price set forth on the cover page of this offering circular. The price at which the Notes are offered and other selling terms may be changed from time to time without notice by the Initial Purchasers. The Initial Purchasers may offer the Notes in various jurisdictions through certain of their affiliates.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Purchase Agreement provides that we will pay compensation to the Initial Purchasers consisting of management and underwriting commission as a percentage of the aggregate principal amount of the Notes.

We have agreed that we will not issue, offer, sell or contract to sell, or announce the offering of, any Dollar- or Euro-denominated debt securities issued or guaranteed by us (other than the Notes), without the prior written consent of the Initial Purchasers for a period of 30 days following the date of the Purchase Agreement. For the avoidance of doubt, we may, during such period, issue, offer, sell or contract to sell, or announce the offering of, any debt securities issued or guaranteed by us other than Dollar- or Euro-denominated debt securities.

We expect that the delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this offering circular, which will be the fourth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as “T+4”). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+4, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing should consult their advisors.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. The Initial

Purchasers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or our other securities at the time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes). We have been advised by the Initial Purchasers that they may offer and sell Notes to or through any of their respective affiliates and any such affiliate may offer and sell Notes purchased by it or through any Initial Purchaser.

In connection with the offering of the Notes, the Initial Purchasers are acting exclusively for us and no one else. Accordingly, in connection with the offering of the Notes, the Initial Purchasers will not be responsible to anyone other than us for providing the protections afforded to their clients or for giving of advice in relation to the offering of the Notes.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or any Initial Purchaser that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering circular or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering circular nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Initial Purchaser has agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the issue date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Purchase Agreement provides that Initial Purchasers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area, each Initial Purchaser has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the Offering contemplated by this offering circular to the public in that Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Company for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

United Kingdom

Each Initial Purchaser has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA would not, if the Company were not an authorized person, apply to the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Initial Purchaser has acknowledged that this offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Korea

The Notes have not been registered with the FSC under the FSCMA. Accordingly, the Notes have not been and will not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transactions Act of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB registered with the KOFIA as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, the Notes may not be offered, sold or delivered, nor may copies of this offering circular or of any other document relating to any Notes be distributed in Italy, except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Initial Purchaser has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this offering circular or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Financial Services Act”) and Article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999 (the “Issuers Regulation”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this offering circular or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the “Banking Act”) and CONSOB Regulation No. 20307 of February 15, 2018, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland, and will not be listed on SIX Swiss Exchange (“SIX”) or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX or any other regulated trading facility in Switzerland or a

simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this offering circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering circular nor any other offering or marketing material relating to the offering, nor the Company or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority ("FINMA"), and investors in the Notes will not benefit from protection or supervision by such authority.

New Issue of Notes

The Notes will constitute a new class of securities with no established trading market. Approvals in-principle have been received from the Singapore Stock Exchange for the listing and quotation of the Notes on the Singapore Stock Exchange.

The Notes are eligible for trading in the National Association of Securities Dealers screen-based automated market for trading of securities eligible for resale under Rule 144A. The Initial Purchasers have advised us that they currently intend to make a market in the Notes as permitted by applicable law.

However, they are not obligated to do so and any market-making activities with respect to the Notes may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes.

Price Stabilization and Short Positions

The Initial Purchasers may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Initial Purchasers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Initial Purchasers and

their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of ours or our subsidiaries, jointly controlled entities or associated companies, including the Notes, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes.

TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States or to or for the account or benefit of U.S. persons, as defined in Regulation S. The Notes may be offered for sale only (i) in the United States, to QIBs within the meaning of, and in reliance on, Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States to non-U.S. persons in reliance on, and in accordance with, Regulation S, in each case, in compliance with applicable laws, regulations and directives.

The Notes have not been registered with the FSC under the FSCMA. Accordingly, the Notes have not been and will not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transactions Act of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB registered with the KOFIA as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

Each purchaser of the Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A)(i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Notes for its own account or for the account of a qualified institutional buyer or (B) is a non-U.S. person purchasing the Notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that, in the event of Notes sold in reliance on Rule 144A, if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (A)(i) to the Company, (ii) to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) to a non-U.S. person in an offshore transaction meeting the requirements of Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), or (v) pursuant to another exemption from the Securities Act, provided that, as a condition to the registration of the transfer thereof, the Company or the Fiscal Agent may require the delivery of any documents, including an opinion of counsel that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption, or (B) pursuant to an effective registration statement under the Securities Act, and, in each of such cases, in accordance with any applicable securities laws of any state of the United States. The purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in (A) above.

(3) The purchaser understands that the Notes will, unless we determine otherwise in compliance with applicable law, bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF POSCO (THE "COMPANY") THAT THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY

(A)(i) TO THE COMPANY, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (iii) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (iv) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO ANOTHER EXEMPTION FROM THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND, IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THE SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, DELIVERED, OR SOLD DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL BUYER (OR A "KOREAN QIB," AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

(4) The purchaser understands that the offer or sale of Notes sold in reliance on Regulation S may not be made to U.S. person or for the account or benefit of a U.S. person (other than a distributor), until the expiration of 40 days after the later of the commencement of this offering and the completion of the distribution of the Notes, and unless otherwise agreed by the Company, will bear a legend substantially to the following effect:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATIONS UNDER THE SECURITIES ACT.

LEGAL MATTERS

Certain legal matters with respect to the issue and sale of the Notes will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP and Lee & Ko. Certain legal matters relating to the issue and sale of the Notes will be passed upon for the Initial Purchasers by Linklaters LLP. Lee & Ko may rely on the opinions of Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP with respect to matters of New York law, and Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP may rely on the opinion of Lee & Ko with respect to matters of Korean law.

INDEPENDENT AUDITORS

With respect to our unaudited condensed consolidated interim financial statements as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018 included in this offering circular, KPMG Samjong Accounting Corp., independent auditors, applied limited procedures in accordance with professional standards for review of such information. Their separate report appearing in this offering circular states that they did not audit, and they do not express an opinion on, such interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Our consolidated financial statements as of December 31, 2018 and 2017 and for each of the years in the three-year period ended December 31, 2018 included in the POSCO 2018 Annual Report on Form 20-F and incorporated by reference into this offering circular and the effectiveness over internal control over financial reporting as of December 31, 2018, have been audited by KPMG Samjong Accounting Corp., independent auditors, as stated in their reports appearing in the POSCO 2018 Annual Report on Form 20-F and incorporated by reference into this offering circular. Their audit report on the consolidated financial statements contains an emphasis of matter paragraph that states that we changed our method of accounting for revenue recognition and financial instruments in 2018.

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of POSCO and its subsidiaries (the "Company"), which comprise the condensed consolidated interim statement of financial position as of September 30, 2019, the condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2019 and 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's review responsibility

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

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

Conclusion

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

Other matters

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

The consolidated statement of financial position of the Company as of December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 7, 2019, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Company as of December 31, 2018, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea
November 14, 2019

This report is effective as of November 14, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position
As of September 30, 2019 and December 31, 2018
(Unaudited)

<i>(in millions of Won)</i>			September 30,	December 31, 2018
	Notes		2019	
Assets				
Cash and cash equivalents	21	₩	2,831,727	2,643,865
Trade accounts and notes receivable, net	4,21,26,27,34		9,714,312	9,282,609
Other receivables, net	5,21,34		1,646,995	1,385,629
Other short-term financial assets	6,21		7,912,020	8,081,096
Inventories	7		11,770,207	11,499,928
Current income tax assets			40,932	51,557
Assets held for sale	8		66,598	21,854
Other current assets	14		<u>727,273</u>	<u>684,464</u>
Total current assets			<u>34,710,064</u>	<u>33,651,002</u>
Long-term trade accounts and notes receivable, net	4,21		312,128	427,125
Other receivables, net	5,21		1,117,102	863,240
Other long-term financial assets	6,21		1,686,348	1,647,898
Investments in associates and joint ventures	9		3,879,811	3,650,003
Investment property, net	11		921,373	928,615
Property, plant and equipment, net	12		30,334,798	30,018,273
Goodwill and other intangible assets, net	13		5,020,900	5,170,825
Defined benefit assets, net	19		-	1,489
Deferred tax assets			1,321,445	1,381,031
Other non-current assets	14		<u>315,119</u>	<u>508,764</u>
Total non-current assets			<u>44,909,024</u>	<u>44,597,263</u>
Total assets		₩	<u>79,619,088</u>	<u>78,248,265</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Financial Position, Continued
As of September 30, 2019 and December 31, 2018
(Unaudited)

<i>(in millions of Won)</i>			September 30,	
	Notes		2019	December 31, 2018
Liabilities				
Trade accounts and notes payable	21,34	₩	3,714,266	4,006,135
Short-term borrowings and current installments				
of long-term borrowings	4,15,21		8,358,075	10,289,619
Other payables	16,21,34		1,890,936	1,720,097
Other short-term financial liabilities	17,21		104,229	77,800
Current income tax liabilities			699,404	948,166
Liabilities directly associated with the assets held for sale	8		1,612	-
Provisions	18,35		262,085	301,280
Other current liabilities	20,26,27		<u>1,731,359</u>	<u>1,594,888</u>
Total current liabilities			<u>16,761,966</u>	<u>18,937,985</u>
Long-term trade accounts and notes payable	21		17,623	29,825
Long-term borrowings, excluding current installments	15,21		11,496,807	9,919,651
Other payables	16,21		618,108	148,868
Other long-term financial liabilities	17,21		18,154	64,162
Defined benefit liabilities, net	19		316,825	140,933
Deferred tax liabilities			1,666,707	1,688,893
Long-term provisions	18,35		502,744	431,036
Other non-current liabilities	20,26		<u>91,971</u>	<u>127,361</u>
Total non-current liabilities			<u>14,728,939</u>	<u>12,550,729</u>
Total liabilities			<u>31,490,905</u>	<u>31,488,714</u>
Equity				
Share capital	22		482,403	482,403
Capital surplus	22		1,371,230	1,410,551
Hybrid bonds	23		199,384	199,384
Reserves	24		(1,069,340)	(1,404,368)
Treasury shares	25		(1,508,303)	(1,532,728)
Retained earnings			<u>45,280,981</u>	<u>44,216,018</u>
Equity attributable to owners of the controlling company			44,756,355	43,371,260
Non-controlling interests	23		<u>3,371,828</u>	<u>3,388,291</u>
Total equity			<u>48,128,183</u>	<u>46,759,551</u>
Total liabilities and equity		₩	<u>79,619,088</u>	<u>78,248,265</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month and nine-month periods ended September 30, 2019 and 2018

(Unaudited)

(in millions of Won, except per share information)

	Notes	For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2019	2018	2019	2018
Revenue	26,27,34,37	₩ 15,988,227	16,410,726	48,323,799	48,356,306
Cost of sales	7,27,31,34	(14,375,600)	(14,343,743)	(43,283,629)	(42,337,552)
Gross profit		1,612,627	2,066,984	5,040,170	6,018,752
Selling and administrative expenses	31,34				
Reversal of (impairment loss) on trade accounts and notes receivable		5,944	(1,890)	13,942	(38,864)
Other administrative expenses	28	(490,770)	(446,565)	(1,473,389)	(1,461,907)
Selling expenses	28	(88,024)	(87,426)	(269,487)	(246,886)
Operating profit		1,039,777	1,531,103	3,311,236	4,271,095
Share of profit of equity-accounted investees, net	9	88,668	43,800	230,197	75,451
Finance income and costs	21,29				
Finance income		602,717	173,988	1,629,594	1,264,108
Finance costs		(691,922)	(425,048)	(1,852,447)	(1,751,851)
Other non-operating income and expenses	34				
Impairment loss on other receivables		(10,695)	(15,325)	(26,112)	(18,361)
Other non-operating income	30	114,913	109,121	272,281	436,206
Other non-operating expenses	30,31	(290,207)	28,325	(584,076)	(418,240)
Profit before income tax	37	853,251	1,445,964	2,970,673	3,858,408
Income tax expense	32,37	(356,441)	(388,305)	(1,013,999)	(1,136,869)
Profit		496,810	1,057,659	1,956,674	2,721,539
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	19	(7,269)	(9,731)	(28,150)	(41,666)
Net changes in fair value of equity investments at fair value through other comprehensive income	21	(81,552)	36,687	(63,708)	(24,454)
Items that are or may be reclassified subsequently to profit or loss:					
Capital adjustment arising from investments in equity-accounted investees		32,091	(57,167)	104,929	(30,416)
Foreign currency translation differences		103,200	(119,741)	322,863	(45,912)
Gains or losses on valuation of derivatives	21	20	64	(81)	(174)
Other comprehensive income (loss), net of tax		46,490	(149,888)	335,853	(142,622)
Total comprehensive income		₩ 543,300	907,771	2,292,527	2,578,917
Profit attributable to:					
Owners of the controlling company		₩ 430,875	1,019,526	1,784,414	2,558,060
Non-controlling interests		65,935	38,133	172,260	163,479
Profit		₩ 496,810	1,057,659	1,956,674	2,721,539
Total comprehensive income attributable to:					
Owners of the controlling company		₩ 466,171	880,569	2,120,940	2,414,408
Non-controlling interests		77,129	27,202	171,587	164,509
Total comprehensive income		₩ 543,300	907,771	2,292,527	2,578,917
Basic and diluted earnings per share (in Won)	33	5,357	12,723	22,211	31,775

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Changes in Equity
For the nine-month periods ended September 30, 2019 and 2018
(Unaudited)

(in millions of Won)

	Attributable to owners of the controlling company					
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retained earnings
Balance as of January 1, 2018	₩ 482,403	1,412,565	996,919	(682,556)	(1,533,054)	43,056
Adjustment on initial application of K-IFRS No. 1115, net of tax	-	-	-	-	-	(76,379)
Adjustment on initial application of K-IFRS No. 1109, net of tax	-	-	-	(412,102)	-	379
Adjusted balance as of January 1, 2018	482,403	1,412,565	996,919	(1,094,658)	(1,533,054)	43,359
Comprehensive income:						
Profit	-	-	-	-	-	2,558
Other comprehensive income (loss)						
Remeasurements of defined benefit plans, net of tax	-	-	-	-	-	(26,379)
Capital adjustment arising from investments in equity-accounted investees, net of tax	-	-	-	(42,885)	-	
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(13,115)	-	(12,379)
Foreign currency translation differences, net of tax	-	-	-	(48,088)	-	
Gains or losses on valuation of derivatives, net of tax	-	-	-	(180)	-	
Total comprehensive income	-	-	-	(104,268)	-	2,518
Transactions with owners of the controlling company, recognized directly in equity:						
Year-end dividends	-	-	-	-	-	(279,379)
Interim dividends	-	-	-	-	-	(240,379)
Changes in subsidiaries	-	-	-	-	-	
Changes in ownership interest in subsidiaries	-	(2,504)	-	-	-	
Repayment of hybrid bonds	-	(2,769)	(797,535)	-	-	
Interest of hybrid bonds	-	-	-	-	-	(22,379)
Disposal of treasury shares	-	133	-	-	326	
Others	-	3,360	-	1,253	-	(4,379)
Total transactions with owners of the controlling company	-	(1,780)	(797,535)	1,253	326	(546,379)
Balance as of September 30, 2018	₩ 482,403	1,410,785	199,384	(1,197,673)	(1,532,728)	45,331

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Condensed Consolidated Interim Statements of Changes in Equity, Continued For the nine-month periods ended September 30, 2019 and 2018 (Unaudited)

(in millions of Won)

		Attributable to owners of the controlling company					
		Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares	Retain earnin
Balance as of January 1, 2019	₩	482,403	1,410,551	199,384	(1,404,368)	(1,532,728)	44,216
Comprehensive income:							
Profit		-	-	-	-	-	1,784
Other comprehensive income (loss)							
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(15,
Capital adjustment arising from investments in equity-accounted investees, net of tax		-	-	-	92,533	-	
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax		-	-	-	(42,911)	-	(20,
Foreign currency translation differences, net of tax		-	-	-	322,905	-	
Gains or losses on valuation of derivatives, net of tax		-	-	-	(77)	-	
Total comprehensive income		-	-	-	372,450	-	1,748
Transactions with owners of the controlling company, recognized directly in equity:							
Year-end dividends		-	-	-	-	-	(400,
Interim dividends		-	-	-	-	-	(320,
Changes in subsidiaries		-	-	-	-	-	
Changes in ownership interest in subsidiaries		-	(53,871)	-	-	-	
Interest of hybrid bonds		-	-	-	-	-	(6,
Disposal of treasury shares		-	12,576	-	-	24,425	
Others		-	1,974	-	(37,422)	-	43
Total transactions with owners of the controlling company		-	(39,321)	-	(37,422)	24,425	(683,
Balance as of September 30, 2019	₩	482,403	1,371,230	199,384	(1,069,340)	(1,508,303)	45,280

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows
For the nine-month periods ended September 30, 2019 and 2018
(Unaudited)

(in millions of Won)

	Notes	September 30, 2019	September 30, 2018
Cash flows from operating activities			
Profit	₩	1,956,674	2,721,539
Adjustments for:			
Depreciation		2,269,280	2,167,285
Amortization		316,947	273,674
Finance income		(842,951)	(558,899)
Finance costs		1,082,320	992,830
Income tax expense		1,013,999	1,136,869
Impairment loss on property, plant and equipment		194,688	18,890
Gain on disposal of property, plant and equipment		(21,929)	(36,811)
Loss on disposal of property, plant and equipment		61,222	78,565
Impairment loss on goodwill and intangible assets		125,696	2,075
Gain on disposal of goodwill and intangible assets		(1,346)	(110,814)
Gain on disposal of investments in subsidiaries, associates and joint ventures		(20,750)	(45,500)
Loss on disposal of investments in subsidiaries, associates and joint ventures		5,867	3,419
Share of profit of equity-accounted investees		(230,197)	(75,451)
Impairment loss on assets held for sale		40,943	47,581
Gain on disposal of assets held for sale		(8,536)	(12,123)
Expenses related to post-employment benefit		176,071	161,185
Impairment loss on trade and other receivables		12,170	57,225
Loss on valuation of inventories		80,988	38,227
Increase to provisions		98,109	272,796
Others, net		(57,305)	(9,790)
		<u>4,295,286</u>	<u>4,401,233</u>
Changes in operating assets and liabilities	36	(914,733)	(2,011,700)
Interest received		228,018	221,523
Interest paid		(547,833)	(476,728)
Dividends received		218,155	166,868
Income taxes paid		(1,295,222)	(803,294)
Net cash provided by operating activities	₩	<u>3,940,345</u>	<u>4,219,441</u>

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries
Condensed Consolidated Interim Statements of Cash Flows, Continued
For the nine-month periods ended September 30, 2019 and 2018
(Unaudited)

(in millions of Won)

	Notes	September 30, 2019	September 30, 2018
Cash flows from investing activities			
Acquisitions of short-term financial instruments	₩	(27,411,573)	(23,743,067)
Proceeds from disposal of short-term financial instruments		27,842,901	22,202,267
Increase in loans		(173,717)	(421,836)
Collection of loans		282,778	513,881
Acquisitions of securities		(377,942)	(311,343)
Proceeds from disposal of securities		171,793	157,012
Acquisitions of investment in associates and joint ventures		(101,609)	(22,937)
Proceeds from disposal of investment in associates and joint ventures		11,293	88,852
Acquisitions of investment property		(18,232)	(23,467)
Proceeds from disposal of investment property		1,106	31,159
Acquisitions of property, plant and equipment		(1,609,725)	(1,354,353)
Proceeds from disposal of property, plant and equipment		27,912	61,744
Acquisitions of intangible assets		(242,000)	(83,074)
Proceeds from disposal of intangible assets		13,256	50,197
Proceeds from disposal of assets held for sale		311	15,930
Payment for acquisition of business, net of cash acquired		(33,961)	-
Cash received from disposal of business, net of cash transferred		37,776	173,838
Collection of lease receivables		29,008	-
Others, net		12,969	12,710
Net cash used in investing activities		(1,537,656)	(2,652,487)
Cash flows from financing activities			
Proceeds from borrowings		2,622,141	2,496,313
Repayment of borrowings		(2,458,779)	(1,448,400)
Repayment of short-term borrowings, net		(1,466,477)	(194,375)
Capital contribution from non-controlling interests		23,582	5,808
Payment of cash dividends		(785,551)	(570,103)
Payment of interest of hybrid bonds		(12,362)	(42,033)
Repayment of hybrid bonds		-	(1,160,000)
Repayment of lease liabilities		(107,703)	(23,697)
Others, net		(112,086)	(7,222)
Net cash used in financing activities		(2,297,235)	(943,709)
Effect of exchange rate fluctuation on cash held		91,767	1,601
Net increase in cash and cash equivalents		197,221	624,846
Cash and cash equivalents at beginning of the period		2,643,865	2,612,530
Cash and cash equivalents at end of the period	8 ₩	2,841,086	3,237,376

See accompanying notes to the condensed consolidated interim financial statements.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As of September 30, 2019

(Unaudited)

1. General Information

General information about POSCO, its 32 domestic subsidiaries including POSCO ENGINEERING & CONSTRUCTION CO., LTD., 131 foreign subsidiaries including POSCO America Corporation (collectively, "the Company") and its 129 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 since June 10, 1988. POSCO owns and operates two steel plants (Pohang and Gwangyang) and one office in Korea and it also operates internationally through six of its overseas liaison offices.

As of September 30, 2019, the shares of the POSCO are listed on the Korea Exchange, while its ADRs are listed on the New York Stock Exchange.

(b) Consolidated subsidiaries included for the first time during the nine-month period ended September 30, 2019 were as follows:

Company	Date of inclusion	Ownership (%)	Reason
GRAIN TERMINAL HOLDING PTE. LTD.	June 2019	75.00	Acquisition of control
Mykolaiv Milling Works PJSC.	June 2019	100.00	Acquisition of control
Yuzhnaya Stevedoring Company Limited LLC.	June 2019	100.00	Acquisition of control
ChargeEV Inc.	September 2019	100.00	New establishment

(c) Subsidiaries excluded from consolidation during the nine-month period ended September 30, 2019 were as follows:

Company	Date of exclusion	Reason
POSCO Processing&Service	January 2019	Merged into POSCO
DAEWOO PRECIOUS RESOURCES CO., LTD.	January 2019	Liquidation
BLUE O&M Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd.(formerly, POSMATE)
MegaAsset Co.,Ltd.	February 2019	Merged into POSCO O&M Co.,Ltd.(formerly, POSMATE)
POSCO ES MATERIALS CO., LTD.	April 2019	Merged into POSCO CHEMICAL CO.,LTD.(formerly, POSCO CHEMTECH)
Daewoo International Guangzhou Corp.	April 2019	Merged into POSCO INTERNATIONAL(CHINA) CO., LTD.(formerly, POSCO DAEWOO CHINA)
POSCO(Guangdong) Coated Steel Co., Ltd.	June 2019	Disposal
POSCO E&C (THAILAND) CO.,Ltd.	June 2019	Liquidation
POSCO Gulf SFC LLC	June 2019	Liquidation
HOTEL LAONZENA	July 2019	Disposal
Daewoo Power and Infra (PTY) Limited	July 2019	Liquidation
POSCO SINGAPORE LNG TRADING PTE. LTD.	September 2019	Liquidation
POSCO-South Asia Co., Ltd.	September 2019	Liquidation

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2019
(Unaudited)

2. Statement of Compliance

Statement of compliance

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

These condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No. 1034 "Interim Financial Reporting" as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as of and for the year ended December 31, 2018. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

The Company adopted K-IFRS No. 1116 "Leases" for the first time from January 1, 2019. Changes to significant accounting policies are described in Note 3.

Use of estimates and judgments

(a) Judgments, assumptions and estimation uncertainties

The preparation of the condensed consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of K-IFRS No. 1116 "Leases" which are described in Note 3.

(b) Measurement of fair value

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

Except as described in K-IFRS No. 1034 "Interim Financial Reporting" and below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2018.

K-IFRS No. 1116 "Leases"

The Company has initially adopted K-IFRS No. 1116 "Leases" from January 1, 2019. The Company also expects to apply the accounting policies set out below for their annual reporting period ending December 31, 2019.

K-IFRS No. 1116 "Leases" introduced a single accounting model for lessees. As a result, the Company, as a lessee, recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

The Company applied K-IFRS No. 1116 "Leases" using the modified retrospective approach by recognizing the cumulative effect of initial application as of January 1, 2019, the date of initial application. Accordingly, the comparative information presented for 2018 has not been restated.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under K-IFRS No. 2104 "Determining Whether an Arrangement Contains a Lease". The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under K-IFRS No. 1116 "Leases", a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to K-IFRS No. 1116 "Leases", the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied K-IFRS No. 1116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under K-IFRS No. 1017 "Leases" and K-IFRS No. 2104 "Determining Whether an Arrangement Contains a Lease" were not reassessed. Therefore, the definition of a lease under K-IFRS No. 1116 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(b) As a lessee

The Company leases many assets, including land, warehouses, handling equipment and IT equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under K-IFRS No. 1116 "Leases", the Company recognizes right-of-use assets and lease liabilities for most leases. That is, most leases are presented in the statement of financial position.

However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. desktops, IT supplies, etc.). The Company recognizes lease payments associated with these leases as an expense on a straight-line basis over the lease term.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

The Company presents right-of-use assets in the same line item as it presents underlying assets of the same nature that it owns, and lease liabilities are included in other payables on the consolidated statement of financial position. The carrying amounts of right-of-use assets as of January 1, 2019, the date of initial application, and September 30, 2019 are as follows:

(in millions of Won)

		Property, Plant and Equipment (*1)					
		Land	Buildings and structures	Machinery and equipment	Vehicles	Furniture, fixtures and others	Total
The date of initial application (January 1, 2019)	₩	310,555	194,382	222,512	20,202	28,308	775,959
September 30, 2019		342,101	169,182	217,116	21,365	40,272	790,036

(*1) Leases classified as a finance lease under K-IFRS No. 1017 "Leases" at the end of 2018 are included, and the carrying amounts of right-of-use assets and lease liabilities are equal to the carrying amounts of the finance lease assets and financial lease liabilities measured in accordance with K-IFRS 1017 "Leases" as of January 1, 2019, the date of initial application.

1) Significant accounting policies

The Company recognizes a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

2) Transition

At transition, for leases classified as operating leases under K-IFRS No. 1017 "Leases", lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019, the date of initial application. Right-of-use assets are measured at amounts equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Company used the following practical expedients when applying K-IFRS No. 1116 "Leases" to leases previously classified as operating leases under K-IFRS No. 1017 "Leases".

- Applied the exemption not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Company leases out its investment properties. The Company classified these leases as operating leases, and the accounting policies applicable to the Company as a lessor are not different from those under K-IFRS No. 1017 "Leases". However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company provides sub-leases for leases of vessels classified as operating leases under K-IFRS No. 1017 "Leases" as an intermediate lessor, and classified the sub-leases as finance leases as of January 1, 2019, the date of initial application of K-IFRS No. 1116 "Leases". Accordingly, the Company recognized finance lease receivables amounting to ₩225,198 million. In addition, the Company did not make any adjustments to leases for which the Company is a lessor, except for sub-leases described above as of January 1, 2019, the date of initial application.

(d) Impact on financial statements

The Company recognized additional right-of-use assets, lease receivables and lease liabilities as of January 1, 2019, the date of initial application. The effect on the financial statements as of January 1, 2019, the date of initial application, is as follows:

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Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(in millions of Won)

**The date of initial
application
(January 1, 2019)**

Consolidated statement of financial position

Right-of-use assets presented as property, plant and equipment(*1)	₩	638,395
Lease receivables		225,198
Lease liabilities		597,197

(*1) Prepaid lease payments amounting to ₩266,396 million, classified as operating leases as of December 31, 2018, was reclassified from other assets to property, plant and equipment.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rates as of January 1, 2019, the date of initial application, and the incremental borrowing rates applied are 1.8 ~12.6%. The carrying amount of lease liabilities as of January 1, 2019, the date of initial application, is as follow:

(in millions of Won)

**The date of initial
application
(January 1, 2019)**

Operating lease commitments as of December 31, 2018	₩	879,759
Operating lease commitments not recognized as lease liabilities		
- Leases of low-value assets		(50,364)
- Leases with less than 12 months of lease term at transition		(17,635)
Operating lease commitments recognized as lease liabilities		811,760
Amount discounted using the incremental borrowing rate as of January 1, 2019, the date of initial application		597,197
Finance lease liabilities recognized as of December 31, 2018		94,754
Lease liabilities as of January 1, 2019, the date of initial application		691,951

As of September 30, 2019, the Company recognized ₩667,199 million of right-of-use assets and ₩604,620 million of lease liabilities for leases that were previously classified as operating leases.

In addition, the Company recognized depreciation and interest expenses instead of operating lease expenses. The Company recognized depreciation expenses amounted to ₩79,310 million and interest expenses amounted to ₩22,971 million during the nine-month period ended September 30, 2019.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2019
(Unaudited)

4. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	September 30, 2019	December 31, 2018
Current		
Trade accounts and notes receivable	₩ 8,978,869	8,648,250
Finance lease receivables	227	57,487
Due from customers for contract work	1,146,386	963,060
Less: Allowance for doubtful accounts	(411,170)	(386,188)
	<u>₩ 9,714,312</u>	<u>9,282,609</u>
Non-current		
Trade accounts and notes receivable	₩ 384,393	583,797
Finance lease receivables	50,616	45,873
Less: Allowance for doubtful accounts	(122,881)	(202,545)
	<u>₩ 312,128</u>	<u>427,125</u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩237,888 million and ₩468,706 million as of September 30, 2019 and December 31, 2018, respectively. The fair value of trade accounts and notes receivable approximates the carrying amounts and is recognized as short-term borrowings from financial institutions.

5. Other Receivables

Other receivables as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	September 30, 2019	December 31, 2018
Current		
Loans	₩ 324,206	236,782
Other accounts receivable	1,128,818	954,030
Accrued income	182,799	220,066
Deposits	93,853	108,640
Others	15,712	16,201
Lease receivables	43,360	-
Less: Allowance for doubtful accounts	(141,753)	(150,090)
	<u>₩ 1,646,995</u>	<u>1,385,629</u>
Non-current		
Loans	₩ 698,564	731,344
Other accounts receivable	201,742	155,936
Accrued income	110,568	1,855
Deposits	146,549	152,072
Lease receivables	167,428	-
Less: Allowance for doubtful accounts	(207,749)	(177,967)
	<u>₩ 1,117,102</u>	<u>863,240</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

6. Other Financial Assets

Other financial assets as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Current		
Derivatives assets	₩ 34,938	47,288
Debt securities	321,568	2,987
Deposit instruments(*1,2)	1,713,669	1,931,518
Short-term financial instruments(*2)	5,841,845	6,099,303
	<u>₩ 7,912,020</u>	<u>8,081,096</u>
Non-current		
Derivatives assets	₩ 154,098	1,795
Equity securities(*3)	1,134,473	1,238,630
Debt securities	27,651	34,327
Other securities(*3)	334,717	338,106
Deposit instruments(*2)	35,409	35,040
	<u>₩ 1,686,348</u>	<u>1,647,898</u>

(*1) As of September 30, 2019 and December 31, 2018, ₩4,795 million and ₩5,715 million, respectively, are restricted for the use in a government projects.

(*2) As of September 30, 2019 and December 31, 2018, financial instruments amounting to ₩79,054 million and ₩73,935 million, respectively, are restricted for use in financial arrangements, pledge and others.

(*3) As of September 30, 2019 and December 31, 2018, ₩118,743 million and ₩115,431 million of equity and other securities have been provided as collateral for borrowings, construction projects and others.

7. Inventories

Inventories as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Finished goods	₩ 1,830,501	1,886,040
Merchandise	1,093,973	1,131,416
Semi-finished goods	2,150,509	1,945,567
Raw materials	2,961,395	2,821,972
Fuel and materials	1,022,788	888,941
Construction inventories	761,094	718,884
Materials-in-transit	2,066,157	2,245,740
Others	88,096	68,150
	<u>11,974,513</u>	<u>11,706,710</u>
Less: Allowance for inventories valuation	<u>(204,306)</u>	<u>(206,782)</u>
	<u>₩ 11,770,207</u>	<u>11,499,928</u>

The amounts of loss on valuation of inventories recognized in cost of sales during the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were ₩80,988 million and ₩141,799 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

8. Assets Held for Sale

Details of assets held for sale as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	September 30, 2019			December 31, 2018
	The controlling company(*1)	Subsidiaries(*2,3,4)	Total	Subsidiaries(*4)
Asset				
Cash and cash equivalents(*5)	₩ -	9,359	9,359	-
Property, plant and equipment	18,519	37,472	55,991	21,076
Other financial assets	-	225	225	778
Others	-	1,023	1,023	-
	₩ 18,519	48,079	66,598	21,854
Liability				
Others	₩ -	1,612	1,612	-

(*1) During the nine-month period ended September 30, 2019, the controlling company determined to dispose of individual assets that ceased operations including Fe-Si factory, and classified the assets as assets held for sale. During the nine-month period ended September 30, 2019, ₩659 million, the difference between the fair value less costs of disposal and the book value of the related the assets held for sale, was recognized as an impairment loss on assets held for sale.

(*2) During the nine-month period ended September 30, 2019, POSCO SS VINA Co., Ltd., a subsidiary of the Company, determined to dispose of steel business, and classified the assets as assets held for sale. During the nine-month period ended September 30, 2019, ₩37,547 million, the difference between the fair value less costs of disposal and the book value of the related business, was recognized as an impairment loss on assets held for sale.

(*3) During the nine-month period ended September 30, 2019, POSCO ICT, a subsidiary of the Company, determined to spin electric car business off into ChargeV Inc., and classified the new Company as assets and liabilities held for sale.

(*4) During the year ended December 31, 2018, DAESAN (CAMBODIA) Co., Ltd., a subsidiary of the Company, determined to dispose of the land and classified the related property, plant and equipment amounting to ₩21,076 million as assets held for sale.

(*5) Cash and cash equivalents in the statement of cash flows include cash and cash equivalents that are classified as assets held for sale.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

9. Investments in Associates and Joint Ventures

(a) Details of investments in associates as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

Company	September 30, 2019			December 31, 2018	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	178,713,975,892	31.27	₩ 178,787	₩ 173,373	174,123
POSPower Co., Ltd.(*1)	4,507,138	34.00	179,410	164,927	161,477
SNNC	18,130,000	49.00	90,650	133,108	116,922
QSONE Co., Ltd.	200,000	50.00	84,395	85,839	85,550
Chun-cheon Energy Co., Ltd.(*1)	17,308,143	49.10	86,541	60,695	62,478
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	2,008,000	29.53	10,040	17,829	17,382
Daesung Steel(*3)	108,038	17.54	14,000	15,558	15,644
Incheon-Gimpo Expressway Co., Ltd.(*1,3)	9,032,539	18.26	45,163	9,995	13,329
Keystone NO. 1. Private Equity Fund	13,800,000	40.45	13,800	10,770	11,183
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund(*3)	6,485	12.50	6,485	5,842	5,739
KONES, Corp.	3,250,000	41.67	6,893	2,393	2,849
Others (51 companies)(*1)				130,733	123,734
				811,062	790,410
[Foreign]					
AES-VCM Mong Duong Power Company Limited(*2)		30.00	164,303	173,488	209,936
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	135,899	222,519	179,459
7623704 Canada Inc.(*3)	114,452,000	10.40	124,341	137,306	126,885
Eureka Moly LLC		20.00	240,123	88,539	82,447
AMCI (WA) PTY LTD	49	49.00	209,664	69,987	71,086
Nickel Mining Company SAS	3,234,698	49.00	157,585	34,144	41,712
KOREA LNG LTD.	2,400	20.00	135,205	48,328	43,554
NCR LLC		29.40	46,168	46,118	37,602
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	134,400,000	40.00	22,423	22,727	-
PT. Batutua Tembaga Raya	128,285	22.00	21,824	18,722	20,479
PT. Wampu Electric Power(*1)	8,708,400	20.00	10,054	14,448	14,120
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,200,000	34.00	9,517	15,456	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	50	25.00	4,723	6,797	6,478
Others (27 companies)(*1)				123,781	99,728
				1,022,360	948,282
			₩	1,833,422	1,738,692

(*1) As of September 30, 2019 and December 31, 2018, investments in associates amounting to ₩284,132 million and ₩285,066 million, respectively, are provided as collateral in relation to the associates' borrowings.

(*2) As of September 30, 2019 and December 31, 2018, shares of PSC Energy Global Co., Ltd., a subsidiary of the Company, are provided as collateral in relation to the associates' borrowings.

(*3) As of September 30, 2019, it was classified as an associate even though the Company's ownership percentage is less than 20% of ownership percentage since the Company has significant influence over the investee when considering its structure of the Board of Directors and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) Details of investments in joint ventures as of September 30, 2019 and December 31, 2018 are as follows:

Company	September 30, 2019				December 31, 2018	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value	Book value
[Domestic]						
POSCO MITSUBISHI CARBON TECHNOLOGY	11,568,000	60.00	₩ 115,680	₩ 188,166		180,192
Others (8 companies)				11,597		9,124
				199,763		189,316
[Foreign]						
Roy Hill Holdings Pty Ltd(*1)	13,117,972	12.50	1,528,672	1,181,299		1,041,600
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	390,548		363,506
KOBRASCO	2,010,719,185	50.00	32,950	108,503		133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		25.00	61,961	90,168		88,391
DMSA/AMSA(*1)		4.00	341,153	32,522		26,709
CSP - Companhia Siderurgica do Pecem	1,221,586,532	20.00	594,173	-		24,832
Others (12 companies)				43,586		43,508
				1,846,626		1,721,995
				₩ 2,046,389		1,911,311

(*1) As of September 30, 2019 and December 31, 2018, the investments in joint ventures were provided as collateral in relation to the joint ventures' borrowings.

(c) The movements of investments in associates and joint ventures for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

1) For the nine-month period ended September 30, 2019

(in millions of Won)

		December 31, 2018			Share of	Other increase	September 30, 2019
Company		Book value	Acquisition	Dividends	profits (losses)	(decrease)(*1)	Book value
[Domestic]							
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩	174,123	-	-	(750)	-	173,373
POSPower Co., Ltd		161,477	-	-	(3,886)	7,336	164,927
SNNC		116,922	-	(1,450)	17,636	-	133,108
QSONE Co.,Ltd.		85,550	-	(950)	1,239	-	85,839
Chun-cheon Energy Co., Ltd		62,478	6,050	-	(7,833)	-	60,695
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd		17,382	-	-	447	-	17,829
Daesung Steel		15,644	-	-	(86)	-	15,558
Incheon-Gimpo Expressway Co., Ltd.		13,329	-	-	(3,334)	-	9,995
Keystone-HYUNDAI SECURITIES NO. 1. Private Equity Fund		11,183	-	-	(413)	-	10,770
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund		5,739	-	-	103	-	5,842
KONES, Corp.		2,849	-	-	(456)	-	2,393
POSCO MITSUBISHI CARBON TECHNOLOGY		180,192	-	(16,369)	24,343	-	188,166
Others (59 companies)		132,858	31,247	(1,063)	(4,098)	(16,614)	142,330
		979,726	37,297	(19,832)	22,912	(9,278)	1,010,825
[Foreign]							
AES-VCN Mong Duong Power Company Limited		209,936	-	(18,099)	14,247	(32,596)	173,488
South-East Asia Gas Pipeline Company Ltd.		179,459	-	(24,267)	52,032	15,295	222,519
7623704 Canada Inc.		126,885	-	(9,902)	10,642	9,681	137,306
Eureka Moly LLC		82,447	-	-	(42)	6,134	88,539
AMCI (WA) PTY LTD		71,086	-	-	(3,324)	2,225	69,987
Nickel Mining Company SAS		41,712	-	-	(8,764)	1,196	34,144
KOREA LNG LTD.		43,554	-	(10,934)	11,020	4,688	48,328
NCR LLC		37,602	6,029	-	(418)	2,905	46,118
ZHEJIANG HUAYOU-POSCO ESM CO., LTD			22,423	-	58	246	22,727
PT. Batutua Tembaga Raya		20,479	-	-	(2,583)	826	18,722
PT. Wampu Electric Power		14,120	-	-	(656)	984	14,448
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		14,796	-	-	38	622	15,456
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		6,478	-	-	(65)	384	6,797
Roy Hill Holdings Pty Ltd		1,041,600	-	-	109,354	30,345	1,181,299
POSCO-NPS Niobium LLC		363,506	-	(20,560)	20,204	27,398	390,548
KOBRASCO		133,449	-	(74,716)	49,426	344	108,503
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		88,391	-	(1,574)	393	2,958	90,168
DMSA/AMSA		26,709	18,557	-	(17,078)	4,334	32,522
CSP - Companhia Siderurgica do Pecem		24,832	35,352	-	(57,647)	(2,537)	
Others (39 companies)		143,236	507	(15,077)	30,448	8,253	167,367
		2,670,277	82,868	(175,129)	207,285	83,685	2,868,986
₩		3,650,003	120,165	(194,961)	230,197	74,407	3,879,811

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

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

2) For the year ended December 31, 2018

(in millions of Won)

Company	December 31, 2017 Book value	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease)(*1)	December 31, 2018 Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources						
Private Equity Fund	₩ 175,553	-	-	(1,430)	-	174,123
POSPower Co., Ltd	-	176,731	-	(3,198)	(12,056)	161,477
SNNC	110,424	-	-	6,624	(126)	116,922
QSONE Co., Ltd.	85,049	-	(550)	1,051	-	85,550
Chun-cheon Energy Co., Ltd	74,378	-	-	(11,900)	-	62,478
CHUNGJU ENTERPRISE CITY						
DEVELOPMENT Co., Ltd	17,252	-	-	130	-	17,382
BLUE OCEAN Private Equity Fund	19,620	-	-	(17,930)	(1,690)	-
Daesung Steel	15,500	-	-	144	-	15,644
Incheon-Gimpo Expressway Co., Ltd.	31,660	-	-	(18,331)	-	13,329
Keystone NO. 1. Private Equity Fund	12,379	-	-	(1,295)	99	11,183
UITrans LRT Co., Ltd.	15,841	-	-	(15,841)	-	-
KoFC POSCO HANWHA KB Shared Growth						
NO. 2. Private Equity Fund	6,828	-	-	(1,089)	-	5,739
KONES, Corp.	2,827	-	-	29	(7)	2,849
POSCO MITSUBISHI CARBON TECHNOLOGY	110,760	-	-	69,594	(162)	180,192
Others (52 companies)	73,419	44,629	(784)	18,942	(3,348)	132,858
	<u>751,490</u>	<u>221,360</u>	<u>(1,334)</u>	<u>25,500</u>	<u>(17,290)</u>	<u>979,726</u>
[Foreign]						
AES-VCM Mong Duong Power Company Limited	142,348	-	(26,108)	30,096	63,600	209,936
South-East Asia Gas Pipeline Company Ltd.	197,069	-	(29,301)	17,709	(6,018)	179,459
7623704 Canada Inc.	121,702	-	(4,509)	4,373	5,319	126,885
Eureka Moly LLC	79,398	-	-	(406)	3,455	82,447
AMCI (WA) PTY LTD	63,378	-	-	(3,412)	11,120	71,086
Nickel Mining Company SAS	45,905	-	-	(4,268)	75	41,712
KOREA LNG LTD.	33,422	-	(10,544)	10,542	10,134	43,554
NCR LLC	33,738	2,505	-	(5,909)	7,268	37,602
PT. Batutua Tembaga Raya	21,823	-	-	(1,817)	473	20,479
PT. Wampu Electric Power	13,391	-	-	177	552	14,120
Zhongyue POSCO (Qinhuangdao) Tinplate						
Industrial Co., Ltd	15,617	-	-	(735)	(86)	14,796
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,517	-	-	23	(62)	6,478
Roy Hill Holdings Pty Ltd	1,125,133	-	-	59,095	(142,628)	1,041,600
POSCO-NPS Niobium LLC	348,836	-	(22,254)	21,536	15,388	363,506
KOBRASCO	108,485	-	(37,710)	75,170	(12,496)	133,449
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	88,305	-	-	540	(454)	88,391
DMSA/AMSA	56,735	17,973	-	(48,802)	803	26,709
CSP - Companhia Siderurgica do Pecem	146,427	-	-	(109,714)	(11,881)	24,832
Others (42 companies)	158,213	2,771	(22,588)	42,937	(38,097)	143,236
	<u>2,806,442</u>	<u>23,249</u>	<u>(153,014)</u>	<u>87,135</u>	<u>(93,535)</u>	<u>2,670,277</u>
	<u>₩ 3,557,932</u>	<u>244,609</u>	<u>(154,348)</u>	<u>112,635</u>	<u>(110,825)</u>	<u>3,650,003</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 Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(d) Summarized financial information of associates and joint ventures as of and for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 are as follows:

1) September 30, 2019

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources Private Equity Fund	₩ 536,062	767	535,295	-	(679)
POSPower Co., Ltd	698,286	181,166	517,120	-	(3,580)
SNNC	668,917	367,101	301,816	528,041	44,349
QSONE Co.,Ltd.	249,689	78,011	171,678	13,025	2,479
Chun-cheon Energy Co., Ltd	618,602	492,798	125,804	242,600	(16,342)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	59,416	29,352	30,064	10,788	1,513
Daesung Steel	171,618	114,307	57,311	66,564	(492)
Incheon-Gimpo Expressway Co., Ltd.	1,023,739	946,887	76,852	37,217	(22,836)
Keystone NO. 1. Private Equity Fund	177,569	145,812	31,757	12,772	(1,022)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	47,657	919	46,738	1,237	823
KONES, Corp.	1,458	1,350	108	2,376	(1,096)
POSCO MITSUBISHI CARBON TECHNOLOGY	563,195	250,323	312,872	181,866	40,579
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,862,074	973,435	888,639	409,650	207,789
7623704 Canada Inc.	1,336,112	3,703	1,332,409	-	102,327
Nickel Mining Company SAS	480,146	358,409	121,737	147,946	(18,612)
ZHEJIANG HUAYOU-POSCO ESM CO., LTD	72,546	15,780	56,766	519	144
KOREA LNG LTD.	241,783	144	241,639	56,689	55,099
PT. Batutua Tembaga Raya	412,522	362,834	49,688	89,677	(11,706)
PT. Wampu Electric Power	227,225	157,984	69,241	12,003	(3,280)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	63,583	12,478	51,105	75,278	111
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	60,536	32,810	27,726	53,189	(274)
Roy Hill Holdings Pty Ltd	11,032,873	6,194,722	4,838,151	3,377,226	1,133,019
POSCO-NPS Niobium LLC	780,893	-	780,893	-	38,842
KOBRASCO	341,121	124,115	217,006	144,703	98,853
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	1,055,458	722,402	333,056	963,076	1,256
DMSA/AMSA	5,878,517	4,375,311	1,503,206	455,396	(426,928)
CSP - Companhia Siderurgica do Pecem	4,044,214	4,318,983	(274,769)	1,294,561	(454,922)

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

2) December 31, 2018

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources					
Private Equity Fund	₩ 552,760	783	551,977	-	10,249
POSPower Co., Ltd	425,632	35,761	389,871	-	(4,536)
SNNC	645,013	384,586	260,427	656,320	14,229
OSONE Co., Ltd.	249,384	78,285	171,099	16,597	2,101
Chun-cheon Energy Co., Ltd	667,454	525,308	142,146	320,950	(18,796)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	63,554	35,003	28,551	16,237	439
BLUE OCEAN Private Equity Fund	305,876	174,640	131,236	459,491	(5,294)
Daesung Steel	169,305	111,502	57,803	75,474	824
Incheon-Gimpo Expressway Co., Ltd.	1,049,629	931,937	117,692	45,566	(92,202)
Keystone NO. 1. Private Equity Fund	177,024	144,186	32,838	15,507	(3,962)
UITrans LRT Co., Ltd.	430,227	435,699	(5,472)	12,929	(85,344)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	59,464	1,061	58,403	2,401	(12,313)
KONES, Corp.	2,618	1,414	1,204	5,167	70
POSCO MITSUBISHI CARBON TECHNOLOGY	537,138	237,563	299,575	300,986	116,049
[Foreign]					
South-East Asia Gas Pipeline Company Ltd.	1,726,410	1,009,731	716,679	343,471	70,717
7623704 Canada Inc.	1,232,208	1	1,232,207	-	44,320
Nickel Mining Company SAS	465,463	329,084	136,379	207,956	(4,569)
KOREA LNG LTD.	217,883	110	217,773	54,357	52,720
PT. Batutua Tembaga Raya	332,305	274,580	57,725	128,609	(8,451)
PT. Wampu Electric Power	223,009	155,407	67,602	13,461	887
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	73,515	24,264	49,251	121,104	(2,231)
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	61,782	34,740	27,042	85,619	78
Roy Hill Holdings Pty Ltd	9,666,619	6,043,492	3,623,127	3,259,256	497,469
POSCO-NPS Niobium LLC	726,810	-	726,810	-	41,812
KOBRASCO	317,842	50,945	266,897	229,340	150,550
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	710,518	384,572	325,946	1,341,849	2,159
DMSA/AMSA	5,562,877	4,171,896	1,390,981	731,127	(529,844)
CSP - Companhia Siderurgica do Pecem	4,194,242	4,192,867	1,375	1,860,198	(542,865)

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2019
(Unaudited)

10. Joint Operations

Details of significant joint operations that the Company is participating in as a party to a joint arrangement as of September 30, 2019 are as follows:

Joint operations	Operation	Ownership (%)	Location
Myanmar A-1/A-3 mine	Mine development and gas production	51.00	Myanmar
Offshore midstream	Gas transportation facility	51.00	Myanmar
Greenhills mine	Mine development	20.00	Canada
Arctos Anthracite coal project	Mine development	50.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
RUM J/V	Mine development	10.00	Australia
Hanam-Gamil package public housing project	Construction	7.70	Korea
Hanam-Gamil district B6, C2, C3 Block public housing lot development project	Construction	27.00	Korea
Yangsan-Sasong district public housing project(private-participation)	Construction	13.08	Korea
Yangsan-Sasong district public housing project	Construction	49.00	Korea
Sejong 2-1 P3 Block public housing project	Construction	37.00	Korea
Yongin-Giheung Station area city development project	Construction	61.00	Korea
Korean wave world complex land multi-purpose building development project	Construction	33.30	Korea
Sejong 4-1 P3 Block public housing project	Construction	60.00	Korea

11. Investment Property, Net

Changes in the carrying amount of investment property for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

(a) For the nine-month period ended September 30, 2019

(in millions of Won)	Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩ 278,585	-	(247)	(562)	593	278,369
Buildings	571,335	332	(720)	(15,746)	86,684	641,885
Structures	1,408	-	-	(470)	181	1,119
Construction-in-progress	77,287	18,719	-	-	(96,006)	-
	₩ 928,615	19,051	(967)	(16,778)	(8,548)	921,373

(*1) Includes impairment loss on investment property amounting to ₩1,004 million.

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) For the year ended December 31, 2018

<i>(in millions of Won)</i>		Beginning	Acquisitions	Disposals	Depreciation(*1)	Others(*2)	Ending
Land	₩	360,402	1,327	(26,826)	(16,743)	(39,575)	278,585
Buildings		634,040	727	(32,807)	(28,358)	(2,267)	571,335
Structures		6,281	-	-	(603)	(4,270)	1,408
Construction-in-progress		64,191	42,052	-	(24,948)	(4,008)	77,287
	₩	<u>1,064,914</u>	<u>44,106</u>	<u>(59,633)</u>	<u>(70,652)</u>	<u>(50,120)</u>	<u>928,615</u>

(*1) Includes impairment loss on investment property recognized by each of the consolidated subsidiaries, including the office for rent of POSCO(Dalian) IT Center Development Co., Ltd. amounting to ₩51,461 million.

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

12. Property, Plant and Equipment, Net

Changes in the carrying amount of property, plant and equipment for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

(a) For the nine-month period ended September 30, 2019

<i>(in millions of Won)</i>		Beginning	Acquisitions	Business Combination	Disposals	Depreciation	Impairment loss(*1)	Others(*2)	Ending
Land	₩	2,548,002	8,840	-	(11,783)	-	-	17,276	2,562,335
Buildings		4,402,452	12,993	50,113	(6,320)	(235,728)	(21,499)	129,474	4,331,485
Structures		2,917,924	11,387	-	(1,040)	(170,080)	(9,615)	85,626	2,834,202
Machinery and equipment		18,518,129	96,753	3,051	(26,669)	(1,674,837)	(152,253)	775,566	17,539,740
Vehicles		31,341	4,553	100	(753)	(11,239)	29	6,340	30,371
Tools		66,164	10,322	187	(482)	(20,832)	(65)	30,182	85,476
Furniture and fixtures		136,287	24,014	7	(1,053)	(27,085)	(137)	7,642	139,675
Lease assets(*3)		137,564	93,329	-	(12,700)	(109,512)	-	681,355	790,036
Bearer plants		80,771	-	-	-	(4,193)	-	43,257	119,835
Construction-in-progress		1,179,639	1,493,867	367	(7,741)	-	(10,150)	(754,339)	1,901,643
	₩	<u>30,018,273</u>	<u>1,756,058</u>	<u>53,825</u>	<u>(68,541)</u>	<u>(2,253,506)</u>	<u>(193,690)</u>	<u>1,022,379</u>	<u>30,334,798</u>

(*1) The controlling company estimated recoverable amount for individual assets such as CEM and Fe-Si factories that ceased operations due to the disposal plan and others by calculating net fair value based on the appraisal value or scrap value and recognized an impairment loss of ₩194,004 million for assets since recoverable amounts are less than their carrying amounts for the nine-month period ended September 30, 2019.

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

(*3) On the date of initial application of K-IFRS No. 1116 "Leases" (January 1, 2019), recognition of ₩638,395 million of right-of-use assets is included in others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) For the year ended December 31, 2018

(in millions of Won)

	Beginning	Acquisitions	Disposals	Depreciation	Impairment loss(*1,2)	Others(*3)	Ending
Land	₩ 2,527,650	28,998	(26,157)	-	6,399	11,112	2,548,002
Buildings	4,877,018	46,129	(21,501)	(331,688)	(73,523)	(93,983)	4,402,452
Structures	2,765,852	18,749	(2,834)	(220,218)	(6,652)	363,027	2,917,924
Machinery and equipment	19,367,957	145,220	(62,135)	(2,224,000)	(143,293)	1,434,380	18,518,129
Vehicles	32,861	8,538	(1,149)	(14,835)	(56)	5,982	31,341
Tools	63,640	21,337	(1,867)	(26,421)	(206)	9,681	66,164
Furniture and fixtures	145,439	32,258	(577)	(51,835)	(1,494)	12,496	136,287
Lease assets	145,257	28,466	(420)	(19,224)	-	(16,515)	137,564
Bearer plants	65,515	-	-	(3,636)	-	18,892	80,771
Construction-in-progress	1,892,346	1,884,125	(23,814)	-	(778,373)	(1,794,645)	1,179,639
	₩ 31,883,535	2,213,820	(140,454)	(2,891,857)	(997,198)	(49,573)	30,018,273

(*1) During 2018, the Controlling Company evaluated future economic performance of its Synthetic Natural Gas (SNG) facility that was still in trial run stage. Considering the continuous decline in LNG price, increase in coal prices and the need for additional capital investment in the SNG facility, the Controlling Company concluded that the profitability of the SNG facility is unlikely to be sustainable and decided to terminate the operation of SNG facility as of December 31, 2018. The property, plant and equipment in the SNG facility are primarily comprised of machinery and equipment, among which assets with a carrying value of ₩167,054 million are expected to be reused in other facilities of the Controlling Company therefore no impairment test was conducted. For the remaining assets impairment test was performed by estimating the recoverable amount of each individual assets. For the assets which are determined to be technically obsolete and therefore sale is unlikely, recoverable amount is determined at their expected scrap value less cost of disposal. For the assets for which sale is probable, the recoverable amount is determined based on fair value less cost of disposal. Fair value was measured using cost approach, which is estimated based on the current cost to purchase or replace the asset less applicable depreciation and obsolescence.

Specifically, the Controlling Company used indirect cost approach to estimate the replacement cost for a new asset by applying asset specific inflation factors to the asset's historical cost and deducting depreciation for physical deterioration. Depreciation factors are applied primarily based on estimated useful life of the asset and declining balance depreciation method. The fair value measurement of assets in SNG facility is considered to be level 3 because significant inputs used in the estimate, such as asset specific inflation factors and estimated useful lives, are unobservable.

As a result of the impairment test, the Company recognized an impairment loss of ₩809,737 million in connection with the property, plant and equipment in the SNG facility.

The Controlling Company has recognized an impairment loss amounting to ₩61,787 million since recoverable amount on Strip Casting facilities and others is less than its carrying amount for the period ended December 31, 2018.

(*2) As of December 31, 2018, POSCO ENERGY CO., LTD., a subsidiary, performed the impairment test due to the consecutive operating losses of the fuel cell business, and recognized impairment losses amounting to ₩54,250 million.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

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

13. Goodwill and Other Intangible Assets, Net

Changes in the carrying amount of goodwill and other intangible assets for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

(a) For the nine-month period ended September 30, 2019

(in millions of Won)

	Beginning	Acquisitions	Business Combination	Disposals	Amortization	Impairment loss	Others(*2)	Ending
Goodwill	₩ 1,125,149	-	31,557	-	-	-	(721)	1,155,985
Intellectual property rights	2,399,525	96,484	-	(827)	(192,769)	(2,558)	42,705	2,342,560
Premium in rental(*1)	134,793	11,389	-	(7,155)	(1,139)	101	6,379	144,368
Development expense	99,163	2,128	-	-	(32,967)	-	19,026	87,350
Port facilities usage rights	305,081	-	-	-	(17,320)	-	1	287,762
Exploration and evaluation assets	192,130	5,005	-	-	-	(118,143)	(480)	78,512
Customer relationships	421,773	-	-	-	(41,379)	-	5,635	386,029
Other intangible assets	493,211	102,374	117	(4,858)	(31,373)	(4,189)	(16,948)	538,334
	₩ 5,170,825	217,380	31,674	(12,840)	(316,947)	(124,789)	55,597	5,020,900

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

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

(b) For the year ended December 31, 2018

(in millions of Won)

	Beginning	Acquisitions	Disposals	Amortization	Impairment loss	Others(*3)	Ending
Goodwill	₩ 1,349,838	-	-	-	(223,709)	(980)	1,125,149
Intellectual property rights	2,449,193	334,667	(18,619)	(198,282)	(96,475)	(70,959)	2,399,525
Premium in rental(*1)	118,310	36,196	(15,675)	(330)	(4,218)	510	134,793
Development expense	80,218	4,248	(32)	(37,305)	(411)	52,445	99,163
Port facilities usage rights	309,373	-	-	(22,975)	-	18,683	305,081
Exploration and evaluation assets	205,944	2,654	-	-	(3,339)	(13,129)	192,130
Customer relationships	466,945	-	-	(48,499)	-	3,327	421,773
Power generation permit(*2)	539,405	-	-	-	-	(539,405)	-
Other intangible assets	433,043	164,594	(1,644)	(49,190)	(8,844)	(44,748)	493,211
	₩ 5,952,269	542,359	(35,970)	(356,581)	(336,996)	(594,256)	5,170,825

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

- (*2) During the year ended December 31, 2018, the Company disposed of a portion of shares of its subsidiary, POSPower Co., Ltd, which resulted in the Company's loss of control, and derecognition of corresponding intangible assets.

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

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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14. Other Assets

Other assets as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>		September 30, 2019	December 31, 2018
Current			
Advance payments	₩	509,472	539,894
Prepaid expenses		173,747	123,770
Firm commitment asset		17,728	11,246
Emission rights		18,840	-
Others		7,487	9,554
	₩	<u>727,274</u>	<u>684,464</u>
Non-current			
Long-term advance payments	₩	22,009	24,280
Long-term prepaid expenses		43,800	334,918
Others(*1)		249,310	149,566
	₩	<u>315,119</u>	<u>508,764</u>

(*1) As of September 30, 2019 and December 31, 2018, the Company recognized tax assets amounting to ₩187,197 million and ₩116,693 million based on the Company's best estimate of the tax amounts to be refunded when the result of the Company's appeal in connection with the additional income tax payment in prior years tax audits and claim for rectification are finalized.

15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>				September 30, 2019	December 31, 2018
	Lenders	Interest rate (%)			
Short-term borrowings					
Bank overdrafts	JP Morgan and others	0.7~9.1	₩	158,227	294,364
Short-term borrowings	HSBC and others	0.2~10.0		<u>6,250,805</u>	<u>7,193,416</u>
				<u>6,409,032</u>	<u>7,487,780</u>
Current portion of long-term liabilities					
Current portion of long-term borrowings	Export-Import Bank of Korea and others	0.8~8.5		1,079,603	1,234,915
Current portion of debentures	Korea Development Bank and others	2.0~7.7		869,907	1,568,108
Less: Current portion of discount on debentures issued				<u>(467)</u>	<u>(1,184)</u>
				<u>1,949,043</u>	<u>2,801,839</u>
			₩	<u>8,358,075</u>	<u>10,289,619</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) Long-term borrowings, excluding current portion as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	Lenders	Interest rate (%)	September 30, 2019	December 31, 2018
Long-term borrowings	Export-Import Bank of Korea and others	0.2~8.8	₩ 4,449,764	4,499,199
Less: Present value discount			(27,400)	(30,526)
Debentures	Mirae Asset Daewoo Co., Ltd. and others	1.7~4.3	7,100,440	5,469,580
Less: Discount on debentures issued			(25,997)	(18,602)
			₩ 11,496,807	9,919,651

(c) Assets pledged as collateral in regards to the borrowings as of September 30, 2019 are as follows:

(in millions of Won)

	Lenders	Book value	Pledged amount
Cash and cash equivalents	Sinhan Bank and others	₩ 6,612	6,612
Property, plant and equipment and Investment property	Korea Development Bank and others	4,518,179	5,127,519
Trade accounts and notes receivable	Korea Development Bank and others	113,771	113,771
Inventories	Export-Import Bank of Korea and others	188,142	78,591
Financial instruments	Woori Bank and others	45,784	45,784
		₩ 4,872,488	5,372,277

16. Other Payables

Other payables as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	September 30, 2019	December 31, 2018
Current		
Accounts payable	₩ 867,098	783,562
Accrued expenses	722,060	720,773
Dividend payable	3,513	8,673
Lease liabilities(*1)	139,989	10,152
Withholdings	158,276	196,937
	₩ 1,890,936	1,720,097
Non-current		
Accounts payable	₩ 2,890	1,624
Accrued expenses	3,583	19,021
Lease liabilities(*1)	558,237	84,602
Long-term withholdings	53,398	43,621
	₩ 618,108	148,868

(*1) As of September 30, 2019, the Company recognized lease liabilities of ₩604,620 million on initial application of K-IFRS No.1116 "Leases".

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(Unaudited)

17. Other Financial Liabilities

Other financial liabilities as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>		September 30, 2019	December 31, 2018
Current			
Derivative liabilities	₩	56,276	27,328
Financial guarantee liabilities		47,953	50,472
	₩	<u>104,229</u>	<u>77,800</u>
Non-current			
Derivative liabilities	₩	8,541	46,429
Financial guarantee liabilities		9,613	17,733
	₩	<u>18,154</u>	<u>64,162</u>

18. Provisions

(a) Provisions as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>		September 30, 2019		December 31, 2018	
		Current	Non-current	Current	Non-current
Provision for bonus payments	₩	49,210	47,325	46,514	26,964
Provision for construction warranties		9,460	155,309	11,842	130,391
Provision for legal contingencies and claims(*1)		10,085	67,267	16,981	94,169
Provision for the restoration(*2)		5,447	96,517	9,379	79,789
Others(*3)		187,883	136,326	216,564	99,723
	₩	<u>262,085</u>	<u>502,744</u>	<u>301,280</u>	<u>431,036</u>

(*1) The Company recognized probable outflow of resources amounting to ₩46,816 million and ₩50,888 million as provisions in relation to lawsuits against the Company as of September 30, 2019 and December 31, 2018, respectively.

(*2) Due to contamination of lands near the Company's magnesium smelting plant located in Gangneung province and others, the Company recognized present values of estimated costs for recovery, ₩24,840 million as provisions for restoration as of September 30, 2019. In order to determine the estimated costs, the Company has assumed that it would use all of technologies and materials available for now to recover the land. In addition, the Company has applied a discount rate of 1.67~1.73% to measure present value of these costs.

(*3) As of September 30, 2019 and December 31, 2018, POSCO ENERGY CO., LTD., a subsidiary of the Company, recognized ₩212,344 million and ₩200,407 million of provisions for warranties, respectively, for the service contract on fuel cell based on its estimate of probable outflow of resources.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) Changes in provisions for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

1) For the nine-month period ended September 30, 2019

<i>(in millions of Won)</i>	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 73,478	60,151	(51,199)	(3,408)	17,513	96,535
Provision for construction warranties	142,233	41,198	(17,194)	(1,385)	(83)	164,769
Provision for legal contingencies and claims	111,150	11,445	(32,872)	(16,060)	3,689	77,352
Provision for the restoration	89,168	23,532	(11,369)	(2,240)	2,873	101,964
Others	316,287	102,355	(32,659)	(60,737)	(1,037)	324,209
	<u>₩ 732,316</u>	<u>238,681</u>	<u>(145,293)</u>	<u>(83,830)</u>	<u>22,955</u>	<u>764,829</u>

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

2) For the year ended December 31, 2018

<i>(in millions of Won)</i>	Beginning	Increase	Utilization	Reversal	Others(*1)	Ending
Provision for bonus payments	₩ 49,171	88,879	(60,723)	(3,856)	7	73,478
Provision for construction warranties	118,036	56,560	(24,608)	(7,660)	(95)	142,233
Provision for legal contingencies and claims	36,764	84,242	(6,066)	(3,399)	(391)	111,150
Provision for the restoration	134,190	14,912	(9,212)	(47,682)	(3,040)	89,168
Others	249,957	328,879	(118,388)	(216,668)	72,507	316,287
	<u>₩ 588,118</u>	<u>573,472</u>	<u>(218,997)</u>	<u>(279,265)</u>	<u>68,988</u>	<u>732,316</u>

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

19. Employee Benefits

(a) Defined contribution plans

The expenses related to post-employment benefit plans under defined contribution plans for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
Expense related to post-employment benefit plans under defined contribution plans	₩ 11,469	12,198	35,527	32,783

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) Defined benefit plan

- 1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	September 30, 2019	December 31, 2018
Present value of funded obligations	₩ 2,253,831	2,117,829
Fair value of plan assets(*1)	(1,960,174)	(1,997,717)
Present value of non-funded obligations	23,168	19,332
Net defined benefit liabilities	₩ <u>316,825</u>	<u>139,444</u>

- (*1) As of December 31, 2018, the Company recognized net defined benefit assets amounting to ₩1,489 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 nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

<i>(in millions of Won)</i>	September 30, 2019	December 31, 2018
Defined benefit obligation		
at the beginning of period	₩ 2,137,161	1,843,135
Current service costs	173,669	212,323
Interest costs	38,700	54,950
Remeasurements	33,381	212,678
Benefits paid	(113,214)	(189,165)
Others	7,302	3,240
Defined benefit obligation at the end of period	₩ <u>2,276,999</u>	<u>2,137,161</u>

- 3) Changes in fair value of plan assets for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

<i>(in millions of Won)</i>	September 30, 2019	December 31, 2018
Fair value of plan assets		
at the beginning of period	₩ 1,997,717	1,714,166
Interest on plan assets	36,297	50,784
Remeasurement of plan assets	(7,127)	(19,761)
Contributions to plan assets	18,687	408,326
Benefits paid	(90,378)	(163,112)
Others	4,978	7,314
Fair value of plan assets at the end of period	₩ <u>1,960,174</u>	<u>1,997,717</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

- 4) The amounts recognized in condensed consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
<i>(in millions of Won)</i>				
Current service costs	₩ 58,679	51,625	173,669	158,462
Net interest costs	168	938	2,403	2,723
	₩ 58,847	52,563	176,072	161,185

20. Other Liabilities

Other liabilities as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	September 30, 2019	December 31, 2018
Current		
Due to customers for contract work	₩ 587,391	709,180
Advances received	762,865	567,375
Unearned revenue	59,873	49,805
Withholdings	291,200	233,981
Firm commitment liability	15,103	24,373
Others	14,927	10,174
	₩ 1,731,359	1,594,888
Non-current		
Unearned revenue	₩ 32,993	42,992
Others	58,978	84,369
	₩ 91,971	127,361

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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(Unaudited)

21. Financial Instruments

(a) Classification and fair value of financial instruments

1) The carrying amount and fair values of financial assets and financial liabilities by fair value hierarchy as of September 30, 2019 and December 31, 2018 are as follows

① September 30, 2019

		Fair value			
(in millions of Won)	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative assets	₩ 179,741	-	179,741	-	179,741
Short-term financial instruments	5,841,845	-	5,841,845	-	5,841,845
Debt securities	28,939	-	-	28,939	28,939
Other securities	334,717	4,139	73	330,505	334,717
Other receivables	2,000	-	-	2,000	2,000
Derivative hedging instruments(*2)	9,295	-	9,295	-	9,295
Fair value through other comprehensive income					
Equity securities	1,134,473	770,003	-	364,470	1,134,473
Debt securities	5,728	-	-	5,728	5,728
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	2,831,727	-	-	-	-
Trade accounts and notes receivable	8,954,884	-	-	-	-
Other receivables	2,167,500	-	-	-	-
Debt securities	314,552	-	-	-	-
Deposit instruments	1,749,078	-	-	-	-
₩	23,554,479	774,142	6,030,954	731,642	7,536,738
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 56,038	-	56,038	-	56,038
Derivative hedging instruments(*2)	8,779	-	8,779	-	8,779
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	3,731,888	-	-	-	-
Borrowings	19,854,882	-	20,151,073	-	20,151,073
Financial guarantee liabilities	57,566	-	-	-	-
Others	2,094,078	-	-	-	-
₩	25,803,231	-	20,215,890	-	20,215,890

(*1) Fair value of financial assets and liabilities measured at amortized cost except borrowings approximates carrying amounts.

(*2) The Company applies hedge accounting which uses forward contracts as hedging instrument in order to hedge the risk of changes in fair value of product prices regarding firm commitments or purchase commitments. Also, the Company applies cash flow accounting which uses currency swap as hedging instrument in order to hedge the risk of changes in foreign currency which influences cash flow from borrowings.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

② December 31, 2018

(in millions of Won)		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss					
Derivative assets	₩ 16,662	-	16,662	-	16,662
Short-term financial instruments	6,099,303	-	6,099,303	-	6,099,303
Debt securities	27,229	-	-	27,229	27,229
Other securities	338,106	1,224	5,205	331,677	338,106
Other receivables	2,000	-	-	2,000	2,000
Derivative hedging instruments	32,421	-	32,421	-	32,421
Fair value through other comprehensive income					
Equity securities	1,238,630	891,514	-	347,116	1,238,630
Debt securities	1,638	-	-	1,638	1,638
Financial assets measured at amortized cost(*1)					
Cash and cash equivalents	2,643,865	-	-	-	-
Trade accounts and notes receivable	8,819,617	-	-	-	-
Other receivables	1,843,381	-	-	-	-
Debt securities	8,447	-	-	-	-
Deposit instruments	1,966,558	-	-	-	-
	₩ 23,037,857	892,738	6,153,591	709,660	7,755,989
Financial liabilities					
Fair value through profit or loss					
Derivative liabilities	₩ 60,047	-	60,047	-	60,047
Derivative hedging instruments	13,710	-	13,710	-	13,710
Financial liabilities measured at amortized cost(*1)					
Trade accounts and notes payable	4,035,960	-	-	-	-
Borrowings	20,209,270	-	20,377,105	-	20,377,105
Financial guarantee liabilities	68,205	-	-	-	-
Others	1,803,353	-	-	-	-
	₩ 26,190,545	-	20,450,862	-	20,450,862

(*1) Fair value of financial assets and liabilities measured at amortized cost except borrowings approximates carrying amounts.

2) Finance income and costs by category of financial instrument for the nine-month periods ended September 30, 2019 and 2018 were as follows:

① For the nine-month period ended September 30, 2019

(in millions of Won)		Finance income and costs					Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 105,893	(8,395)	-	9,931	630	108,059	-
Derivatives assets	-	203,729	-	143,072	-	346,801	-
Financial assets at fair value through other comprehensive income	-	-	-	-	66,041	66,041	(63,708)
Financial assets measured at amortized cost	122,398	-	528,105	(29,504)	(309)	620,690	-
Derivatives liabilities	-	(24,038)	-	(180,061)	-	(204,099)	(81)
Financial liabilities measured at amortized cost	(571,024)	-	(569,715)	(2,431)	(17,175)	(1,160,345)	-
	₩ (342,733)	171,296	(41,610)	(58,993)	49,187	(222,853)	(63,789)

② For the nine-month period ended September 30, 2018

(in millions of Won)		Finance income and costs					Other comprehensive loss
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 105,627	(432)	-	5,336	1,975	112,506	-
Derivatives assets	-	41,573	-	170,893	-	212,466	-
Financial assets at fair value through other comprehensive income	-	-	-	-	48,192	48,192	(24,454)
Financial assets measured at amortized cost	131,709	-	125,751	(30,677)	(275)	226,508	-
Derivatives liabilities	-	(27,503)	-	(150,546)	-	(178,049)	(174)
Financial liabilities measured at amortized cost	(533,550)	-	(367,510)	-	(8,306)	(909,366)	-
	₩ (296,214)	13,638	(241,759)	(4,994)	41,586	(487,743)	(24,628)

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

3) Finance income and costs by category of financial instrument for the three-month periods ended September 30, 2019 and 2018 were as follows:

① For the three-month period ended September 30, 2019

(in millions of Won)

	Finance income and costs						Other comprehensive income(loss)
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 37,796	(7,023)	-	3,507	-	34,280	-
Derivatives assets	-	95,751	-	60,483	-	156,234	-
Financial assets at fair value through other comprehensive income	-	-	-	-	15,293	15,293	(81,552)
Financial assets measured at amortized cost	36,518	-	242,400	(10,264)	(94)	268,560	-
Derivatives liabilities	-	(21,193)	-	(69,027)	-	(90,220)	19
Financial liabilities measured at amortized cost	(179,820)	-	(285,364)	-	(8,167)	(473,351)	-
	₩ (105,506)	67,535	(42,964)	(15,301)	7,032	(89,204)	(81,533)

② For the three-month period ended September 30, 2018

(in millions of Won)

	Finance income and costs						Other comprehensive income
	Interest income (expense)	Gain and loss on valuation	Gain and loss on foreign currency	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	₩ 36,393	(326)	-	(80)	-	35,987	-
Derivatives assets	-	(23,933)	-	73,656	-	49,723	-
Financial assets at fair value through other comprehensive income	-	-	-	-	5,931	5,931	36,687
Financial assets measured at amortized cost	43,988	-	(112,913)	(8,881)	(90)	(77,896)	-
Derivatives liabilities	-	(14,084)	-	(54,253)	-	(68,337)	64
Financial liabilities measured at amortized cost	(195,894)	-	10,019	-	(10,593)	(196,468)	-
	₩ (115,513)	(38,343)	(102,894)	10,442	(4,752)	(251,060)	36,751

(b) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk arising from financial assets and liabilities. The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2018.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

22. Share Capital and Capital Surplus

(a) Share capital as of September 30, 2019 and December 31, 2018 are as follows:

<i>(Share, in Won)</i>	September 30, 2019	December 31, 2018
Authorized shares	200,000,000	200,000,000
Par value	₩ 5,000	5,000
Issued shares(*1)	87,186,835	87,186,835
Shared capital(*2)	₩ 482,403,125,000	482,403,125,000

(*1) As of September 30, 2019, total number of ADRs of 35,339,236 outstanding in overseas stock market are equivalent to 8,834,809 shares of common stock.

(*2) As of September 30, 2019, the difference between the ending balance and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) Capital surplus as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	September 30, 2019	December 31, 2018
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	796,623	784,047
Other capital surplus	110,782	162,679
	₩ 1,371,230	1,410,551

(c) POSCO ENERGY CO., LTD., a subsidiary of the Company, issued redeemable convertible preferred shares which are classified as non-controlling interests in the consolidated financial statements. The details of redeemable convertible preferred shares as of September 30, 2019 are as follows:

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

Redeemable convertible preferred stocks are classified as equity because the issuer has a redemption right and can control the circumstances in which the entity can settle a variable quantity of equity instruments.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2019
(Unaudited)

23. Hybrid Bonds

- (a) Hybrid bonds classified as equity as of September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		September 30, 2019	December 31, 2018
Hybrid bond 1-2(*1)	2013-06-13	2043-06-13	4.60	₩	200,000	200,000
Issuance cost					(616)	(616)
				₩	<u>199,384</u>	<u>199,384</u>

- (*1) Details of issuance of hybrid bonds as of September 30, 2019 are as follows:

	Hybrid bond 1-2
Maturity	30 years (POSCO has a right to extend the maturity)
Interest rate	Issue date ~ 2023-06-12 : 4.6% Reset every 10 years as follows; · After 10 years: return on government bond (10 years) + 1.4% · After 10 years: additionally +0.25% according to Step-up clauses · After 30 years: additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to POSCO)
Others	POSCO can call the hybrid bond at year 10 and interest payment date afterwards

The hybrid bond holders' preference in the event of liquidation is higher than the common stockholders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of September 30, 2019 amounts to ₩454 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 September 30, 2019 and December 31, 2018 are as follows:

<i>(in millions of Won)</i>	Date of issue	Date of maturity	Interest rate (%)		September 30, 2019	December 31, 2018
Hybrid bond 1-4(*1)	2013-08-29	2043-08-29	5.21	₩	140,000	140,000
Issuance cost					(429)	(429)
				₩	<u>139,571</u>	<u>139,571</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(*1) Details of hybrid bonds of POSCO ENERGY CO., LTD. as of September 30, 2019 are as follows:

Hybrid bond 1-4	
Maturity	30 years (The issuer has a right to extend the maturity)
Interest rate	Issue date ~ 2023-08-29 : 5.21 % Reset every 10 years as follows; · After 10 years: return on government bond (10 years) + 1.55% · After 10 years: additionally + 0.25% according to Step-up clauses · After 30 years: additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to the Company)
Others	The issuer can call the hybrid bond at year 10 and interest payment date afterwards

The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of September 30, 2019 amounts to ₩639 million.

24. Reserves

Reserves as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)	September 30, 2019	December 31, 2018
Accumulated comprehensive loss of investments in associates and joint ventures	₩ (619,285)	(670,435)
Changes in fair value of equity investments at fair value through other comprehensive income	(338,211)	(295,300)
Foreign currency translation differences	(94,911)	(417,817)
Gains or losses on valuation of derivatives	(429)	(352)
Others	(16,504)	(20,464)
	₩ <u>(1,069,340)</u>	<u>(1,404,368)</u>

25. Treasury Shares

As of September 30, 2019, the Company holds 7,071,194 shares of treasury stock for price stabilization and others in accordance with the Board of Director's resolution.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

26. Revenue

(a) Disaggregation of revenue

- 1) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the nine-month periods ended September 30, 2019 and 2018 were as follows:

① For the nine-month period ended September 30, 2019

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 23,988,855	16,121,940		517,833	40,628,628
Revenue from services	451,076	288,736	37,055	1,718,722	2,495,589
Revenue from construction contract			4,859,983	22,602	4,882,585
Others	37,705	105,798	4,427	169,067	316,997
	₩ 24,477,636	16,516,474	4,901,465	2,428,224	48,323,799
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 24,026,560	16,227,738	15,859	692,162	40,962,319
Revenue recognized over time	451,076	288,736	4,885,606	1,736,062	7,361,480
	₩ 24,477,636	16,516,474	4,901,465	2,428,224	48,323,799

② For the nine-month period ended September 30, 2018

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 23,973,412	16,103,338	3,345	441,017	40,521,112
Revenue from services	437,585	480,743	49,981	1,606,067	2,574,376
Revenue from construction contract			4,862,741	26,437	4,889,178
Others	32,757	113,201	16,300	209,382	371,640
	₩ 24,443,754	16,697,282	4,932,367	2,282,903	48,356,306
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 24,006,169	16,216,539	19,645	657,001	40,899,354
Revenue recognized over time	437,585	480,743	4,912,722	1,625,902	7,456,952
	₩ 24,443,754	16,697,282	4,932,367	2,282,903	48,356,306

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

- 2) Details of revenue disaggregated by types of revenue and timing of revenue recognition for the three-month periods ended September 30, 2019 and 2018 were as follows:

① For the three-month period ended September 30, 2019

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 8,068,894	5,184,949		176,097	13,429,940
Revenue from services	139,345	92,265	12,487	563,946	808,043
Revenue from construction contract			1,637,441	5,505	1,642,946
Others	14,767	36,896	975	54,659	107,297
	₩ 8,223,006	5,314,110	1,650,903	800,207	15,988,226
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 8,083,661	5,221,845	10,131	230,756	13,546,393
Revenue recognized over time	139,345	92,265	1,640,772	569,451	2,441,833
	₩ 8,223,006	5,314,110	1,650,903	800,207	15,988,226

② For the three-month period ended September 30, 2018

(in millions of Won)

	Steel	Trading	Construction	Others	Total
Types of revenue					
Revenue from sales of goods	₩ 7,996,136	5,532,883	1,167	159,153	13,689,339
Revenue from services	155,430	168,515	12,138	512,106	848,189
Revenue from construction contract			1,741,179	1,468	1,742,647
Others	14,345	40,025	2,703	73,478	130,551
	₩ 8,165,911	5,741,423	1,757,187	746,205	16,410,726
Timing of revenue recognition					
Revenue recognized at a point in time	₩ 8,010,481	5,572,908	3,870	234,293	13,821,552
Revenue recognized over time	155,430	168,515	1,753,317	511,912	2,589,174
	₩ 8,165,911	5,741,423	1,757,187	746,205	16,410,726

- (b) Details of contract assets and liabilities from contracts with customers as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

	September 30, 2019	December 31, 2018
Receivables		
Account receivables	₩ 8,954,884	8,819,617
Contract assets		
Due from customers for contract work	1,071,556	890,117
Contract liabilities		
Advance received	762,341	592,125
Due to customers for contract work	587,391	709,180
Unearned revenue	92,636	91,872

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
As of September 30, 2019
(Unaudited)

27. Revenue – Contract Balances

(a) Details of in-progress contracts as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

		September 30, 2019		December 31, 2018	
		Construction segment	Others	Construction segment	Others
Accumulated cost	₩	27,782,574	251,507	27,860,778	234,092
Accumulated contract profit		2,647,024	44,967	2,266,897	34,815
Accumulated contract loss		(1,120,766)	(2,061)	(792,496)	(12,042)
Accumulated contract revenue		29,308,832	294,413	29,335,179	256,865

(b) Details of due from customers for contract work and due to customers for contract work as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

		September 30, 2019		December 31, 2018	
		Construction segment	Others	Construction segment	Others
Due from customers for contract work	₩	1,105,075	41,311	914,489	48,571
Due to customers for contract work		(556,970)	(30,421)	(676,990)	(32,190)
	₩	548,105	10,890	237,499	16,381

(c) Details of the provisions of construction loss as of September 30, 2019 and December 31, 2018 are as follows:

(in millions of Won)

		September 30, 2019	December 31, 2018
Construction segment	₩	35,443	31,067
Others		540	1,203
	₩	35,983	32,270

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

- (d) Due to the factors causing the variation of costs for the nine-month period ended September 30, 2019, the estimated total contract costs have changed. Details of changes in estimated total contract costs and the impact on profits or loss for the nine-month period ended September 30, 2019 and future periods are as follows:

		Changes in estimated total contract costs	Changes in profit (loss) of contract		
			Net income (loss)	Future income (loss)	Total
(in millions of Won)					
Construction segment	₩	443,237	(126,141)	24,911	(101,230)
Others		2,158	13,320	(4,799)	8,521
	₩	445,395	(112,821)	20,112	(92,709)

The effect on the current and future profit is estimated based on the circumstances that have occurred from the commencement date of the contracts to September 30, 2019. The estimation is evaluated for the total contract cost and expected total contract revenue at the end of the reporting period. Also, it may change in future periods.

- (e) Uncertainty of estimates

1) Total contract revenues

Total contract revenues are measured based on contractual amount initially agreed. However, the contract revenues can increase due to additional contract work, claims and incentive payments, 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

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

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

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

28. Selling and Administrative Expenses

(a) Other administrative expenses

Other administrative expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
Wages and salaries	₩ 210,590	191,939	616,453	599,478
Expenses related to post-employment benefits	24,774	15,609	64,844	52,767
Other employee benefits	42,701	40,707	131,822	136,794
Travel	10,250	9,778	31,431	29,872
Depreciation	33,761	22,909	99,381	74,512
Amortization	28,110	28,200	84,912	83,636
Communication	2,517	2,367	7,546	7,310
Electricity expenses	2,480	2,191	6,511	6,372
Taxes and public dues	15,574	13,268	47,430	52,265
Rental	9,420	18,527	30,097	52,907
Repairs	3,107	2,123	9,731	9,990
Entertainment	2,738	2,886	8,379	8,518
Advertising	21,276	21,384	63,241	81,184
Research & development	26,839	32,359	83,521	84,130
Service fees	37,417	36,102	125,005	115,360
Vehicles maintenance	1,685	2,305	5,932	6,487
Industry association fee	1,738	1,288	7,155	7,198
Conference	3,462	3,135	11,272	10,141
Increase to (reversal of) provisions	2,126	(11,267)	4,608	10,679
Others	10,205	10,755	34,118	32,307
	₩ 490,770	446,565	1,473,389	1,461,907

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) Selling expenses

Selling expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

(in millions of Won)	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
Freight and custody expenses(*1)	₩ 42,775	43,576	130,312	127,925
Operating expenses for distribution center	2,201	2,673	7,452	7,851
Sales commissions	18,565	17,214	57,164	47,352
Sales advertising	341	1,006	945	2,049
Sales promotion	2,202	3,555	7,217	9,930
Sample	503	458	1,631	1,928
Sales insurance premium	8,208	9,127	24,133	28,307
Contract cost	8,605	6,057	24,684	11,052
Others	4,624	3,760	15,949	10,492
	₩ 88,024	87,426	269,487	246,886

(*1) The Company identified the shipping services included in the contract with customers as a separate performance obligations, and as of December 31, 2018, expenses incurred for the delivery of shipping services had been reclassified from selling expenses to cost of sales. Meanwhile, in order to compare financial statements ended September 30, 2019 to those for the same period ended September 30, 2018, the company reclassified ₩922,276 million of expense of shipping service to cost of sales for the nine-month period ended September 30, 2018. This reclassification does not affect the amount of net assets for the year ended December 31, 2018, and net income for the nine-month period ended September 30, 2018.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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29. Finance Income and Costs

Details of finance income and costs for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

(in millions of Won)

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2019	2018	2019	2018
Finance income					
Interest income(*1)	₩	74,314	80,381	228,291	237,336
Dividend income		15,293	5,931	66,671	50,167
Gain on foreign currency transactions		258,433	206,390	638,199	531,848
Gain on foreign currency translations		77,820	(156,026)	277,437	177,432
Gain on derivatives transactions		63,843	74,780	148,443	173,231
Gain on valuations of derivatives		97,054	(35,751)	243,923	79,230
Gain on disposals of financial assets at fair value through profit or loss		5,318	71	12,298	6,461
Gain on valuations of financial assets at fair value through profit or loss		9,673	110	11,120	4,377
Others		969	(1,898)	3,212	4,026
	₩	602,717	173,988	1,629,594	1,264,108
Finance costs					
Interest expenses	₩	179,820	195,894	571,024	533,550
Loss on foreign currency transactions		219,368	237,961	534,666	562,853
Loss on foreign currency translations		159,849	(84,703)	422,580	388,186
Loss on derivatives transactions		72,387	55,377	185,432	152,884
Loss on valuation of derivatives		22,496	2,266	64,232	65,160
Loss on disposal of trade accounts and notes receivable		10,264	8,881	29,504	30,677
Loss on disposals of financial assets at fair value through profit or loss		1,810	151	2,367	1,125
Loss on valuations of financial assets at fair value through profit or loss		16,697	436	19,515	4,809
Others		9,231	8,785	23,127	12,607
	₩	691,922	425,048	1,852,447	1,751,851

(*1) Interest income calculated using the effective interest method for the nine-month periods ended September 30, 2019 and 2018 were ₩122,398 million and ₩131,709 million, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

30. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

(in millions of Won)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
Other non-operating income				
Gain on disposals of assets held for sale	₩ -	12,019	8,536	12,123
Gain on disposals of investments				
in subsidiaries, associates and joint ventures	4,929	1,101	20,750	45,500
Gain on disposals of property, plant and equipment	5,567	15,721	21,929	36,811
Gain on disposals of intangible assets	820	9,431	1,346	110,814
Gain on valuation of firm commitment	22,952	12,229	51,920	39,190
Gain on valuation of emission rights	-	-	25,440	-
Gain on disposals of emission rights	11,141	-	11,141	-
Reversal of other provisions	29,120	72	35,291	2,946
Others(*1)	40,384	58,548	95,928	188,822
	₩ 114,913	109,121	272,281	436,206
Other non-operating expenses				
Impairment loss on assets held for sale	₩ 37,597	685	40,943	47,581
Loss on disposals of investments				
in subsidiaries, associates and joint ventures	281	14	5,867	3,419
Loss on disposals of property, plant and equipment	23,826	19,493	61,222	78,565
Impairment losses on property, plant and equipment	45,029	20	194,688	18,890
Impairment losses on intangible assets	124,525	312	125,696	2,075
Loss on valuation of firm commitment	11,704	17,422	30,276	36,117
Idle tangible assets expenses	8,192	2,073	26,619	6,475
Increase to provisions	5,801	7,593	13,172	82,234
Donations	12,935	743	24,129	25,726
Others(*2)	20,317	(76,680)	71,463	117,158
	₩ 290,207	(28,325)	594,075	418,240

(*1) During the nine-month period ended September 30, 2018, the Company recognized ₩55,306 million of tax refund other than corporate income tax due to the consequences of appeal to tax tribunal and claim for rectification against tax investigation as non-operating income.

(*2) During the nine-month period ended September 30, 2018, the Company recognized ₩52,997 million of additional taxes imposed about value added tax related to imported LNG as non-operating expense.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

31. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling and administrative expenses, impairment loss on other receivables and other non-operating expenses in the statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows (excluding finance costs and income tax expense):

(in millions of Won)

		For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2019	2018	2019	2018
Raw material used, changes in inventories and others	₩	9,417,705	9,648,661	28,674,400	28,327,941
Employee benefits expenses		942,398	806,757	2,688,563	2,572,037
Outsourced processing cost		2,067,057	1,840,462	5,829,808	5,323,868
Electricity expenses		247,474	220,731	726,188	684,153
Depreciation(*1)		746,172	730,641	2,269,280	2,167,285
Amortization		113,214	69,239	316,947	273,674
Freight and custody expenses		353,335	367,035	1,084,969	1,050,201
Sales commissions		18,565	17,214	57,164	47,352
Loss on disposal of property, plant and equipment		23,826	19,493	61,222	78,565
Impairment loss on property, plant and equipment		45,029	20	194,688	18,890
Impairment loss on intangible assets		124,525	312	125,696	2,075
Donations		12,935	743	24,129	25,726
Other expenses		1,142,350	1,145,863	3,586,881	3,961,405
	₩	<u>15,254,585</u>	<u>14,867,171</u>	<u>45,639,935</u>	<u>44,533,172</u>

(*1) Includes depreciation expense of investment property.

32. Income Taxes

The effective tax rates of the Company for the nine-month periods ended September 30, 2019 and 2018 were 34.13% and 29.46%, respectively.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

33. Earnings per Share

Basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

(in Won except per share information)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
Profit attribute to controlling interest	₩ 430,875,315,211	1,019,525,874,393	1,784,414,381,573	2,558,060,147,314
Interests of hybrid bonds	(1,681,205,479)	(1,681,205,479)	(4,988,794,519)	(16,039,780,819)
Weighted-average number of common shares outstanding (*1)	80,115,641	80,000,982	80,113,124	80,000,428
Basic and diluted earnings per share	₩ 5,357	12,723	22,211	31,775

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

(Share)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Total number of common shares issued	87,186,835	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(7,071,194)	(7,185,853)	(7,073,711)	(7,186,407)
Weighted-average number of common shares outstanding	80,115,641	80,000,982	80,113,124	80,000,428

Since there were no potential shares of common stock which had dilutive effects as of September 30, 2019 and 2018, diluted earnings per share is equal to basic earnings per share.

POSCO and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements, Continued
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34. Related Party Transactions

(a) Significant transactions between the controlling company and related companies for the nine-month periods ended September 30, 2019 and 2018 were as follows:

1) For the nine-month period ended September 30, 2019

(in millions of Won)

	Sales and others(*1)		Purchase and others(*2)			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries(*3)						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 5,151	11,110	-	226,604	25	12,064
POSCO COATED & COLOR STEEL Co., Ltd.	354,046	1,942	95	-	13,595	586
POSCO ICT(*4)	2,213	4,990	-	226,456	26,235	131,522
eNtoB Corporation	11	66	231,896	28,678	72	18,443
POSCO CHEMCAL CO., LTD. (Formerly, POSCO CHEMTECH)	289,090	30,298	389,598	12,396	236,114	3,084
POSCO ENERGY CO., LTD.(*5)	147,124	1,252	1,090	-	-	1,672
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	4,426,067	46,572	459,705	-	38,067	4,516
POSCO Thainox Public Company Limited	188,527	13,795	6,706	-	-	3
POSCO America Corporation	232,724	-	-	-	-	1,682
POSCO Canada Ltd.	340	751	245,123	-	-	-
POSCO Asia Co., Ltd.	1,300,580	975	323,203	72	1,484	5,093
Qingdao Pohang Stainless Steel Co., Ltd.	99,757	-	-	-	-	-
POSCO JAPAN Co., Ltd.	1,134,448	36	29,843	3,685	-	2,898
POSCO-VIETNAM Co., Ltd.	222,692	263	-	-	-	37
POSCO MEXICO S.A. DE C.V.	238,357	89	-	-	-	246
POSCO Maharashtra Steel Private Limited	513,467	266	-	-	-	256
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	81,829	1	2,189	-	-	-
POSCO VST CO., LTD.	217,034	-	-	-	-	62
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	285	514,751	-	-	-
Others	685,845	17,396	106,193	19,147	182,202	119,078
	<u>10,139,302</u>	<u>130,087</u>	<u>2,310,392</u>	<u>517,038</u>	<u>497,794</u>	<u>301,242</u>
Associates and joint ventures(*3)						
POSCO PLANTEC Co., Ltd.	412	70	2,009	183,351	12,994	16,430
SNNC	4,121	3,910	420,720	-	-	10
POSCO-SAMSUNG-Slovakia Processing Center	50,894	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	841,866	-	-	-
Others	11,830	107,865	43,088	-	-	-
	<u>67,257</u>	<u>111,845</u>	<u>1,307,683</u>	<u>183,351</u>	<u>12,994</u>	<u>16,440</u>
₩	<u>10,206,559</u>	<u>241,932</u>	<u>3,618,075</u>	<u>700,389</u>	<u>510,788</u>	<u>317,682</u>

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

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

(*3) As of September 30, 2019, the Company provided guarantees to related parties (Note 35).

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

(*5) During the nine-month period ended September 30, 2019, POSCO ENERGY CO., LTD, subsidiary of the Company, spun off Off-gas power station business sector and it was merged into the Controlling Company. The Controlling Company disposed of LNG terminal business to POSCO ENERGY CO., LTD.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

2) For the nine-month period ended September 30, 2018

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 6,369	76	-	196,752	12	29,718
POSCO COATED & COLOR STEEL Co., Ltd.	356,527	2,724	-	-	6,869	1,276
POSCO ICT	1,972	7,475	-	204,736	24,754	139,216
eNtoB Corporation	9	60	264,079	18,832	217	20,548
POSCO CHEMICAL CO., LTD.						
(Formerly, POSCO CHEMTECH)	302,031	28,457	395,063	17,218	234,193	1,271
POSCO ENERGY CO., LTD.	146,878	1,060	-	-	-	-
POSCO INTERNATIONAL Corporation						
(Formerly, POSCO DAEWOO Corporation)	4,510,731	41,542	532,993	-	43,401	1,200
POSCO Thainox Public Company Limited	215,188	5,249	8,508	-	-	-
POSCO America Corporation	231,452	-	-	-	-	1,715
POSCO Canada Ltd.	190	1,234	197,650	-	-	-
POSCO Asia Co., Ltd.	1,412,737	189	430,584	556	1,876	2,866
Qingdao Pohang Stainless Steel Co., Ltd.	134,544	7	-	-	-	34
POSCO JAPAN Co., Ltd.	1,056,147	6	18,655	2,528	-	2,574
POSCO-VIETNAMCO., Ltd.	220,718	71	-	-	-	8
POSCO MEXICO S.A. DE C.V.	220,900	59	-	-	-	35
POSCO Maharashtra Steel Private Limited	423,802	490	-	-	-	115
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	165,483	-	1,111	-	-	5
POSCO VST CO., LTD.	225,298	1	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	136	170,716	-	-	-
Others	671,217	36,323	115,059	15,708	193,469	95,559
	<u>10,302,193</u>	<u>125,159</u>	<u>2,134,418</u>	<u>456,330</u>	<u>504,791</u>	<u>296,140</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	9,275	144	2,340	119,442	17,299	5,397
SNNC	3,784	799	384,903	-	-	5
POSCO-SAMSUNG-Slovakia Processing Center	56,357	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	602,687	-	-	-
Others	8,557	53,013	54,996	-	-	5
	<u>77,973</u>	<u>53,966</u>	<u>1,044,926</u>	<u>119,442</u>	<u>17,299</u>	<u>5,407</u>
₩	<u>10,380,166</u>	<u>179,115</u>	<u>3,179,344</u>	<u>575,772</u>	<u>522,090</u>	<u>301,547</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(b) Significant transactions between the controlling company and related companies for the three-month periods ended September 30, 2019 and 2018 were as follows:

1) For the three-month period ended September 30, 2019

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD. ₩	1,543	21	-	87,255	4	6,831
POSCO COATED & COLOR STEEL Co., Ltd.	120,638	235	95	-	5,911	95
POSCO ICT	704	1	-	77,639	9,180	42,684
eNtoB Corporation	4	6	72,320	11,742	13	5,012
POSCO CHEMICAL CO., LTD						
(Formerly, POSCO CHEMTECH)	91,297	5,169	134,299	4,818	79,731	1,074
POSCO ENERGY CO., LTD.	40,522	628	1,090	-	-	1,610
POSCO INTERNATIONAL Corporation						
(Formerly, POSCO DAEWOO Corporation)	1,584,691	-	129,661	-	12,030	1,947
POSCO Thainox Public Company Limited	68,495	120	2,973	-	-	-
POSCO America Corporation	48,207	-	-	-	-	1,643
POSCO Canada Ltd.	-	147	93,231	-	-	-
POSCO Asia Co., Ltd.	438,809	390	74,772	72	497	2,297
Qingdao Pohang Stainless Steel Co., Ltd.	40,347	-	-	-	-	-
POSCO JAPAN Co., Ltd.	378,091	36	8,290	664	-	1,411
POSCO-VIETNAM Co., Ltd.	81,157	82	-	-	-	-
POSCO MEXICO S.A. DE C.V.	84,591	58	-	-	-	241
POSCO Maharashtra Steel Private Limited	179,859	79	-	-	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	38,516	1	708	-	-	-
POSCO VST CO., LTD.	80,009	-	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	105	192,541	-	-	-
Others	260,530	2,836	25,138	8,575	48,620	58,287
	<u>3,538,010</u>	<u>9,914</u>	<u>735,118</u>	<u>190,765</u>	<u>155,986</u>	<u>123,132</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	229	5	610	72,737	3,668	7,068
SNINC	1,374	530	176,094	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	19,130	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	359,018	-	-	-
Others	4,845	21,828	15,961	-	-	-
	<u>25,578</u>	<u>22,363</u>	<u>551,683</u>	<u>72,737</u>	<u>3,668</u>	<u>7,068</u>
₩	<u>3,563,588</u>	<u>32,277</u>	<u>1,286,801</u>	<u>263,502</u>	<u>159,654</u>	<u>130,200</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

2) For the three-month period ended September 30, 2018

(in millions of Won)

	Sales and others		Purchase and others			
	Sales	Others	Purchase of material	Purchase of fixed assets	Outsourced processing cost	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1,402	13	-	57,027	3	6,513
POSCO COATED & COLOR STEEL Co., Ltd.	129,328	-	-	-	2,651	612
POSCO ICT	653	-	-	67,368	8,581	44,048
eNtoB Corporation	4	-	88,165	10,485	159	8,256
POSCO CHEMICAL CO., LTD.						
(Formerly, POSCO CHEMTECH)	101,449	5,376	135,439	1,240	78,643	670
POSCO ENERGY CO., LTD.	50,970	358	-	-	-	-
POSCO INTERNATIONAL Corporation						
(Formerly, POSCO DAEWOO Corporation)	1,618,711	2,683	189,376	-	14,023	525
POSCO Thainox Public Company Limited	74,564	-	3,056	-	-	-
POSCO America Corporation	96,316	-	-	-	-	768
POSCO Canada Ltd.	-	352	69,486	-	-	-
POSCO Asia Co., Ltd.	460,938	27	194,209	21	551	962
Qingdao Pohang Stainless Steel Co., Ltd.	47,367	-	-	-	-	29
POSCO JAPAN Co., Ltd.	362,715	-	6,938	819	-	1,081
POSCO-VIETNAM Co., Ltd.	56,802	50	-	-	-	-
POSCO MEXICO S.A. DE C.V.	74,511	22	-	-	-	35
POSCO Maharashtra Steel Private Limited	154,893	141	-	-	-	29
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	53,227	-	1,111	-	-	-
POSCO VST CO., LTD.	75,222	1	-	-	-	-
POSCO INTERNATIONAL SINGAPORE PTE LTD.	-	93	70,474	-	-	-
Others	242,439	15,826	69,675	4,694	64,998	32,635
	<u>3,601,511</u>	<u>24,942</u>	<u>827,929</u>	<u>141,654</u>	<u>169,609</u>	<u>96,183</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	4,007	36	708	43,867	6,790	614
SNNC	1,317	197	141,893	-	-	-
POSCO-SAMSUNG-Slovakia Processing Center	27,844	-	-	-	-	-
Roy Hill Holdings Pty Ltd	-	-	193,872	-	-	-
Others	3,450	7,885	19,173	-	-	-
	<u>36,618</u>	<u>8,118</u>	<u>355,646</u>	<u>43,867</u>	<u>6,790</u>	<u>614</u>
₩	<u>3,638,129</u>	<u>33,060</u>	<u>1,183,575</u>	<u>185,521</u>	<u>176,399</u>	<u>96,797</u>

(c) The related account balances of significant transactions between the controlling company and related companies as of September 30, 2019 and December 31, 2018 are as follows:

1) September 30, 2019

(in millions of Won)

	Receivables			Payables			
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	Total
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 1	4,813	4,814	-	43,963	437	44,400
POSCO COATED & COLOR STEEL Co., Ltd.	62,960	275	63,235	10	-	2,809	2,819
POSCO ICT	-	167	167	1,306	62,134	39,846	103,286
eNtoB Corporation	-	-	-	4,316	36,982	5	41,303
POSCO CHEMICAL CO., LTD.							
(Formerly, POSCO CHEMTECH)	31,109	4,036	35,145	17,932	53,854	19,180	90,966
POSCO ENERGY CO., LTD.	1,221	8,792	10,013	-	124,169	4,324	128,493
POSCO INTERNATIONAL Corporation							
(Formerly, POSCO DAEWOO Corporation)	593,425	197	593,622	249	2,418	3,949	6,616
POSCO Thainox Public Company Limited	41,333	2	41,335	-	-	-	-
POSCO America Corporation	7,170	-	7,170	-	285	-	285
POSCO Asia Co., Ltd.	463,308	1,333	464,641	11,811	-	-	11,811
Qingdao Pohang Stainless Steel Co., Ltd.	30,935	-	30,935	-	-	-	-
POSCO MEXICO S.A. DE C.V.	115,927	1,260	117,187	-	99	-	99
POSCO Maharashtra Steel Private Limited	277,304	1,523	278,827	-	-	-	-
Others(*1)	454,764	48,169	502,933	69,851	35,317	88,212	193,380
	<u>2,079,457</u>	<u>70,567</u>	<u>2,150,024</u>	<u>105,475</u>	<u>359,221</u>	<u>158,762</u>	<u>623,458</u>
Associates and joint ventures							
POSCO PLANTEC Co., Ltd.	-	2	2	1,299	23,884	-	25,183
SNNC	271	71	342	37,679	-	-	37,679
Roy Hill Holdings Pty Ltd	-	-	-	53,017	-	-	53,017
Others	959	38,350	39,309	355	76	-	431
	<u>1,230</u>	<u>38,423</u>	<u>39,653</u>	<u>92,350</u>	<u>23,960</u>	<u>-</u>	<u>116,310</u>
₩	<u>2,080,687</u>	<u>108,990</u>	<u>2,189,677</u>	<u>197,825</u>	<u>383,181</u>	<u>158,762</u>	<u>739,768</u>

(*1) During the year ended December 31, 2018, the Company made loans of ₩2,950 million to Suncheon Eco Trans Co., Ltd., a subsidiary of the Company. As of September 30, 2019, corresponding amounts of those loans were recorded as allowance for doubtful accounts.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

2) December 31, 2018

(in millions of Won)

	Receivables			Payables		
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others
Subsidiaries						
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	₩ 57	5,181	5,238	-	52,775	438
POSCO COATED & COLOR STEEL Co., Ltd.	55,598	317	55,915	-	25	1,194
POSCO ICT	-	229	229	1,572	112,960	8,717
eNtoB Corporation	-	-	-	10,860	22,072	11
POSCO CHEMICAL CO., LTD. (Formerly, POSCO CHEMTECH)	40,258	3,883	44,141	19,911	58,725	19,012
POSCO ENERGY CO., LTD.	22,163	1,700	23,863	-	-	1,425
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	437,554	1,056	438,610	161	1,881	5,304
POSCO Thainox Public Company Limited	71,189	-	71,189	467	71	-
POSCO America Corporation	14,338	-	14,338	-	221	-
POSCO Asia Co., Ltd.	480,205	1,047	481,252	7,839	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	52,037	-	52,037	-	-	-
POSCO MEXICO S.A. DE C.V.	101,179	218	101,397	-	-	-
POSCO Maharashtra Steel Private Limited	390,413	1,428	391,841	-	-	-
Others	379,950	54,407	434,357	33,183	36,591	85,745
	<u>2,044,941</u>	<u>69,466</u>	<u>2,114,407</u>	<u>73,993</u>	<u>285,321</u>	<u>121,846</u>
Associates and joint ventures						
POSCO PLANTEC Co., Ltd.	249	10	259	3,275	34,803	-
SNNC	541	61	602	22,188	-	-
Roy Hill Holdings Pty Ltd	-	-	-	22,997	-	-
Others	918	910	1,828	217	76	-
	<u>1,708</u>	<u>981</u>	<u>2,689</u>	<u>48,677</u>	<u>34,879</u>	<u>-</u>
₩	<u>2,046,649</u>	<u>70,447</u>	<u>2,117,096</u>	<u>122,670</u>	<u>320,200</u>	<u>121,846</u>

(d) Significant transactions between the Company, excluding the controlling company, and related companies for the nine-month periods ended September 30, 2019 and 2018 were as follows:

1) For the nine-month period ended September 30, 2019

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 10,134	-	34	12,206
New Songdo International City Development, LLC	5,276	4,471	-	18
SNNC	58,663	-	26,910	51,967
Chuncheon Energy Co., Ltd.	1,227	-	-	-
Noeul Green Energy Co., Ltd.	4,906	-	-	1,217
USS-POSCO Industries	2	-	1,710	-
CSP - Companhia Siderurgica do Pecem	90,310	7,419	324,947	26,755
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	25,543	-	32,731	-
LLP POSUK Titanium	-	-	272	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	7	-	2,948	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	8,035	-	-	-
PT. Batutua Tembaga Raya	-	631	31,980	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	22,264	-	263	-
Sebang Steel	-	-	4,862	-
DMSA/AMSA	-	-	50,723	-
South-East Asia Gas Pipeline Company Ltd.	49	37,984	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	67,073	16,369	3,714	1,629
POSPower Co., Ltd.	117,851	-	-	-
TK CHEMICAL CORPORATION	131,016	-	50,766	-
Others	168,928	46,136	22,256	22,151
₩	<u>711,284</u>	<u>113,010</u>	<u>554,116</u>	<u>115,943</u>

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

2) For the nine-month period ended September 30, 2018

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 12,521	-	62	18,281
New Songdo International City Development, LLC	30,150	33,382	-	12
SNNC	47,805	128	8,874	36,555
Chuncheon Energy Co., Ltd.	24,327	-	-	-
Noeul Green Energy Co., Ltd.	4,782	-	-	-
VSC POSCO Steel Corporation	12,412	-	2,051	15
USS-POSCO Industries	-	-	1,887	-
CSP - Companhia Siderurgica do Pecem	176,115	8,963	180,863	26,131
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	35,574	-	56,135	-
LLP POSUK Titanium	-	-	944	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	8,806	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	10,187	-	-	-
PT. Batutua Tembaga Raya	-	48	9,319	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	23,612	-	192	-
Sebang Steel	-	-	11,093	14
DMSA/AMSA	-	-	29,556	587
South-East Asia Gas Pipeline Company Ltd.	-	33,840	-	-
Others	242,254	46,853	14,832	41,473
	₩ 619,739	123,214	324,614	123,068

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(e) Significant transactions between the Company, excluding the controlling company, and related companies for the three-month periods ended September 30, 2019 and 2018 were as follows:

1) For the three-month period ended September 30, 2019

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,475	-	13	4,449
New Songdo International City Development, LLC	4,525	-	-	5
SNNC	14,638	-	7,949	20,811
Chuncheon Energy Co., Ltd.	82	-	-	-
Noeul Green Energy Co., Ltd.	1,545	-	-	-
USS-POSCO Industries	-	-	394	-
CSP - Companhia Siderurgica do Pecem	5,712	-	104,405	16,169
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	8,998	-	10,576	-
LLP POSUK Titanium	-	-	-	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	4	-	1,140	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	2,737	-	-	-
PT. Batutua Tembaga Raya	-	136	10,346	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	8,513	-	90	-
Sebang Steel	-	-	-	-
DMSA/AMSA	-	-	20,110	-
South-East Asia Gas Pipeline Company Ltd.	22	28,597	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY	22,424	-	1,094	509
POSPower Co., Ltd.	38,579	-	-	-
TK CHEMICAL CORPORATION	44,029	-	11,312	-
Others	65,503	8,112	10,606	13,105
	₩ 221,786	36,845	178,035	55,048

2) For the three-month period ended September 30, 2018

(in millions of Won)

	Sales and others		Purchase and others	
	Sales	Others	Purchase of material	Others
Associates and joint ventures				
POSCO PLANTEC Co., Ltd.	₩ 4,773	-	15	10,749
New Songdo International City Development, LLC	4,044	12,091	-	-
SNNC	9,833	128	4,104	19,729
Chuncheon Energy Co., Ltd.	3,978	-	-	-
Noeul Green Energy Co., Ltd.	1,661	-	-	-
VSC POSCO Steel Corporation	177	-	652	-
USS-POSCO Industries	-	-	715	-
CSP - Companhia Siderurgica do Pecem	58,639	2,437	121,291	4,591
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,348	-	18,000	-
LLP POSUK Titanium	-	-	197	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	-	-	3,373	-
POS-SEAHSTEELWIRE(TIANJIN)CO.,Ltd	2,975	-	-	-
PT. Batutua Tembaga Raya	-	48	4,200	-
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	7,474	-	73	-
Sebang Steel	-	-	2,410	-
DMSA/AMSA	-	-	9,616	-
South-East Asia Gas Pipeline Company Ltd.	-	5,257	-	-
Others	99,238	18,231	6,803	14,308
	₩ 203,140	38,192	171,449	49,377

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(f) The related account balances of significant transactions between the Company, excluding the controlling company, and related companies as of September 30, 2019 and December 31, 2018 are as follows:

1) September 30, 2019

(in millions of Won)

		Receivables				Payables		
		Trade accounts and notes receivable	Loans	Others	Total	Trade accounts and notes payable	Others	Total
Associates and joint ventures								
POSCO PLANTEC Co., Ltd.	₩	4,646	-	5	4,651	4,521	341	4,862
New Songdo International City Development, LLC		69,494	-	20,592	90,086	-	-	-
Chuncheon Energy Co., Ltd.		-	4,008	-	4,008	586	-	586
POSPower Co., Ltd.		27,021	-	-	27,021	-	115,836	115,836
Nickel Mining Company SAS		-	61,319	119	61,438	2,456	-	2,456
CSP - Companhia Siderurgica do Pecem		318,709	-	43,387	362,096	27,922	-	27,922
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd		8,489	-	-	8,489	1,470	-	1,470
PT. Batutua Tembaga Raya		-	36,846	592	37,438	9	-	9
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		7,335	1,201	9	8,545	127	-	127
DMSA/AMSA		-	61,457	1,735	63,192	315	-	315
South-East Asia Gas Pipeline Company Ltd.		7	166,009	-	166,016	-	-	-
POSCO MITSUBISHI CARBON TECHNOLOGY		8,094	-	-	8,094	1,024	-	1,024
TK CHEMICAL CORPORATION		39,927	-	-	39,927	2,565	-	2,565
Others		92,491	157,114	13,296	262,901	7,341	4,645	11,986
	₩	576,213	487,954	79,735	1,143,902	48,336	120,822	169,158

2) December 31, 2018

(in millions of Won)

(in millions of Won)		Receivables				Payables				
		Trade accounts and notes receivable		Loans	Others	Total	Trade accounts and notes payable		Others	Total
Associates and joint ventures										
	₩	POSCO PLANTEC Co., Ltd.	3,593	-	6	3,599	6,160	217		6,377
		New Songdo International City Development, LLC	233,157	-	-	233,157	-	-		-
		Chuncheon Energy Co., Ltd.	-	-	-	-	-	1,758		1,758
		POSPower Co., Ltd.	13,703	-	-	13,703	-	66,856		66,856
		Nickel Mining Company SAS	-	59,664	118	59,782	-	-		-
		CSP - Compania Siderurgica do Pecem	364,190	-	9,669	373,859	62,578	-		62,578
		Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd	10,836	-	-	10,836	2,101	-		2,101
		PT. Batutua Tembaga Raya	-	35,100	171	35,271	-	-		-
		POSCO SeAH Steel Wire(Nantong) Co., Ltd.	6,274	3,354	27	9,655	66	-		66
		DMSA/AMSA	-	64,297	-	64,297	-	-		-
		South-East Asia Gas Pipeline Company Ltd.	-	191,107	-	191,107	-	-		-
		Others	75,382	136,117	13,071	224,570	7,768	5,363		13,131
	₩		707,135	489,639	23,062	1,219,836	78,673	74,194		152,867

(g) Significant financial transactions between the Company, excluding the controlling company, and related companies for the nine-month period ended September 30, 2019 and the year ended December 31, 2018 were as follows:

1) September 30, 2019

(in millions of Won)

		Beginning	Lend	Collect	Others(*2)	Ending
Associates and joint ventures						
UITrans LRT Co., Ltd.	₩	5,695	3,389	-	-	9,084
DMSA/AMSA(*1)		64,297	11,504	-	(14,344)	61,457
South-East Asia Gas Pipeline Company Ltd.		191,107	-	(35,767)	10,669	166,009
PT. Batutua Tembaga Raya		35,100	-	-	1,746	36,846
PT. Tanggamus Electric Power		4,423	-	-	329	4,752
PT. Wampu Electric Power		5,330	-	-	397	5,727
PT. POSMI Steel Indonesia		2,236	-	-	167	2,403
Nickel Mining Company SAS		59,664	-	-	1,655	61,319
KRAKATAU POS-CHEM DONG-SUH CHEMICAL		6,709	-	-	499	7,208
POSCO SeAH Steel Wire(Nantong) Co., Ltd.		3,354	-	(2,236)	83	1,201
POS-SeAH Steel Wire (Thailand) Co., Ltd.		6,709	-	-	499	7,208
AMCI (WA) PTY LTD		90,480	3,408	-	2,838	96,726
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD		5,590	-	-	417	6,007
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD		8,945	-	-	665	9,610
Hyo-chun Co., Ltd.(*3)		-	-	-	2,382	2,382
Chun-cheon Energy Co., Ltd.		-	4,008	-	-	4,008
POS-AUSTEM Suzhou Automotive Co., Ltd		-	5,808	-	199	6,007
	₩	489,639	28,117	(38,003)	8,201	487,954

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(*1) During the nine-month period ended September 30, 2019, loans amounting to ₩18,557 million have been converted to shares of DMSA/AMSA, and its amount is included in others.

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

(*3) During the nine-month period ended September 30, 2019, it was newly classified to associates.

2) December 31, 2018

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Lend</u>	<u>Collect</u>	<u>Others(*2)</u>	<u>Ending</u>
Associates and jointventures					
New Songdo International City Development, LLC	₩ 282,775	150	(252,759)	(30,166)	-
Gale International Korea, LLC	2,000	8,500	(10,500)	-	-
UITrans LRT Co., Ltd.	-	5,695	-	-	5,695
DMSA/AMSA(*1)	69,713	9,965	(342)	(15,039)	64,297
South-East Asia Gas Pipeline Company Ltd.	229,880	-	(47,569)	8,796	191,107
PT. Batutua Tembaga Raya	29,048	4,678	-	1,374	35,100
PT. Tanggamus Electric Power	3,197	-	-	1,226	4,423
PT. Wampu Electric Power	5,107	-	-	223	5,330
PT. POSMI Steel Indonesia	4,286	-	(2,200)	150	2,236
Nickel Mining Company SAS	59,668	-	-	(4)	59,664
Zhongyue POSCO (Qinhuangdao)					
Tinplate Industrial Co., Ltd	5,357	-	(5,357)	-	-
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	6,428	-	-	281	6,709
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	5,357	4,451	(6,454)	-	3,354
POS-SeAH Steel Wire (Thailand) Co., Ltd.	6,428	-	-	281	6,709
AMCI (WA) PTY LTD	92,061	3,795	-	(5,376)	90,480
POS-AUSTEM YANTAI AUTOMOTIVE CO.,LTD	5,357	5,564	(5,357)	26	5,590
POS-AUSTEM WUHAN AUTOMOTIVE CO.,LTD	8,571	8,902	(8,571)	43	8,945
SAMHWAN VINA CO., LTD	1,071	-	(1,071)	-	-
	₩ 816,304	51,700	(340,180)	(38,185)	489,639

(*1) During the year ended December 31, 2018, loans amounting to ₩17,559 million have been converted to common shares of DMSA/AMSA, and its amount is included in others.

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

(h) For the nine-month periods ended September 30, 2019 and 2018, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Short-term benefits	₩ 86,850	86,256
Long-term benefits	11,365	10,922
Retirement benefits	14,031	15,814
	₩ 112,246	112,992

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2019

(Unaudited)

35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2019 are as follows:

(in millions of Won)		Financial institution	Guarantee limit		Guarantee amount		
Guarantor	Guarantee beneficiary		Foreign currency	Won equivalent	Foreign currency	Won equivalent	
[The Company]							
POSCO	POSCO Asia Co., Ltd.	BOC and others	USD	100,000,000	120,130	100,000,000	120,130
	POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	146,927,500	176,023	131,874,750	158,421
	POSCO COATED STEEL (THAILAND) CO., LTD.	The Great & CO Co., Ltd.(SPC)	THB	5,501,000,000	215,694	5,501,000,000	215,694
	POSCO Maharashtra Steel Private Limited	Export-Import Bank of Korea and others	USD	506,853,000	608,883	126,090,900	151,473
	POSCO MEXICO S.A. DE C.V.	BOA and others	USD	120,000,000	144,156	120,000,000	144,156
	POSCO SS VINA CO., LTD.	Export-Import Bank of Korea and others	USD	299,941,250	360,319	299,663,928	398,986
	POSCO-VIETNAM Co., Ltd.	SMBC and others	USD	156,000,000	187,403	156,000,000	187,403
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,622,115	1,018,862,376	1,223,961
	Daewoo Global Development. Pte., Ltd	Export-Import Bank of Korea and others	USD	199,884,500	240,121	196,017,000	235,497
	POSCO INTERNATIONAL POWER (PNG) LAE LIMITED (Formerly, Daewoo Power PNG Ltd.)	Export-Import Bank of Korea	USD	44,200,000	53,097	44,200,000	53,097
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	GOLDEN LACE POSCO INTERNATIONAL CO., LTD. (Formerly, GOLDEN LACE DAEWOO COMPANY LIMITED.)	Shinhan Bank and others	USD	11,000,000	13,214	11,000,000	13,214
	POSCO ASSAN TST STEEL INDUSTRY PT. Bio Inti Agrindo	ING and others Export-Import Bank of Korea and others	USD	14,652,750 135,000,000	17,602 162,176	14,652,750 134,072,252	17,602 161,061
	POSCO INTERNATIONAL AMERICA Corp. POSCO INTERNATIONAL SINGAPOLE Pte. Ltd.	KEB Hana bank	IDR	150,000,000,000	12,720	150,000,000,000	12,720
	POSCO INTERNATIONAL MEXICO S.A. de C.V.					10,000,000	12,013
	POSCO INTERNATIONAL Japan Corp.					5,169,948	6,211
	POSCO INTERNATIONAL Malaysia SDN BHD	Bank Mendes Gans	USD	50,000,000	60,065	13,000,000	15,617
	POSCO INTERNATIONAL Deutschland GmbH					-	-
	POSCO INTERNATIONAL Italia S.R.L.					-	-
	SPH Co., Ltd.	Shinyoung securities	KRW	10,000	10,000	-	-
	POSCO E&C Vietnam Co., Ltd.	POSCO Asia Co., Ltd. and others	USD	47,000,000	56,461	47,000,000	56,461
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	POSCO Engineering and Construction India Private Limited	KEB Hana bank	INR	221,000,000	3,766	157,200,000	2,679
	PT.POSCO E&C INDONESIA	POSCO Asia Co., Ltd. and others	USD	10,900,000	13,094	10,900,000	13,094
	Daewoo Global Development. Pte., Ltd.	SMBC and others	USD	163,633,000	196,572	163,633,000	196,572
	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori Bank and others	USD	148,000,000	177,792	148,000,000	177,792
	SPH Co., Ltd.	Shinyoung securities	KRW	10,000	10,000	-	-
	PT.POSCO ICT INDONESIA	POSCO Asia Co., Ltd.	USD	2,700,000	3,244	1,500,000	1,802
	PT.Krakatau Posco Chemtech Calcination	POSCO Asia Co., Ltd.	USD	15,200,000	18,260	12,800,000	15,377
	Myanmar POSCO C&C Company, Limited.	POSCO Asia Co., Ltd.	USD	13,986,947	16,803	13,986,947	16,803
	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	232,932	113,149,791	135,927
	POSCO America Corporation	SMBC	USD	70,000,000	84,091	70,000,000	84,091
[Associates and joint ventures]							
POSCO	CSP - Companhia Siderurgica do Pecem	Export-Import Bank of Korea and others	USD	392,956,955	472,061	374,990,594	450,476
		BNDES	BRL	464,060,000	134,002	464,060,000	134,002
	LLP POSUK Titanium	SMBC	USD	15,000,000	18,020	15,000,000	18,020
	Nickel Mining Company SAS	SMBC	EUR	46,000,000	60,473	46,000,000	60,473
	GLOBAL KOMSCO Daewoo LLC	KEB Hana Bank	USD	8,225,000	9,881	8,050,000	9,670
	New Songdo International City Development, LLC	Others	KRW	440,000	440,000	438,000	438,000
	UITrans LRT Co., Ltd.	Kookmin Bank and others	KRW	20,740	20,740	6,686	6,686
	Chuncheon Energy Co., Ltd.	Kookmin Bank and others	KRW	12,430	12,430	4,008	4,008
	Pohang E&E Co., Ltd.	Heungkuk Life Insurance Co., Ltd.	KRW	6,500	6,500	-	-
	Incheon-Gimpo Expressway Co., Ltd.	Kookmin Bank and others	KRW	28,940	28,940	-	-
POSCO ICT	JB CLARK HILLS	KOREA INVESTMENT&SECURITIES Co., Ltd.	KRW	40,000	40,000	30,000	30,000
	Incheon-Gimpo Expressway Co., Ltd.	KDB Bank	KRW	100,000	100,000	100,000	100,000
	UITrans LRT Co., Ltd.	Kookmin Bank	KRW	76,000	76,000	76,000	76,000
	Hyochun Co., Ltd.	Kyobo Securities	KRW	39,575	39,575	39,575	39,575
	KRAKATAU POS-CHEM	KEB Hana Bank	USD	1,140,000	1,369	601,667	723
	DONG-SUH CHEMICAL						
	POS-InfraAuto (Suzhou) Co., Ltd	KDB Bank and others	USD	769,500	924	769,500	924
	Automotive Processing Center Co.,Ltd.						
[Others]							
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	Ambatovy Project Investments Ltd. and others	Export-Import Bank of Korea	USD	21,818,182	26,210	3,451,287	4,146
	Ecocity CO.,LTD and others	Others	KRW	1,970,478	1,970,478	874,196	874,196
	BLT Enterprise and others	KEB Hana Bank and others	KRW	1,225,412	1,225,412	1,225,412	1,225,412
	Department of Trade and Investment (NSW Government) and others	Woori Bank and others	AUD	26,525,154	21,551	26,525,154	21,551
POSCO ENGINEERING & CONSTRUCTION CO., LTD.			USD	4,239,588,584	5,093,019	3,346,266,742	4,019,870
			INR	221,000,000	3,766	157,200,000	2,679
			IDR	150,000,000,000	12,720	150,000,000,000	12,720
			THB	5,501,000,000	215,694	5,501,000,000	215,694
			KRW	3,980,075	3,980,075	2,793,877	2,793,877
			BRL	464,060,000	134,002	464,060,000	134,002
			EUR	46,000,000	60,473	46,000,000	60,473
			AUD	26,525,154	21,551	26,525,154	21,551

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued

As of September 30, 2019

(Unaudited)

(b) Other commitments

Details of other commitments of the Company as of September 30, 2019 are as follows:

Company	Description
POSCO	POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of September 30, 2019, 93 million tons of iron ore and 12 million tons of coal remained to be purchased under such long-term contracts. 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. The Company has a long-term service contract for the transportation of raw material. As of September 30, 2019, there are 39 vessels under contract, and the average remaining contract period is about 10 years. As of September 30, 2019, POSCO entered into a commitment with KOREA ENERGY AGENCY for long-term foreign currency borrowings, which are limited up to the amount of USD 4.12 million. The borrowing is related to the exploration of gas hydrates in Western Fergana-Chinabad. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the amount borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements. As of September 30, 2019, the ending balance of the borrowing amounts to USD 1.02 million. 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., a subsidiary of the Company, under construction of new power plant. POSCO provides a supplementary fund of up to ₩9.8 billion to the Company's subsidiary, Busan E&E Co., Ltd., a subsidiary of the Company, at the request of creditors such as the Korea Development Bank. POSCO has provided a supplemental funding agreement, as requested from the creditors, to push forward Suncheon Bay PRT Business of Suncheon Eco Trans Co., Ltd., subsidiary of the Company. On November 2018, creditors sued the company for subrogation based on a supplemental funding agreement. POSCO recognized the provision based on the estimate of the amount and the possibility of any outflows of resources due to the litigation.
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	As of September 30, 2019, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has foreign currency guarantees of up to USD 2,409 million provided by financial institutions and uses USD 703 million with Woori Bank and others. The Company is responsible for 3 projects, including the development of ParkOne in Yeouido-dong. As of September 30, 2019, the outstanding amount of loans related to the responsible payment arrangement is ₩2,274 billion. If the responsibility is not fulfilled, there are duties such as debt acquisition and liability leases.
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	The company operates a ship-to-ship business in which the ship's owner is elected to the ship's owner. The company has entered into a ship purchase agreement with the shipper, which obliges the shipper to pay the agreed amount at the end of the term of the vessel's contract with the ship's owner and to take over the ownership of the vessel from the ship's owner. In the event that the shipper fails to fulfill its obligation to purchase the vessel, such as payment of the proceeds from the acquisition of the vessel, it is obliged to take over the ship by transferring the ship's contractual obligations and rights. As of September 30, 2019, the amount of the ship purchase agreement signed is USD 208 million.
POSCO ICT	As of September 30, 2019, in relation to contract enforcement, POSCO ICT was provided with ₩92,461 million, ₩3,620 million and ₩305 million guaranties from Korea Software Financial Cooperative, Seoul Guarantee Insurance and Engineering Guarantee Insurance, respectively. The Company is responsible for 15 projects, including the construction of Bundang Center. As of September 30, 2019, the outstanding amount of loans related to the responsible completion arrangements is ₩802.7 billion. If the responsibility is not fulfilled, there are duties such as compensation for principal

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(c) Litigation in progress

In March 2019, regarding the Songdo International City Development Project in Incheon, NSC Investment and TGC (the "applicant") of POSCO ENGINEERING & CONSTRUCTION CO., LTD. (the "applicant" or "POSCO E&C") have applied to the International Chamber of Commerce of Singapore, and to the "ICC" for the fact that POSCO E&C's joint contract violation (approximately USD 2 billion) has applied for mediated. In addition, the applicant filed a confirmation suit with the New York Southern District Court in March 2019 against the fact that all claims listed in the above arbitration application must be settled by ICC arbitration. The claimants are seeking damages allegedly resulting from POSCO E&C's purported wrongful seizure. As of September 30, 2019, the Company believes that the applicant's claims are not legally valid and that the present obligation for the above arbitration event does not exist and therefore did not recognize a provision.

The Company is involved in 348 lawsuits, including claim for employee right aggregating to ₩896.5 billion as defendant as of September 30, 2019, which arise from ordinary course of business. The Company has recognized provisions amounting to ₩46.8 billion for 87 lawsuits based on its reliable estimate of outflow of resources. However, the Company has not recognized any provisions for other lawsuits and claims since the Company believes that it does not have a present obligation as of September 30, 2019.

(d) Other contingencies

Company	Description
POSCO	POSCO has provided 3 blank checks to Korea Energy Agency as collateral for long-term foreign currency borrowings.
POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation)	As of September 30, 2019, POSCO INTERNATIONAL Corporation (Formerly, POSCO DAEWOO Corporation) has provided 33 blank promissory notes and 20 blank checks to Korea Energy Agency and others as collateral for the guarantee on performance for contracts and others.
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	As of September 30, 2019, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided 29 blank checks and 4 blank promissory notes as collateral for agreements and outstanding loans, and has provided joint guarantee of ₩10,728,185 million for guarantee that partners had issued from Korea Housing & Urban Guarantee Corporation and others.
POSCO ICT	As of September 30, 2019, POSCO ICT has provided 2 blank promissory notes and 6 blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

36. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the nine-month periods ended September 30, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		September 30, 2019	September 30, 2018
Trade accounts and notes receivable	₩	(59,239)	(621,704)
Other receivables		(313,908)	(283,836)
Inventories		20,276	(903,282)
Other current assets		(6,444)	(4,254)
Other non-current assets		40,745	(1,998)
Trade accounts and notes payable		(673,278)	84,133
Other payables		(41,756)	(95,688)
Other current liabilities		254,770	46,774
Provisions		(61,304)	(149,974)
Payments of severance benefits		(113,214)	(166,450)
Plan assets		71,691	54,820
Other non-current liabilities		(33,072)	29,759
	₩	<u>(914,733)</u>	<u>(2,011,700)</u>

37. Operating Segments

The Company's operating businesses are organized based on the nature of markets and customers. The Company has four reportable operating segments - steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, 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, 2018.

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

POSCO and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements, Continued As of September 30, 2019 (Unaudited)

(a) Information about reportable segments for the nine-month periods ended September 30, 2019 and 2018 were as follows:

1) For the nine-month period ended September 30, 2019

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	24,477,636	16,516,474	4,901,465	2,428,224	48,323,799
Internal revenues		13,312,742	11,876,420	496,770	2,004,097	27,690,029
Inter segment revenue		9,103,854	6,397,294	452,377	1,903,252	17,856,777
Total revenues		37,790,378	28,392,894	5,398,235	4,432,321	76,013,828
Segment profits		1,549,538	169,160	91,376	419,889	2,229,963

2) For the nine-month period ended September 30, 2018

<i>(in millions of Won)</i>		<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Total</u>
External revenues	₩	24,443,753	16,697,282	4,932,367	2,282,904	48,356,306
Internal revenues		13,780,144	12,152,833	370,179	2,032,300	28,335,456
Inter segment revenue		9,609,548	6,696,177	313,068	1,950,404	18,569,197
Total revenues		38,223,897	28,850,115	5,302,546	4,315,204	76,691,762
Segment profits		2,457,674	132,887	123,891	151,045	2,865,497

(b) Reconciliations of total segment profit or loss, to their respective consolidated financial statement line items for the nine-month periods ended September 30, 2019 and 2018 were as follows:

<i>(in millions of Won)</i>		<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total profit for reportable segments	₩	2,229,963	2,865,497
Corporate fair value adjustments		(60,575)	(58,545)
Elimination of inter-segment profits		(212,714)	(85,413)
Income tax expense		1,013,999	1,136,869
Profit before income tax expense	₩	<u>2,970,673</u>	<u>3,858,408</u>

38. Events after the Reporting Period

- (a) Pursuant to the resolution of the Board of Directors on November 1, 2019, the Company decided to pay interim cash dividends of ₩2,000 per common share (total dividend: ₩160.2 billion).
- (b) On October 16, 2019, the Company issued unguaranteed Korea won bond 310-1, 310-2 and 310-3 with par value of ₩610,000 million, ₩190,000 million and ₩200,000 million, respectively. Maturity of the bonds is October 14, 2022 and October 16, 2024 and October 16, 2029, respectively. Also, the Company issued a non-guaranteed senior dollar bond with par value of USD 500 million on November 12, 2019. Maturity of the bond is November 12, 2022.

OFFICES OF THE COMPANY

POSCO

Principal Office

POSCO Center
440 Teheran-ro, Gangnam-gu
Seoul 06194, Korea

Registered Office

6261, Donghaean-ro
Nam-gu, Pohang-si
Gyeongsangbuk-do
37859, Korea

LEGAL ADVISERS TO THE COMPANY

As to United States law

Cleary Gottlieb Steen & Hamilton LLP

19F, Ferrum Tower
19, Eulji-ro 5-gil, Jung-gu
Seoul 04539, Korea

As to Korean law

Lee & Ko

18F, Hanjin Main Building
63 Namdaemun-ro, Jung-gu
Seoul 04532, Korea

LEGAL ADVISER TO THE INITIAL PURCHASERS

As to United States law

Linklaters LLP

22F, East Tower, Mirae Asset Center 1
26, Eulji-ro 5-gil, Jung-gu
Seoul 04539, Korea

INDEPENDENT AUDITOR OF THE COMPANY

KPMG Samjong Accounting Corp.

27F, Gangnam Finance Center
152 Teheran-ro, Gangnam-gu
Seoul 06239, Korea

FISCAL AGENT, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch

1 North Wall Quay
Dublin 1
Ireland

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP

1 Robinson Road
#18-00 AIA Tower
Singapore 048542

FRANKFURT LISTING AGENT

ICF BANK AG

Wertpapierhandelsbank
Kaiserstr. 1
60311 Frankfurt am Main, Germany

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