

POSCO  
Form 20-F  
April 30, 2012  
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As filed with the Securities and Exchange Commission on April 30, 2012

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2011**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-13368**

**POSCO**

*(Exact name of Registrant as specified in its charter)*

**POSCO**  
*(Translation of Registrant's name into English)*

**The Republic of Korea**  
*(Jurisdiction of incorporation or organization)*

**POSCO Center, 892 Daechi-4-dong, Gangnam-gu**

**Seoul, Korea 135-777**

*(Address of principal executive offices)*

**Kim, Gun**

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
American Depositary Shares, each representing  one-fourth of one share of common stock	New York Stock Exchange, Inc.
Common Stock, par value Won 5,000 per share * Securities registered or to be registered pursuant to Section 12(g) of the Act.	New York Stock Exchange, Inc. *

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

As of December 31, 2011, there were 77,244,244 shares of common stock, par value Won 5,000 per share, outstanding (not including 9,942,391 shares of common stock held by the company as treasury shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing. U.S. GAAP  IFRS  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

\*Not for trading, but only in connection with the registration of the American Depositary Shares.

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**GLOSSARY**

ADR	American Depositary Receipt evidencing ADSs.
ADR depository	The Bank of New York Mellon.
ADS	American Depositary Share representing one-fourth of one share of Common Stock.
Australian Dollar or A\$	The currency of the Commonwealth of Australia.
Commercial Code	Commercial Code of the Republic of Korea.
common stock	Common stock, par value Won 5,000 per share, of POSCO.
deposit agreement	Deposit Agreement, dated as of September 26, 1994, among POSCO, the ADR Depository and all holders and beneficial owners from time to time of ADRs issued thereunder, as amended by amendment no. 1 thereto dated June 25, 1997.
Dollars, \$ or US\$	The currency of the United States of America.
FSCMA	Financial Investment Services and Capital Markets Act of the Republic of Korea.
Government	The government of the Republic of Korea.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Yen or JPY	The currency of Japan.
Korea	The Republic of Korea.
Korean GAAP	Generally accepted accounting principles in the Republic of Korea.
Gwangyang Works	Gwangyang Steel Works.
We	POSCO and its consolidated subsidiaries.
Pohang Works	Pohang Steel Works.
POSCO Group	POSCO and its consolidated subsidiaries.
Securities Act	The United States Securities Act of 1933, as amended.
Securities Exchange Act	The United States Securities Exchange Act of 1934, as amended.
SEC	The United States Securities and Exchange Commission.
tons	Metric tons (1,000 kilograms), equal to 2,204.6 pounds.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Won or (Won)	The currency of the Republic of Korea.
Any discrepancies in any table between totals and the sums of the amounts	listed are due to rounding.

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**PART I**

**Item 1. *Identity of Directors, Senior Managers and Advisors***

**Item 1.A. *Directors and Senior Management***

**Not applicable**

**Item 1.B. *Advisers***

**Not applicable**

**Item 1.C. *Auditors***

**Not applicable**

**Item 2. *Offer Statistics and Expected Timetable***

**Not applicable**

**Item 2.A. *Offer Statistics***

**Not applicable**

**Item 2.B. *Method and Expected Timetable***

**Not applicable**

**Item 3. *Key Information***

**Item 3.A. *Selected Financial Data***

The selected financial data presented below should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report. The selected financial data in Won as of December 31, 2010 and 2011 and for each of the years in the two-year period ended December 31, 2011 were derived from our Consolidated Financial Statements included elsewhere in this annual report. Our Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Pursuant to the transitional relief granted by the U.S. Securities and Exchange Commission in respect of the first-time application of IFRS, no audited financial statements and financial information prepared under IFRS for the year ended December 31, 2009 have been included in this annual report.

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and related notes included in this annual report.

**Table of Contents****Selected consolidated statements of comprehensive income data**

	For the Year Ended December 31,		
	2010	2011	2011
	(In billions of Won and millions of Dollars, except per share data)		
Revenue <sup>(1)</sup>	(Won) 47,887	(Won) 68,939	US\$ 59,775
Cost of sales <sup>(2)</sup>	39,722	59,824	51,872
Gross profit	8,165	9,115	7,903
Selling and administrative expenses	2,620	3,661	3,174
Other operating income	231	337	292
Other operating expenses	342	383	332
Operating profit	5,434	5,408	4,689
Share of profit of equity-accounted investees	183	51	44
Finance income	1,739	3,190	2,766
Finance costs	2,089	3,867	3,353
Profit before income tax	5,267	4,782	4,147
Income tax expense	1,081	1,068	926
Profit for the period	4,186	3,714	3,221
Total comprehensive income for the period, net of tax	4,765	2,442	2,117
Profit for the period attributable to:			
Owners of the controlling company	4,106	3,648	3,163
Non-controlling interests	80	66	57
Total comprehensive income attributable to:			
Owners of the controlling company	4,640	2,530	219
Non-controlling interests	126	(88)	(76)
Basic and diluted earnings per share	53,297	47,224	40.95

**Selected consolidated statements of financial position data**

	As of December 31,		
	2010	2011	2011
	(In billions of Won and millions of Dollars)		
Working capital <sup>(3)</sup>	(Won) 9,395	(Won) 13,952	US\$ 12,097
Total current assets	27,672	33,557	29,096
Property, plant and equipment, net	25,438	28,453	24,671
Total non-current assets	41,746	44,852	38,890
Total assets	69,418	78,409	67,987
Short-term borrowings and current installments of long-term borrowings	10,476	10,792	9,357
Long-term borrowings, excluding current installments	10,664	16,020	13,891
Total liabilities	30,881	37,679	32,671
Share capital	482	482	418
Total equity	38,537	40,730	35,316

**Selected consolidated statements of cash flows data**

	For the Year Ended December 31,		
	2010	2011	2011
	(In billions of Won and millions of Dollars)		
Net cash provided by operating activities	(Won) 3,582	(Won) 1,692	US\$ 1,467
Net cash used in investing activities	(6,915)	(5,517)	(4,784)

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Net cash provided by financing activities	4,588	4,900	4,249
Net increase in cash and cash equivalents	1,248	1,078	934
Cash and cash equivalents at beginning of the year	2,273	3,521	3,053
Cash and cash equivalents at end of the year	3,521	4,599	3,987

- (1) Includes sales by our consolidated subsidiaries of steel products purchased by such subsidiaries from third parties, including trading companies to which we sell steel products.
- (2) Includes purchases of steel products by our consolidated subsidiaries from third parties, including trading companies to which we sell steel products.
- (3) working capital means current assets minus current liabilities.



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The following table sets out information concerning the market average exchange rate for the periods and dates indicated.

<b>Period</b>	<b>At End of Period</b>	<b>Average Rate <sup>(1)</sup> (Per US\$1.00)</b>	<b>High</b>	<b>Low</b>
2005	1,013.8	1,024.2	1,060.3	998.2
2006	929.6	956.1	1,031.0	918.0
2007	938.2	929.2	950.0	902.2
2008	1,257.5	1,102.6	1,509.0	934.5
2009	1,167.6	1,276.4	1,573.6	1,152.8
2010	1,138.9	1,156.3	1,261.5	1,104.0
2011	1,153.3	1,147.5	1,199.5	1,049.5
2012 (through April 27)				
January	1,125.0	1,145.9	1,164.3	1,121.6
February	1,126.5	1,123.4	1,128.4	1,116.7
March	1,137.8	1,125.9	1,138.1	1,114.5
April (through April 27)	1,135.2	1,135.6	1,142.3	1,123.4

Source: Seoul Money Brokerage Services, Ltd.

(1) The average rate for each year is calculated as the average of the market average exchange rates on the last business day of each month during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the market average exchange rates on each business day during the relevant month (or portion thereof).

**Item 3.B. Capitalization and Indebtedness**

Not applicable

**Item 3.C. Reasons for Offer and Use of Proceeds**

Not applicable

**Item 3.D. Risk Factors**

You should carefully consider the risks described below.

**The global economic downturn in recent years reduced worldwide demand for steel products. While the rate of deterioration of the global economy slowed in the second half of 2009 and the global economy showed some signs of stabilization and improvement in 2010 and 2011, there can be no assurance that such recovery will continue.**

Difficulties affecting the European Union and global financial sectors, adverse conditions and volatility in the European Union and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the European Union and global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The global economic downturn in recent years had a pronounced negative effect on the global demand for steel products and their prices in 2008 and 2009. While the rate of deterioration of the global economy slowed in the second half of 2009 and the global economy showed some signs of stabilization and improvement in 2010 and 2011, the overall prospects for the Korean and global economy in the second half of 2012 and beyond remain uncertain.

In response to sluggish demand from our customers in industries adversely impacted by the deteriorating global economic conditions in the second half of 2008, such as the automotive and construction industries, we reduced our crude steel production and sales prices in December 2008 and the first quarter of 2009. Signs that the pace of deterioration in market conditions had slowed began to appear in the second quarter of

2009, however, and demand from certain segments of our customer

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base, including the domestic automotive and construction industries, showed signs of recovery starting in the second quarter of 2009. In response, we began to incrementally increase our crude steel production starting in April 2009 and our production level normalized in the second half of 2009. Our crude steel production decreased from 34.7 million tons in 2008 to 31.1 million tons in 2009 but rebounded to 35.4 million tons in 2010 and 39.1 million tons in 2011. Prices of our steel products also gradually recovered starting in the third quarter of 2009, but our export prices fell substantially in the second half of 2011 due to uncertainties in the global economy caused by financial difficulties affecting European countries including Greece, Spain, Portugal and Italy. Our domestic sales prices, however, remained relatively stable in the second half of 2011.

We may decide to adjust our future crude steel production or our sales prices on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. Deterioration of market conditions may result in changes in assumptions underlying the carrying value of certain assets, which in turn could result in impairment of such assets, including intangible assets such as goodwill. We expect fluctuation in demand for our steel products to continue to prevail at least in the near future, which may adversely affect our business, results of operations or financial condition.

***Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate.***

We are incorporated in Korea, and a substantial portion of our operations and assets are located in Korea. Korea is our most important market, accounting for 55.1% of our total sales volume of steel products in 2011. Domestic demand for our products is affected by the condition of major steel consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general. In addition, the trading operations of Daewoo International Corporation ( Daewoo International ) are affected by the general level of trade between Korea and other countries, which in turn tends to fluctuate based on general conditions in the Korean and global economies. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea.

The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control, including developments in the global economy.

Due to recent liquidity and credit concerns and volatility in the global financial markets, the value of the Won relative to the U.S. Dollar and the stock prices of Korean companies have fluctuated significantly in recent years. In particular, there has been increased volatility following the downgrading by Standard & Poor's Rating Services of the long-term sovereign credit rating of the United States to AA+ from AAA in August 2011 as well as increasing financial difficulties affecting European countries including Greece, Spain, Portugal and Italy, and the overall prospects for the Korean and global economies in 2012 and beyond remain uncertain. Any future deterioration of the Korean and global economies could adversely affect our business, results of operations and financial condition.

Developments that could have an adverse impact on Korea's economy include:

difficulties in the financial sectors in Europe and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

declines in consumer confidence and a slowdown in consumer spending;

adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates (including fluctuation of the U.S. Dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;

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continuing adverse conditions in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere;

increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);

the economic impact of any pending or future free trade agreements;

social and labor unrest;

substantial decreases in the market prices of Korean real estate;

a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget deficit;

financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean conglomerates;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

the occurrence of severe health epidemics in Korea and other parts of the world;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or increase in the price of oil;

the occurrence of severe earthquakes, tsunamis and other natural disasters in Korea and other parts of the world, particularly in trading partners (such as the March 2011 earthquake in Japan, which also resulted in the release of radioactive materials from a

nuclear plant that had been damaged by the earthquake); and

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

***We rely on export sales for a significant portion of our total sales. Adverse economic and financial developments in Asia in the future may have an adverse effect on demand for our products in Asia and increase our foreign exchange risks.***

Our export sales and overseas sales to customers abroad accounted for 44.9% of our total sales volume of steel products in 2011. Our export sales volume to customers in Asia, including China, Japan, Indonesia, Thailand and Malaysia, accounted for 55.8% of our total export sales volume for steel products in 2011, and we expect our sales to these countries, especially to China, to remain important in the future. Accordingly, adverse economic and financial developments in these countries

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may have an adverse effect on demand for our products. Economic weakness in Asia may also adversely affect our sales to the Korean companies that export to the region, especially companies in the construction, shipbuilding, automotive, electrical appliances and downstream steel processing industries. Weaker demand in these countries, combined with addition of new steel production capacity, particularly in China, may also reduce export prices in Dollar terms of our principal products. We attempt to maintain and expand our export sales to generate foreign currency receipts to cover our foreign currency purchases and debt service requirements. Consequently, any decrease in our export sales could also increase our foreign exchange risks.

***Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on the results of our operations and on the price of the ADSs.***

Our consolidated financial statements are prepared from our local currency denominated financial results, assets and liabilities and our subsidiaries around the world, which are then translated into Won. A substantial proportion of our consolidated financial results is accounted for in currencies other than the Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by changes in the exchange rates of foreign currencies. In 2011, 44.9% of our sales volume of steel products was in overseas markets outside of Korea. To the extent that we incur costs in one currency and make sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. Since the currency in which sales are recorded may not be the same as the currency in which expenses are incurred, foreign exchange rate fluctuations may materially affect our results of operations. Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt;

an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated primarily in Dollars; and

foreign exchange translation losses on liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won against major currencies, on the other hand, causes:

our export products to be less competitive by raising our prices in Dollar terms; and

a reduction in net sales and accounts receivables in Won from export sales, which are primarily denominated in Dollars.

We try to minimize our exposure to currency fluctuations by attempting to maintain export sales, which result in foreign currency receipts, at a level that covers foreign currency obligations to the extent feasible. As a result, a decrease in our export sales could increase our foreign exchange risks. We attempt to manage the remaining net exposure after natural hedges by entering into derivative contracts such as forward exchange contracts. Although the impact of exchange rate fluctuations has in the past been partially mitigated by such strategies, our results of operations have historically been affected by exchange rate fluctuations and there can be no assurance that such strategies will be sufficient to reduce or eliminate the adverse impact of such fluctuations in the future. Because of the larger positive effects of the appreciation of the Won (i.e., the reverse of the negative effects caused by the depreciation of the Won, as discussed above), depreciation of the Won generally has a negative impact on our results of operations.

Fluctuations in the exchange rate between the Won and the Dollar will also affect the Dollar equivalent of the Won price of the shares of our common stock on the KRX KOSPI Market and, as a

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result, will likely affect the market price of the ADSs. These fluctuations will also affect the Dollar conversion by the depository for the ADRs of cash dividends, if any, paid in Won on shares of common stock represented by the ADSs.

***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 51.6 million dry metric tons of iron ore and 27.6 million wet metric tons of coal in 2011. Iron ore is imported primarily from Australia, Brazil and South Africa. Coal is imported primarily from Australia, Canada and the United States. 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 (benchmark free on board price of Australian premium hard coking coal) was US\$172 in 2009, US\$191 in 2010 and US\$292 in 2011. The average market price of iron ore per dry metric ton (free on board price of Platts Iron Ore index with iron (Fe) 62% content) was US\$68 in 2009, US\$136 in 2010 and US\$167 in 2011. 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. 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, which would have an adverse effect on our business, financial condition and results of operations.

***We operate in a highly competitive global steel industry, and our failure to successfully compete would adversely affect our market position and business.***

The markets for our products are highly competitive and we face intense global competition. In recent years, driven in part by strong growth in steel consumption in the developing world, particularly in China, the global steel industry has experienced renewed interest in expansion of steel production capacity. China is the largest steel producing country in the world by a significant margin, with the balance between its domestic production and demand being an important factor in the determination of global steel prices. In addition, the global steel industry has experienced consolidation in recent years, including through the merger of Mittal and Arcelor in 2006 that created a company with approximately 10% of global steel production capacity. Competition from global steel manufacturers with expanded production capacity such as ArcelorMittal and new market entrants, especially from China and India, have resulted in significant price competition and may result in declining margins and reductions in revenue. Our larger competitors may use their resources, which may be greater than ours, against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

The increased production capacity, combined with a decrease in demand due to the recent slowdown of the global economy, has resulted in production over-capacity in the global steel industry. Production over-capacity in the global steel industry may intensify if the slowdown of the global economy is prolonged or demand from developing countries that have experienced significant growth in the past several years does not meet the recent growth in production capacity. Production over-capacity in the global steel industry is likely to:

reduce export prices in Dollar terms of our principal products, which in turn may reduce our sales prices in Korea;

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increase competition in the Korean market as foreign producers seek to export steel products to Korea as other markets experience a slowdown;

negatively affect demand for our products abroad and our ability to expand export sales; and

affect our ability to increase steel production in general.

Steel also competes with other natural and synthetic materials that may be used as steel substitutes, such as aluminum, cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials instead of steel, whether for environmental or other reasons, as well as the development of attractive alternative substitutes for steel products, may reduce demand for steel products and increase competition in the global steel industry.

As part of our strategy to compete in this challenging landscape, we will continue to invest in developing innovative products that offer the greatest potential returns and enhance the overall quality of our products, as well as make additional investments in the development of new manufacturing technologies. However, there is no assurance that we will be able to continue to compete successfully in this economic environment or that the prolonged slowdown of the global economy or production over-capacity will not have a material adverse effect on our business, results of operations or financial condition.

*We may not be able to successfully execute our diversification strategy.*

In part to prepare for the eventual maturation of the Korean steel market, our overall strategy includes securing new growth engines by diversifying into new businesses related to our steel operations that we believe will offer greater potential returns, such as participation in EPC (or engineering, procurement and construction) projects in the steel sector, as well as entering into new businesses not related to our steel operations such as power generation and alternative energy solutions, production of comprehensive materials such as lithium, silicon, carbon and magnesium, information and technology consulting services, and automation and system integration engineering services. From time to time, we may selectively acquire or invest in companies to pursue such diversification strategy. On September 20, 2010, we acquired a controlling interest in Daewoo International for Won 3.37 trillion. Daewoo International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects. It also manufactures and sells textiles, operates a department store in Korea, and holds a 24% interest in Kyobo Life Insurance, Korea's third largest life insurance company in terms of market share in 2011.

The success of the overall diversification strategy will depend, in part, on our ability to realize the growth opportunities and anticipated synergies. The realization of the anticipated benefits depends on numerous factors, some of which are outside our control, including the availability of qualified personnel, establishment of new relationships and expansion of existing relationships with various customers and suppliers, procurement of necessary technology and know-how to engage in such businesses and access to investment capital at reasonable costs. The realization of the anticipated benefits may be impeded, delayed or reduced as a result of numerous factors, some of which are outside our control. These factors include:

difficulties in integrating the operations of the acquired business, including information and accounting systems, personnel, policies and procedures, and in reorganizing or reducing overlapping operations, marketing networks and administrative functions, which may require significant amounts of time, financial resources and management attention;

unforeseen contingent risks or latent liabilities relating to the acquisition that may become apparent in the future;



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difficulties in managing a larger business; and

loss of key management personnel or customers.

Accordingly, we cannot assure you that our diversification strategy can be completed profitably or that the diversification efforts will not adversely affect our combined business, financial condition and results of operations.

***Expansion of our production operations abroad is important to our long-term success, and our limited experience in the operation of our business outside Korea increases the risk that our international expansion efforts will not be successful.***

We conduct international trading and construction operations abroad, and our business relies on a global trading network comprised of overseas subsidiaries, branches and representative offices. Although many of our subsidiaries and overseas branches are located in developed countries, we also operate in numerous countries with developing economies. In addition, we intend to continue to expand our production operations internationally by carefully seeking out promising investment opportunities, particularly in China, India, Southeast Asia and Latin America, in part to prepare for the eventual maturation of the Korean steel market. We may enter into joint ventures with foreign steel producers that would enable us to rely on these businesses to conduct our operations, establish local networks and coordinate our sales and marketing efforts abroad. To the extent that we enter into these arrangements, our success will depend in part on the willingness of our partner companies to dedicate sufficient resources to their partnership with us.

In other situations, we may decide to establish manufacturing facilities by ourselves instead of relying on partners. The demand and market acceptance for our products produced abroad are subject to a high level of uncertainty and are substantially dependent upon the market condition of the global steel industry. We cannot assure you that our international expansion plan will be profitable or that we can recoup the costs related to such investments.

Expansion of our trading, construction and production operations abroad requires management attention and resources. In addition, we face additional risks associated with our expansion outside Korea, including:

challenges caused by distance, language and cultural differences;

higher costs associated with doing business internationally;

legal and regulatory restrictions, including foreign exchange controls that might prevent us from repatriating cash earned in countries outside Korea;

longer payment cycles in some countries;

credit risk and higher levels of payment fraud;

currency exchange risks;

potentially adverse tax consequences;

political and economic instability; and

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seasonal reductions in business activity during the summer months in some countries.

***The March 11, 2011 natural disaster in Japan and its continuing effects could materially adversely affect our business.***

On March 11, 2011, Japan experienced a 9.0 moment magnitude scale undersea earthquake, which triggered tsunami waves that resulted in extensive and severe infrastructure damage throughout

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the eastern coast of Japan. The earthquake also caused a number of nuclear accidents, including an ongoing major accident at the Fukushima nuclear power plant, making it the most costly natural disaster on record. Some of our Japanese suppliers of manufacturing equipment as well as our Japanese customers have temporarily suspended their operations due to the March 2011 natural disaster, and some continue to be affected by unreliable power, shipping constraints, problems with their suppliers, and the continuing effects. Although we believe that we have sufficient access to manufacturing equipment typically sourced from Japan to cover our short-term needs, we may experience shortages or delays in the supply of manufacturing equipment in the long-term. If we are not able to obtain such equipment from alternative sources on a timely basis or at commercially reasonable terms, or at all, it could adversely impact the production of our products. In addition, sales to our customers located in Japan represented 12.7% of our total export sales volume for steel products in 2010 but decreased to 8.1% in 2011, and demand from such customers may further decrease as a result of the slowdown in their business operations due to the recent natural disaster and its continuing effects.

***We may from time to time engage in acquisitions for which we may be required to seek additional sources of capital.***

From time to time, we may selectively acquire or invest in companies or businesses that may complement our business. In order to finance these acquisitions, we intend to use cash on hand, funds from operations, issuances of equity and debt securities, and, if necessary, financings from banks and other sources as well as entering into consortiums with financial investors. However, no assurance can be given that we will obtain sufficient financing for such acquisitions or investments on terms commercially acceptable to us or at all. We also cannot assure you that such financings and related debt payment obligations will not have a material adverse impact on our financial condition, results of operations or cash flow.

***Further increases in, or new impositions of, anti-dumping or countervailing duty proceedings may have an adverse impact on our export sales.***

Currently, several of our products are subject to anti-dumping or countervailing duty proceedings, in the United States and several emerging markets. Our products that have been subject to anti-dumping or countervailing duty proceedings in the aggregate have not accounted for a material portion of our total sales in recent years. However, there can be no assurance that increases in, or new impositions of, anti-dumping duties, countervailing duties, quotas or tariffs on our sales of products abroad may not have a material adverse impact on our exports in the future. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

***Cyclical fluctuations based on macroeconomic factors may adversely affect POSCO E&C's business and performance.***

In order to complement our steel operations, we engage in engineering and construction activities through POSCO Engineering & Construction Co., Ltd. ( POSCO E&C ), an 89.5%-owned subsidiary. The construction segment, which accounted for approximately 7.9% of our consolidated sales in 2011 after adjusting for inter-company sales, is highly cyclical and tends to fluctuate based on macroeconomic factors, such as consumer confidence and income, employment levels, interest rates, inflation rates, demographic trends and policies of the Government. Although we believe that POSCO E&C's strategy of focusing on high-value-added plant construction and urban planning and development projects such as Songdo New City has enabled it to be exposed to a lesser degree to general economic conditions in Korea in comparison to some of its domestic competitors, our construction revenues have fluctuated in the past depending on the level of domestic construction activity including new construction orders. POSCO E&C's construction operations could suffer in the future in the event of a general downturn in the construction market resulting in weaker demand, which could adversely affect POSCO E&C's business, results of operations or financial condition.

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*Many of POSCO E&C's domestic and overseas construction projects are on a fixed-price basis, which could result in losses for us in the event that unforeseen additional expenses arise with respect to the project.*

Many of POSCO E&C's domestic and overseas construction projects are carried out on a fixed-price basis according to a predetermined timetable, pursuant to the terms of a fixed-price contract. Under such fixed-price contracts, POSCO E&C retains all cost savings on completed contracts but is also liable for the full amount of all cost overruns and may be required to pay damages for late delivery. The pricing of fixed-price contracts is crucial to POSCO E&C's profitability, as is its ability to quantify risks to be borne by it and to provide for contingencies in the contract accordingly.

POSCO E&C attempts to anticipate costs of labor, raw materials, parts and components in its bids on fixed-price contracts. However, the costs incurred and gross profits realized on a fixed-price contract may vary from its estimates due to factors such as:

unanticipated variations in labor and equipment productivity over the term of a contract;

unanticipated increases in labor, raw material, parts and components, subcontracting and overhead costs, including as a result of bad weather;

delivery delays and corrective measures for poor workmanship; and

errors in estimates and bidding.

If unforeseen additional expenses arise over the course of a construction project, such expenses are usually borne by POSCO E&C, and its profit from the project will be correspondingly reduced or eliminated. If POSCO E&C experiences significant unforeseen additional expenses with respect to its fixed price projects, it may incur losses on such projects, which could have a material adverse effect on its financial condition and results of operations.

*POSCO E&C's domestic residential property business is highly dependent on the real estate market in Korea.*

The performance of POSCO E&C's domestic residential property business is highly dependent on the general condition of the real estate market in Korea. The construction industry in Korea is experiencing a downturn due to excessive investment in recent years in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul. In addition, as liquidity and credit concerns and volatility in the global financial markets increased significantly starting in September 2008, there has been a general decline in the willingness by banks and other financial institutions in Korea to engage in project financing and other lending activities to construction companies, which may adversely impact POSCO E&C's ability to meet its desired funding needs. The Government has taken measures to support the Korean construction industry, including easing of regulations imposed on redevelopment of apartment buildings and resale restrictions in the metropolitan areas, as well as reductions in property taxes. Although the Korean real estate market has temporarily recovered since the second half of 2009 and into 2010, declines in demand and price took place in the Korean real estate market in 2011 due to the downturn of the domestic economic cycle and financial risk in Europe.

*We are subject to environmental regulations, and our operations could expose us to substantial liabilities.*

We are subject to national and local environmental laws and regulations, including increasing pressure to reduce emission of carbon dioxide relating to our manufacturing process, and our steel manufacturing and construction operations could expose us to risk of substantial liability relating to environmental or health and safety issues, such as those resulting from discharge of pollutants and

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carbon dioxide into the environment, the handling, storage and disposal of solid or hazardous materials or wastes and the investigation and remediation of contaminated sites. We may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated manufacturing or construction sites. We may also be subject to associated liabilities, including liabilities for natural resource damage, third party property damage or personal injury resulting from lawsuits brought by the government or private litigants. In the course of our operations, hazardous wastes may be generated at third party-owned or operated sites, and hazardous wastes may be disposed of or treated at third party-owned or operated disposal sites. If those sites become contaminated, we could also be held responsible for the cost of investigation and remediation of such sites, for any associated natural resource damage, and for civil or criminal fines or penalties.

***Failure to protect our intellectual property rights could impair our competitiveness and harm our business and future prospects.***

We believe that developing new steel manufacturing technologies that can be differentiated from those of our competitors, such as FINEX, strip casting and silicon steel manufacturing technologies, is critical to the success of our business. We take active measures to obtain protection of our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. However, we cannot assure you that the measures we are taking will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise and our intellectual property may otherwise become known or independently developed by our competitors. Any failure to protect our intellectual property could impair our competitiveness and harm our business and future prospects.

***We rely on trade secrets and other unpatented proprietary know-how to maintain our competitive position, and unauthorized disclosure of our trade secrets or other unpatented proprietary know-how could negatively affect our business.***

We rely on trade secrets and unpatented proprietary know-how and information. We enter into confidentiality agreements with each of our employees and consultants upon the commencement of an employment or consulting relationship. These agreements generally provide that all inventions, ideas, discoveries, improvements and patentable material made or conceived by the individual arising out of the employment or consulting relationship and all confidential information developed or made known to the individual during the term of the relationship is our exclusive property. We cannot assure the enforceability of these types of agreements, or that they will not be breached. We also cannot be certain that we will have adequate remedies for any breach. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business.

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

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, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il designated his third son, Kim Jong-eun, as his successor prior to his death, the eventual outcome of such leadership transition remains uncertain. Only limited information is available about Kim Jong-eun, who is reported to be in his late twenties, and it remains unclear which individuals or factions, if any, will share political power with Kim Jong-eun or assume the leadership if the transition is not successful.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and long-range missile programs as well as its hostile military actions against Korea. North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January

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2003 followed by a nuclear test in October 2006, which increased tensions in the region and elicited strong objections worldwide. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea. In February 2012, North Korea agreed with the United States to suspend its uranium enrichment activities, place a moratorium on nuclear and long-range missile tests and allow United Nations International Atomic Energy Agency inspectors to monitor activities at its main nuclear complex in exchange for food aid. However, in April 2012, North Korea failed in its attempt to launch a satellite using a long-range rocket, despite concerns in the international community that such a launch would be in violation of the recent agreement with the United States as well as United Nations Security Council resolutions that prohibit North Korea from conducting launches that use ballistic missile technology. Moreover, 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 has denied responsibility. In November 2010, North Korea reportedly fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the maritime border between Korea and North Korea off the west coast of the Korean peninsula, killing two Korean soldiers and two civilians, wounding many others and causing 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. In November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. Such developments may further aggravate social and political tensions within North Korea. There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tensions could have a material adverse effect on the Korean economy and on our business, results of operations and financial condition as well as the prices of our securities.

***If you surrender your ADRs to withdraw shares of our common stock, you may not be allowed to deposit the shares again to obtain ADRs.***

Under the deposit agreement, holders of shares of our common stock may deposit those shares with the ADR depository's custodian in Korea and obtain ADRs, and holders of ADRs may surrender ADRs to the ADR depository and receive shares of our common stock. However, under current Korean laws and regulations, the depository bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit that exceeds the difference between (i) the aggregate number of shares deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (ii) the number of shares on deposit with the depository bank at the time of such proposed deposit. It is possible that we may not give the consent. As a result, if you surrender ADRs and withdraw shares of common stock, you may not be able to deposit the shares again to obtain ADRs. See Item 10. Additional Information—Item 10.D. Exchange Controls.

***You may not be able to exercise preemptive rights for additional shares of common stock and may suffer dilution of your equity interest in us.***

The Commercial Code and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we issue new shares to persons other than our shareholders (See Item 10.B. Memorandum and Articles of Association—Preemptive Rights and Issuance of Additional Shares), a holder of our ADSs will experience dilution of such holding. If none

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of these exceptions is available, we will be required to grant preemptive rights when issuing additional common shares under Korean law. Under the deposit agreement governing the ADSs, if we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the ADR depository, after consultation with us, may make the rights available to you or use reasonable efforts to dispose of the rights on your behalf and make the net proceeds available to you. The ADR depository, however, is not required to make available to you any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

a registration statement filed by us under the Securities Act is in effect with respect to those shares; or

the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act. We are under no obligation to file any registration statement under the Securities Act to enable you to exercise preemptive rights in respect of the common shares underlying the ADSs, and we cannot assure you that any registration statement would be filed or that an exemption from the registration requirement under the Securities Act would be available. Accordingly, if a registration statement is required for you to exercise preemptive rights but is not filed by us, you will not be able to exercise your preemptive rights for additional shares and may suffer dilution of your equity interest in us.

***U.S. investors may have difficulty enforcing civil liabilities against us and our directors and senior management.***

We are incorporated in Korea with our principal executive offices located in Seoul. The majority of our directors and senior management are residents of jurisdictions outside the United States, and the majority of our assets and the assets of such persons are located outside the United States. As a result, U.S. investors may find it difficult to effect service of process within the United States upon us or such persons or to enforce outside the United States judgments obtained against us or such persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or such persons in courts in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for a U.S. investor to bring an action in a Korean court predicated upon the civil liability provisions of the U.S. federal securities laws against our directors and senior management and non-U.S. experts named in this annual report.

***We could be adversely affected if the U.S. government were to determine that our affiliate's Iran-related business activities are sanctionable under the U.S. Iranian sanction laws and regulations.***

We acquired a controlling interest in Sungjin Geotec Co., Ltd. ( Sungjin Geotec ), a manufacturer of specialized equipment used in the power and energy industries in May 2010, and we currently hold a 36.7% interest in the company. In recent years, Sungjin Geotec entered into contracts with various suppliers to supply equipment for the development of natural gas fields in Iran, including natural gas fields located in South Pars that is led by Pars Oil and Gas Company, a subsidiary of National Iranian Oil Company. Sungjin Geotec recognized revenues of approximately Won 76.2 billion in 2010 and Won 28.3 billion in 2011 from such activities, and it expects to complete all of such contracts by May 2012.

In July 2010, the United States adopted legislation that expands U.S. economic sanctions against foreign companies doing business with Iran in certain sectors. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (the CISADA ) expands the scope of sanctionable activities by, among other things, broadening the definition of investment under the Iran

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Sanctions Act (the ISA) arguably to include the supply of goods for use in petroleum and gas production. The CISADA also expands the severity of potential sanctions available under the ISA and imposes mandatory investigation and reporting requirements designed to increase the likelihood of enforcement. The CISADA requires the imposition of sanctions against parties found by the U.S. administration, following an investigation, to have engaged in conduct sanctionable under the ISA, subject to certain waiver provisions and exceptions.

Under the ISA, as amended, sanctions can also be imposed against a company that has actual knowledge of, or should have known of, sanctionable conduct engaged in by another company that it owns or controls. A range of sanctions may be imposed on companies that engage in sanctionable activities, including among other things the blocking of any property subject to U.S. jurisdiction in which the sanctioned company has an interest, which could include a prohibition on transactions or dealings involving securities of the sanctioned company. By its terms, the CISADA is applicable to certain investments in Iran that commenced on or after July 1, 2010, and it is not clear whether a supply of equipment after that date pursuant to a legally binding contractual obligation that arose prior to July 1, 2010 would or would not be determined to be sanctionable under the CISADA.

Sungjin Geotec's supply contracts described above and/or performance thereunder may be sanctionable under the CISADA if the CISADA's revised definition of investment is interpreted to cover the supply of goods to parties developing gas fields in Iran and if future performance under the supply contract is not considered to have commenced prior to the enactment of the CISADA. Accordingly, there can be no assurance that Sungjin Geotec's Iran-related business activities do not constitute sanctionable activities or that we will not be subjected to sanctions under the ISA as amended by the CISADA. Our business and reputation could be adversely affected if the U.S. government were to determine that Sungjin Geotec's Iran-related business activities constitute sanctionable activity attributable to us. Investors in our securities may also be adversely affected if we are sanctioned under the CISADA or if their investment in the securities is restricted under any sanctions regimes with which the investors are required to comply. As noted above, sanctions under the ISA could include the blocking of any property in which we have an interest, which would effectively prohibit all U.S. persons from receiving any payments from us, or otherwise acquiring, holding, withholding, using, transferring, withdrawing, transporting, importing, or exporting any property in which we have any interest.

*We expect to continue operations and investments relating to countries targeted by United States and European Union economic sanctions.*

The U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, enforces certain laws and regulations (OFAC Sanctions) that impose restrictions upon U.S. persons and, in some instances, foreign entities owned or controlled by U.S. persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of OFAC Sanctions (U.S. Sanctions Targets). U.S. persons are also generally strictly prohibited from facilitating such activities or transactions. Similarly, the European Union enforces certain laws and regulations (E.U. Sanctions) that impose restrictions upon nationals of E.U. member states, persons located within E.U. member states, entities incorporated or constituted under the law of an E.U. member state, or business conducted in whole or in part in E.U. member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of E.U. Sanctions (E.U. Sanctions Targets) and together with U.S. Sanctions Targets, Sanctions Targets). E.U. persons are also generally prohibited from activities that promote such activities or transactions.

We engage in limited business activities and investments relating to Sanctions Targets, including Iran, Myanmar and Sudan. We produce and sell, typically through our sales subsidiaries, steel products to Sanctions Targets, including automotive steel sheets and other steel materials to Iranian entities. Our subsidiaries also engage in limited business activities and investments relating to Sanctions Targets. In particular, Daewoo International, a global trading company in which we hold a



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66.6% interest, engages in the trading of steel, raw materials and other items with Sanctions Targets, including Iran and Sudan. Daewoo International also has a portfolio of investments in energy exploration and production projects, including a gas field exploration project in Myanmar, in which Daewoo International had invested Won 803 billion as of December 31, 2011 and plans to make substantial further investments in the future. This project is not expected to generate any revenues until 2013. POSCO E&C, a construction company in which we hold an 89.5% interest, engages in the planning, design and construction of industrial facilities in Iran. We also hold a 70.0% interest in Myanmar-POSCO Steel Co., Ltd., an entity that is an E.U. Sanctions Target under Council Regulation (EC) No. 194/2008, as amended. Our activities and investments do not involve any U.S. goods or services, and we do not export or re-export U.S. goods or services directly or indirectly to any Sanctions Target. For each of 2010 and 2011, our activities and investments relating to Sanctions Targets accounted for less than 1.0% of our total consolidated revenues and total consolidated assets, respectively.

We expect to continue to engage in business activities and make investments in Sanctions Targets over the foreseeable future. Although we believe that OFAC Sanctions under their current terms are not applicable to our activities, our reputation may be adversely affected, some of our U.S. investors may be required to divest their investments in us under the laws of certain U.S. states or under internal investment policies or may decide for reputational reasons to divest such investments, and some U.S. institutional investors may forego the purchase of our Notes. We are aware of initiatives by U.S. governmental entities and U.S. institutional investors, such as pension funds, to adopt or consider adopting laws, regulations, or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with countries identified as state sponsors of terrorism. We cannot assure you that the foregoing will not occur or that such occurrence will not have a material adverse effect on the value of our securities.

*This annual report contains forward-looking statements that are subject to various risks and uncertainties.*

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company 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, project, similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, 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 above. 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.

**Item 4. Information on the Company****Item 4.A. History and Development of the Company**

We were established by the Government on April 1, 1968, under the Commercial Code, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. The Government owned more than 70% of our equity until 1988, when the Government reduced its ownership of our common stock to 35% through a public offering and listing our shares on the KRX

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KOSPI Market. In December 1998, the Government sold all of our common stock it owned directly, and The Korea Development Bank completed the sale of our shares that it owned in September 2000. The Government no longer holds any direct interest in us, and our outstanding common stock is currently held by individuals and institutions. See Item 7. Major Shareholders and Related Party Transactions Item 7A. Major Stockholders.

Our legal and commercial name is POSCO. Our principal executive offices are located at POSCO Center, 892 Daechi-4-dong, Gangnam-gu, Seoul, Korea, and our telephone number is (822) 3457-0975.

### **Item 4.B. *Business Overview***

#### **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 39.1 million tons of crude steel in 2011 and approximately 35.4 million tons in 2010, a substantial portion of which was produced at Pohang Works and Gwangyang Works. As of December 31, 2011, Pohang Works had 16.7 million tons of annual crude steel and stainless steel production capacity, and Gwangyang Works had an annual crude steel production capacity of 20.8 million tons. 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 hot rolled and cold rolled products, plates, wire rods, silicon steel sheets and stainless steel products, and we are able to meet a broad range of customer needs from manufacturing industries that consume steel, including automotive, shipbuilding, home appliance, engineering and machinery industries.

We sell primarily to the Korean market. Domestic sales accounted for 55.1% of our total sales volume of steel products in 2011 and 62.7% in 2010. We believe that we had an overall market share of approximately 41% of the total sales volume of steel products sold in Korea in 2011 and approximately 40% in 2010. Our export sales and overseas sales to customers abroad accounted for 44.9% of our total sales volume of steel products in 2011 and 37.3% in 2010. Our major export market is Asia, with Asia other than China and Japan accounting for 28.4%, China 19.3% and Japan 8.1% of our total steel export sales volume in 2011 and China accounting for 27.0%, Asia other than China and Japan 24.9% and Japan 12.7% of our total steel export sales volume in 2010.

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 E&C, our consolidated subsidiary in which we hold an 89.53% interest, 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. Daewoo International, our consolidated subsidiary in which we acquired a controlling interest in September 2010 for Won 3.37 trillion, is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects throughout the world. Daewoo International also holds a 24% interest in Kyobo Life Insurance, Korea's third largest life insurance company in terms of market share in 2011. POSCO Energy Corporation, our wholly-owned consolidated subsidiary, is the largest private power generation company in Korea.

We generated revenue of Won 68,939 billion and profit for the period of Won 3,714 billion in 2011, compared to revenue of Won 47,887 billion and profit for the period of Won 4,186 billion in 2010. We had total assets of Won 78,409 billion and total equity of Won 40,730 billion as of December 31, 2011, compared to total assets of Won 69,418 billion and total equity of Won 38,537 billion as of December 31, 2010.

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### **Business Strategy**

Leveraging on our success during the past four decades, our goal is to strengthen our position as one of the leading steel producers in the world and strive to rank among the top three global steel companies in technology leadership, operational excellence and production capacity. In order to compete effectively in the dynamic global market environment driven by emerging economies and increasing demand for more environmentally friendly products, we are committed to leveraging our competitive advantages and further enhancing our leadership positions. We believe that our proprietary technologies and expertise in developing environmentally-friendly steel production facilities, ability to independently construct such facilities, and know-how in their efficient operation and management enables us to develop differentiated steel products at a highly competitive cost structure.

We also plan to selectively explore opportunities in growth industries that are integral to our overall business model, and we have identified steel, comprehensive materials, energy and new businesses as our key areas of focus. We seek to strengthen our competitiveness and pursue growth through the following core business strategies:

#### ***Seek Opportunities for EPC Projects and Expand Our Production and Supply Chain Management Infrastructure Abroad***

Drawing on our expertise in steel production, construction capabilities of POSCO E&C and natural resources exploration and production know-how of Daewoo International, POSCO Group plans to carefully seek out promising business opportunities abroad for EPC (or engineering, procurement and construction) projects in the steel sector. We seek out promising investment opportunities abroad, primarily in China, India, Southeast Asia and Latin America, in part to prepare for the eventual maturation of the Korean steel market. We believe that China, India, Southeast Asia and Latin America will continue to offer substantial growth opportunities, and we plan to selectively seek investment opportunities to secure development rights to natural resources and construct steel production facilities. For example, we obtained the approval of the Government of India in May 2011 to construct an integrated steel mill in Orissa State, and we are currently in the process of acquiring the land on which the plant will be constructed. However, the National Green Tribunal, a special court in India that handles the expeditious disposal of cases pertaining to environmental issues, ruled in March 2012 that the Ministry of Environment should reassess the conditions on which clearance was granted for the project, and we are waiting for the ministry's review of the tribunal's ruling. With respect to development of iron ore mines in Orissa State, we are waiting for the final judgment from the Indian Supreme Court on mining rights.

In June 2010, we also signed a memorandum of understanding with the Government of Karnataka, a state in southwest India, to construct an integrated steel mill in Karnataka, and we are in discussions with the Government of Karnataka to obtain a mining lease and secure land with appropriate infrastructure.

We are also building a global distribution network of supply chain management centers to provide processing and logistics services and more effectively respond to changes in consumer trends in the global steel market. In 2011, we operated 54 supply chain management centers worldwide that recorded aggregate sales of 4.2 million tons of steel products. We plan to continue expanding our global network of supply chain management centers.

#### ***Maintain Technology Leadership in Steel Manufacturing***

As part of our strategy, we have identified core products that we plan to further develop, such as premium automotive steel sheets, silicon steel and API-grade steel, and we will continue to invest in developing innovative products that offer the greatest potential returns and enhance the overall quality of our products. In order to increase our competitiveness and the proportion of our sales of higher

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margin, higher value-added products, we plan to make additional investments in the development of new manufacturing technologies and upgrade our facilities through continued modernization and rationalization.

We will continue to refine FINEX, a low cost, environmentally friendly steel manufacturing process that optimizes our production capacity by utilizing non-agglomerated iron ore fines and using non-coking coal as an energy source and a reducing agent. We believe that FINEX offers considerable environmental and economic advantages through elimination of major sources of pollution such as sintering and coking plants, as well as reducing operating and raw material costs. In recent years, we have developed proprietary manufacturing technology using a compact endless cast rolling mill that combines the FINEX process with an advanced basic oxygen steelmaking process that uses more scrap in place of pig iron, which enables us to manufacture products at a highly competitive cost structure with lower carbon dioxide emission. Our compact endless cast rolling mill directly casts coils from liquid steel and uses a rolling process that rolls hot rolled coils up to 40 slabs at a time.

***Diversify into Production of Comprehensive Materials, including Lithium, Silicon, Carbon and Magnesium***

We plan to leverage our expertise in production of various steel-applied materials and venture into the fast-growing and high value-added business of producing environmentally friendly comprehensive materials. We have identified lithium, silicon, carbon and magnesium as our main investment areas. Demand for lithium, which is used as an anode material in lithium ion batteries, has been increasing in recent years, and we have developed proprietary technology to extract lithium from its brine in approximately one month compared to twelve months through conventional production processes. Silicon is a critical element in production of semiconductors and solar cells, and we believe that we are well positioned to take advantage of growth opportunities in this market due to similarities in production of silicon with production of crude steel. We believe we are also able to leverage our expertise in production of crude steel to cost-effective production of carbon and magnesium, which have wide application of industrial use.

***Further Develop Our Capabilities to become an Integrated Provider of Energy Solutions***

We plan to pursue strategic synergies with our member companies of the POSCO Group to further strengthen our capabilities in the energy industry. POSCO Energy Corporation, our wholly-owned subsidiary, is the largest private power generation company in Korea. POSCO E&C, our consolidated subsidiary in which we hold an 89.5% interest, is one of the leading engineering and construction companies in Korea with expertise in the design and construction of power plants. Daewoo International, our consolidated subsidiary in which we hold a 66.6% interest, engages in various natural resources procurement and energy development projects around the world. In order to secure adequate procurement of principal raw materials, we have also invested in and will continue to explore additional investment opportunities in various raw material development projects abroad, as well as enter into long-term contracts with leading suppliers of iron ore, coal and nickel, principally in Australia and Brazil. We believe that the energy industry is a sustainable business area that offers us attractive opportunities. We will continue to seek opportunities in natural resources development and further expand our power generation and alternative energy solutions businesses, as well as pursue participation in additional power plant projects abroad.

***Pursue Cost-Cutting through Operational and Process Innovations***

We seek to achieve cost reductions in this era of increasing raw material costs through our company wide process for innovation and enhancing efficiency of operations. We believe that strategic cost cutting measures through utilization of efficient production methods and management discipline will strengthen our corporate competitiveness. After implementation of Six Sigma innovations in recent

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years, we are now implementing the Quick Six Sigma program, a customized program that we believe will enhance our corporate culture that rewards innovative ideas at all stages of our operations and enable us to benchmark successful innovations to all relevant processes within the company. We will also strive to invest more in human resources development to nurture employees who are capable of working in the global environment.

### *Selectively Seek Opportunities in Growth Industries*

We will continue to selectively seek opportunities in growth industries to diversify our business both vertically and horizontally. Through POSCO ICT Co., Ltd., a 72.5%-owned subsidiary, we engage in information and technology consulting services as well as automation and system integration engineering services. 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. On September 20, 2010, we acquired a controlling interest in Daewoo International Corporation for Won 3.37 trillion. Daewoo International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy development projects. We will continue to selectively seek opportunities to identify new growth engines and diversify our operations.

### **Major Products**

We manufacture and sell a broad line of steel products, including the following:

hot rolled products;

plates;

wire rods;

cold rolled products;

silicon steel sheets; and

stainless steel products.

The tables below set out our sales revenues and sales volume by major steel product categories for the periods indicated.

	For the Year Ended December 31,				
	2010		2011		
	Billions of Won	%	Billions of Won	%	
<b>Steel Products</b>					
Hot rolled products	6,583	17.2	5,896	13.7	
Plates	4,196	11.0	5,770	13.4	
Wire rods	2,494	6.5	2,885	6.7	
Cold rolled products	13,080	34.2	12,502	29.0	
Silicon steel sheets	1,674	4.4	1,719	4.0	
Stainless steel products	7,178	18.8	6,785	15.8	
Others <sup>(1)</sup>	3,000	7.9	7,513	17.4	
Total	38,206	100.0	43,070	100.0	

- (1) Including all revenue from sale of steel products by Daewoo International. Such revenue was consolidated in 2010 only from the date of our acquisition of Daewoo International on September 20, 2010, compared to consolidation for the full year in 2011. Prior to September 20, 2010, sales revenue of steel products sold by us to Daewoo International was classified under the applicable steel product category.

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	For the Year Ended December 31,			
	2010		2011	
	Thousands of Tons	%	Thousands of Tons	%
<b>Steel Products</b>				
Hot rolled products	7,585	22.5	6,600	17.2
Plates	4,274	12.7	5,272	13.8
Wire rods	2,273	6.7	2,455	6.4
Cold rolled products	12,974	38.4	11,843	30.9
Silicon steel sheets	1,025	3.0	981	2.6
Stainless steel products	2,381	7.1	2,235	5.8
Others <sup>(1)</sup>	3,241	9.6	8,915	23.3
Total	33,754	100.0	38,300	100.0

(1) Including all sales volume of steel products sold by Daewoo International. Such sales volume was consolidated in 2010 only from the date of our acquisition of Daewoo International on September 20, 2010, compared to consolidation for the full year in 2011. Prior to September 20, 2010, sales volume of steel products sold by us to Daewoo International was classified under the applicable steel product category.

The sales revenue and sales volume in the tables above represent the steel product sales of our consolidated entities which are steel-related companies but do not include the non-steel product sales of these entities. They include sales by our consolidated subsidiaries of steel products purchased by these subsidiaries from third parties, including trading companies to which we sell steel products. The sales of steel products purchased from third parties amounted to approximately 2.2 million tons in 2010 and 9.2 million tons in 2011, accounting for Won 1,708 billion in 2010 and Won 7,972 billion in 2011, respectively.

Prior to our acquisition of Daewoo international on September 20, 2010, the sales revenue and sales volume of steel products sold by us to Daewoo International were classified under the applicable steel product category in the tables above, compared to all of such steel products being classified as others subsequent to our acquisition on September 20, 2010. Such categorization resulted in a substantial increase in the sales revenue and sales volume of the others category from 2010 to 2011 while decreasing the sales revenue and sales volume of each of the remaining product categories during the corresponding periods.

**Hot Rolled Products**

Hot rolled coils and sheets have many different industrial applications. They are used to manufacture structural steel used in the construction of buildings, industrial pipes and tanks, and automobile chassis. Hot rolled coil is also manufactured in a wide range of widths and thickness as the feedstock for higher value-added products such as cold rolled products and silicon steel sheets.

Our deliveries of hot rolled products amounted to 6.6 million tons in 2011, representing 17.2% of our total sales volume of steel products. The Korean market accounted for 5.2 million tons or 78.5% of our hot rolled product sales in 2011, representing a domestic market share of approximately 39%. The largest customers of our hot rolled products are downstream steelmakers in Korea which use the products to manufacture pipes and cold rolled products.

Hot rolled products constitute our second largest product category in terms of sales volume and third largest product category in terms of revenue. In 2011, our sales volume of hot rolled products decreased by 13.0% compared to 2010 primarily due to classification of our sales of hot rolled products to Daewoo International as others starting on September 20, 2010, as well as a decrease in demand from downstream steelmakers in Korea and abroad.

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### ***Plates***

Plates are used in shipbuilding, structural steelwork, offshore oil and gas production, power generation, mining, and the manufacture of earth-moving and mechanical handling equipment, boiler and pressure vessels and other industrial machinery.

Our deliveries of plates amounted to 5.3 million tons in 2011, representing 13.8% of our total sales volume of steel products. The Korean market accounted for 4.7 million tons or 88.3% of our plate sales in 2011, representing a domestic market share of approximately 37%. The Korean shipbuilding industry, which uses plates to manufacture chemical tankers, rigs, bulk carriers and containers, and the construction industry are our largest customers of plates.

In 2011, our sales volume of plates increased by 23.3% compared to 2010, reflecting an increase in demand from the shipbuilding industry.

### ***Wire Rods***

Wire rods are used mainly by manufacturers of wire, fasteners, nails, bolts, nuts and welding rods. Wire rods are also used in the manufacture of coil springs, tension bars and tire cords in the automotive industry.

Our deliveries of wire rods amounted to 2.5 million tons in 2011, representing 6.4% of our total sales volume of steel products. The Korean market accounted for 1.9 million tons or 78.0% of our wire rod sales in 2011, representing a domestic market share of approximately 48%. The largest customers for our wire rods are manufacturers of wire ropes and fasteners.

In 2011, our sales volume of wire rods increased by 8.0% compared to 2010, reflecting an increase in demand from the domestic automotive industry.

### ***Cold Rolled Products***

Cold rolled coils and further refined galvanized cold rolled products are used mainly in the automotive industry to produce car body panels. Other users include the household goods, electrical appliances, engineering and metal goods industries.

Our deliveries of cold rolled products amounted to 11.8 million tons in 2011, representing 30.9% of our total sales volume of steel products. The Korean market accounted for 6.4 million tons or 54.3% of our cold rolled product sales in 2011, representing a domestic market share of approximately 49%.

Cold rolled products constitute our largest product category in terms of sales volume and revenue. In 2011, our sales volume of cold rolled products decreased by 8.7% compared to our sales volume in 2010 primarily due to classification of our sales of cold rolled products to Daewoo International as others starting on September 20, 2010, as well as a decrease in demand from abroad, reflecting a downturn of the global economy in the second half of 2011.

### ***Silicon Steel Sheets***

Silicon steel sheets are used mainly in the manufacture of power transformers and generators and rotating machines.

Our deliveries of silicon steel sheets amounted to 1.0 million tons in 2011, representing 2.6% of our total sales volume of steel products. The Korean market accounted for 543 thousand tons or 55.4% of our silicon steel sheet sales in 2011, representing a domestic market share of approximately 91%.

In 2011, our sales volume of silicon steel sheets decreased by 4.3% compared to 2010 due to a decrease in demand from manufacturers of power transformers and generators.



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### *Stainless Steel Products*

Stainless steel products are used to manufacture household goods and are also used by the chemical industry, paper mills, the aviation industry, the automotive industry, the construction industry and the food processing industry.

Our deliveries of stainless steel products amounted to 2.2 million tons in 2011, representing 5.8% of our total sales volume of steel products. The Korean market accounted for 876 thousand tons or 39.2% of our stainless steel product sales in 2011, representing a domestic market share of approximately 58%.

Stainless steel products constitute our second largest product category in terms of revenue. Although sales of stainless steel products accounted for only 5.8% of our total sales volume in 2011, they represented 15.8% of our total revenues from sales of steel products in 2011. Our sales volume of stainless steel products decreased by 6.2% in 2011 compared to 2010 due to a decrease in demand from our overseas customers in the automotive industry and the household goods industry.

### *Others*

Other products include lower value-added semi-finished products such as pig iron, billets, blooms and slab.

### **Markets**

Korea is our most important market. Domestic sales represented 55.1% of our total sales volume of steel products in 2011. Our export sales and overseas sales to customers abroad represented 44.9% of our total sales volume of steel products in 2011. Our sales strategy has been to devote our production primarily to satisfy domestic demand, while seeking export sales to utilize capacity to the fullest extent and to expand our international market presence.

### *Domestic Market*

The total Korean market for steel products amounted to 51.1 million tons in 2011.

The table below sets out sales of steel products in Korea for the periods indicated.

Source	For the Year Ended December 31,									
	2007		2008		2009		2010		2011	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
Korean steel companies sales	42,480	77.1	43,570	74.4	36,378	80.1	40,390	78.1	37,934	74.2
Imports <sup>(1)</sup>	12,628	22.9	15,002	25.6	9,033	19.9	11,329	21.9	13,199	25.8
Total domestic sales <sup>(1)</sup>	55,108	100.0	58,572	100.0	45,411	100.0	51,719	100.0	51,133	100.0

(1) Source: POSCO Research Institute.

Total sales volume of steel products in Korea increased by 6.3% in 2008 primarily due to an increase in demand from the shipbuilding and automotive industries during such period, but decreased by 22.5% in 2009 in response to sluggish demand from customers in the industries adversely impacted by deteriorating global economic conditions, such as the automotive and construction industries. Total sales volume of steel products in Korea increased by 13.9% in 2010, primarily due to a general recovery of the global economy and an increase in demand from the automotive industry and the household goods industry, the impact of which was partially offset by a decrease in demand from the construction industry. Total sales volume of steel products in Korea decreased by 1.1% in 2011 primarily due to a further decrease in demand from the construction industry.



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In recent years, domestic consumers of steel products have also relied on imports from foreign competitors, primarily from China, Japan and Russia. Import volume of steel products increased from 12.6 million tons in 2007 to 15.0 million tons in 2008, resulting in an increase in their aggregate domestic market share from 22.9% in 2007 to 25.6% in 2008. However, due to the global economic downturn, import volume of steel products decreased significantly to 9.0 million tons of steel products in 2009, resulting in a decrease in market share to 19.9%. Imports from foreign competitors showed strong growth in recent years as import sales volume rebounded to 11.3 million tons in 2010 and 13.2 million tons in 2011, resulting in an increase in market share to 21.9% in 2010 and 25.8% in 2011.

We sell in Korea higher value-added and other finished products to end-users and semi-finished products to other steel manufacturers for further processing. Local distribution companies and sales affiliates sell finished steel products to low-volume customers. We provide service technicians for large customers and distributors in each important product area.

**Exports**

Our export sales and overseas sales to customers abroad represented 44.9% of our total sales volume of steel products in 2011, 55.8% of which was generated from exports sales and overseas sales to customers in Asian countries. Our export sales and overseas sales to customers abroad in terms of sales volume increased by 36.3% to 17.2 million tons in 2011 compared to 2010, reflecting consolidation of Daewoo International's export sales results in 2011 for the full year compared to the consolidation of such results in 2010 starting September 20, 2010, the date of our acquisition of the controlling interest in Daewoo International, as well as the general improvement of the global economy in the first half of 2011 and increase in demand for our products from customers abroad.

The tables below set out our export sales and overseas sales to customers abroad in terms of sales volume of steel products by geographical market and by product for the periods indicated.

Region	For the Year Ended December 31,			
	2010		2011	
	Thousands of Tons	%	Thousands of Tons	%
Asia (other than China and Japan)	3,139	24.9	4,874	28.4
China	3,405	27.0	3,313	19.3
Europe	452	3.6	1,752	10.2
Japan	1,598	12.7	1,393	8.1
Middle East	267	2.1	1,211	7.0
North America	1,280	10.2	644	3.7
Others	2,466	19.6	3,995	23.2
Total	12,607	100.0	17,182	100.0

Steel Products	For the Year Ended December 31,			
	2010		2011	
	Thousands of Tons	%	Thousands of Tons	%
Hot rolled products	1,946	15.4	1,418	8.3
Plates	643	5.1	617	3.6
Wire rods	655	5.2	541	3.1
Cold rolled products	6,364	50.5	5,417	31.5
Silicon steel sheets	486	3.9	438	2.5
Stainless steel products	1,580	12.5	1,358	7.9
Others <sup>(1)</sup>	934	7.4	7,392	43.0
Total	12,607	100.0	17,182	100.0

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(1) Including all export sales of steel products by Daewoo International. Such sales were consolidated in 2010 only from the date of our acquisition of Daewoo International on September 20, 2010, compared to consolidation for the full year in 2011. Prior to September 20, 2010, sales volume of export steel products sold by us to Daewoo International was classified under the applicable steel product category.

The table below sets out our revenues, including non-steel sales, by geographical location of customers for the periods indicated.

Revenue by Geographic Location of Customers	For the Year Ended December 31,	
	2010	2011
	(In billions of Won)	
Korea	(Won) 37,760	(Won) 53,987
China	5,133	6,071
Asia (other than China and Japan)	1,763	2,645
Japan	1,504	2,387
North America	426	1,282
Other	1,301	2,567
<b>Total</b>	<b>47,887</b>	<b>68,939</b>

The above tables include sales by our consolidated sales subsidiaries of steel products purchased by these subsidiaries from third parties, including trading companies to which we sell steel products.

The table below sets out the world's apparent steel use for the periods indicated.

	For the Year Ended December 31,				
	2007	2008	2009	2010	2011
Apparent steel use (million metric tons)	1,218	1,218	1,140	1,312	1,398
Percentage of annual increase (decrease)	7.0%	0.0%	(6.4)%	15.1%	6.5%

Source: World Steel Association.

Recent difficulties affecting the European Union and global financial sectors, adverse conditions and volatility in the European Union and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the European Union and global economies have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. Such developments weakened global demand in steel consumption in 2008 and 2009 before the recovery in demand in recent years. The World Steel Association forecasts that global apparent steel use is expected to increase by 5.4% to 1,474 million metric tons in 2012 after increasing by 6.5% in 2011.

In recent years, driven in part by strong growth in steel consumption in China, the global steel industry has experienced renewed interest in expansion of steel production capacity. World Steel Dynamics estimated the global crude steel production capacity to be 1,525 million tons in 2011. The increased production capacity, combined with weakening demand due primarily to the recent slowdown of the global economy, has resulted in production over-capacity in the global steel industry. Production over-capacity in the global steel industry may intensify if the slowdown of the global economy occurs or demand from developing countries that have experienced significant growth in the past several years does not meet the recent growth in production capacity.

We distribute our export products mostly through Korean trading companies, including Daewoo International, and our overseas sales subsidiaries. Our largest export market in 2011 was Asian countries other than China and Japan, which accounted for 28.4% of our export volume of steel products, including sales by our overseas subsidiaries. The principal products exported to Asian countries other than China and Japan were cold rolled products and hot rolled products. Our exports to Asian countries other than China and Japan amounted to 3.1 million tons

in 2010 and 4.9 million tons

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in 2011. Our exports to Asian countries other than China and Japan increased by 55.3% in 2011 primarily due to our decision to allocate more products to regions where we could obtain better export prices. On the other hand, sales volume to China decreased by 2.7% from 3.4 million tons in 2010 to 3.3 million tons in 2011 and sales volume to Japan decreased by 12.8% from 1.6 million tons in 2010 to 1.4 million tons in 2011.

### ***Anti-Dumping and Countervailing Duty Proceedings***

In the United States, a number of our products have been subject to anti-dumping and countervailing duty proceedings since 1992. As a result of these proceedings, our sales of corrosion resistant steel were subject to a countervailing duty margin of 0.10% and an anti-dumping duty margin of 0.05% (which is effectively zero pursuant to the de minimis margin rule). In March 2012, the U.S. government revoked such anti-dumping order with respect to our corrosion resistant steel sales in the United States.

In India, our sales of stainless cold rolled steel have been subject to an anti-dumping duty ranging from \$62.61 per ton to \$234.98 per ton starting in November 2009 for a five-year period. In Russia, our sales of stainless steel have been subject to an anti-dumping duty of 4.8% starting in November 2010 for a three-year period. In addition, several countries have initiated anti-dumping investigations and other safeguard proceedings relating to our global sales operations, including the initiation of an anti-dumping investigation by the Brazilian government starting in April 2011 relating to our sales of coated steel products as well as an investigation by the Indonesian government starting in June 2011 relating to our sales of cold rolled products. We are also subject to anti-dumping proceedings by the Thai government but no anti-dumping tariff was imposed on us in the latest round of assessment completed in July 2010. In March 2012, the Taiwan government initiated an anti-dumping investigation relating to our sales of steel plates and cold rolled products.

### **Pricing Policy**

We determine the sales price of our products based on market conditions. In setting prices, we take into account our costs, including those of raw materials, supply and demand in the Korean market, exchange rates, and conditions in the international steel market.

Our export prices can fluctuate considerably over time, depending on market conditions and other factors. The export prices of our higher value-added steel products in the largest markets are determined considering the prices of similar products charged by our competitors. Our export prices in Dollar terms decreased in 2008 in response to intensification of the global financial crisis, a trend which lasted until the first half of 2009. Starting in the third quarter of 2009, our export prices gradually started to recover due to an increase in demand driven by improvement in business confidence and higher level of economic activities as well as a decrease in our inventory level. We maintained similar pricing levels throughout 2010, but we gradually increased our export prices in the first half of 2011. However, our export prices fell substantially in the second half of 2011 due to uncertainties in the global economy caused by financial difficulties affecting European countries including Greece, Spain, Portugal and Italy. We may decide to adjust our future sales prices on an on-going basis subject to market demand for our products, prices of raw materials, the production outlook of the global steel industry and global economic conditions in general.

### **Raw Materials**

#### ***Steel Production***

The principal raw materials used in producing steel through the basic oxygen steelmaking method are iron ore and coal. We import all of the coal and virtually all of the iron ore that we use. In 2011, POSCO imported approximately 51.6 million dry metric tons of iron ore and 27.6 million wet metric tons of coal. Iron ore is imported primarily from Australia, Brazil and South Africa. Coal is

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imported primarily from Australia, Canada and the United States. In 2011, we purchased most of our iron ore and coal imports pursuant to long-term contracts. The long-term contracts generally have terms of three to ten years and provide for periodic price adjustments to the then-market prices. The long-term contracts to purchase iron ore and coal generally provide for quarterly adjustments to the purchase prices to be determined through negotiation between the supplier and us. Such price negotiations 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. Typically, globally influenced buyers and sellers of raw materials determine benchmark prices of raw materials, based on which other buyers and sellers negotiate their prices after taking into consideration the quality of raw materials and other factors. We typically have an option to increase or decrease the fixed purchase amounts up to 5% or 10% each year. We or the suppliers may cancel the long-term contracts only if performance under the contracts is prevented by causes beyond our or their control and these causes continue for a specified period.

We also make investments in exploration and production projects abroad to enhance our ability to meet the requirements for high-quality raw materials, either as part of a consortium or through an acquisition of a minority interest. We purchased approximately 23.2% of our iron ore and coal imports in 2011 from foreign mines in which we have made investments. Our major investments to procure supplies of coal include an investment of A\$50.2 million in July 2010 to acquire a 70% interest in Hume Coal in Australia, which is currently at an exploration stage, to supply 1.3 million tons of coal per year starting in 2015. In July 2011, we acquired a 20% interest in Mt. Klappan in Canada for C\$10 million, which we expect will supply 3 million tons of coal per year when it becomes operational starting in 2017.

Our major investments to procure supplies of iron ore include an investment of US\$500 million in December 2008 to acquire a 6.5% interest in Nacional Minérios S.A., an iron ore mining company in Brazil, in a consortium with Japanese steel manufacturers and trading companies. In 2009, we started importing iron ore from the Brazilian venture, and we expect to secure approximately 5.0 million tons annually by 2012. We also made an initial investment of A\$249 million in 2010 to acquire a 3.75% interest in Roy Hill Holdings Pty., Ltd. We also entered into a contract in March 2012 to invest an additional A\$1,495 million to increase our interest to 15% but sold a 2.5% interest in April 2012 to China Steel Corporation for A\$305 million. Through our remaining 12.5% interest in Roy Hill Holdings Pty., Ltd., we expect to secure approximately 7.0 million tons of iron ore per year. In July 2010, we acquired a 24.5% interest in the Australian Premium Iron (API) iron ore joint venture in Pilbara, Australia for A\$184 million, which expects to supply 9.8 million tons of iron ore starting in 2016. We will continue to seek opportunities to enter into additional strategic relationships that would enhance our ability to meet the requirements for principal raw materials.

The average market price of coal per wet metric ton (benchmark free on board price of Australian premium hard coking coal) was US\$172 in 2009, US\$191 in 2010, and US\$292 in 2011. The average market price of iron ore per dry metric ton (free on board price of Platts Iron Ore index with iron (Fe) 62% content) was US\$68 in 2009, US\$136 in 2010 and US\$167 in 2011. We currently do not depend on any single country or supplier for our coal or iron ore.

***Stainless Steel Production***

The principal raw materials for the production of stainless steel are wrought nickel, ferrochrome, stainless steel scrap and carbon steel scrap. We purchase a substantial portion of our requirements for wrought nickel from leading producers in Australia, Indonesia, New Caledonia and Japan, as well as Korea. A substantial portion of the requirements for ferrochrome is purchased from producers in South Africa, India and Kazakhstan. Most of the requirements for stainless steel scrap are sourced from domestic and overseas suppliers in Japan, United States, European Union and Southeast Asian countries. As for the requirements for carbon steel scrap, scrap from the Pohang Steelworks is also utilized. The average market price of nickel per ton trading on the London Metal Exchange increased from US\$21,809 in 2010 to US\$22,894 in 2011.

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In order to secure stable sources of nickel for stainless steel production, we entered into a joint venture in May 2006 with Société Minière du Sud Pacifique S.A. to establish SNNC Co., Ltd. ( SNNC ) a company primarily engaged in nickel smelting. We hold a 49% interest in SNNC, and Société Minière du Sud Pacifique S.A., a major mining company based in New Caledonia, holds the remaining 51% interest. SNNC operates a nickel smelting works with a production capacity of 30 thousand tons of nickel per year.

### ***Transportation***

In order to meet our transportation needs for iron ore and coal, we have entered into long-term contracts with shipping companies in Korea to retain a fleet of dedicated vessels. These dedicated vessels transported approximately 71% of the total requirements in 2011, and the remaining 29% was transported by vessels retained through short to medium term contracts, depending on market conditions. Australia and Brazil are the main countries where the vessels are loaded, and they accounted for 63% and 16%, respectively, of our total requirements in 2011. We plan to increase the average size of dedicated vessels we use by approximately 10% by 2020 in order to pursue additional economies of scale, as well as upgrade some of the existing vessels with others that utilize more energy-efficient technologies.

### **The Steelmaking Process**

Our major production facilities, Pohang Works and Gwangyang Works, produce steel by the basic oxygen steelmaking method. The stainless steel plant at Pohang Works produces stainless steel by the electric arc furnace method. Continuous casting improves product quality by imparting a homogenous structure to the steel. Pohang Works and Gwangyang Works produce all of their products through the continuous casting.

#### ***Steel Basic Oxygen Steelmaking Method***

First, molten pig iron is produced in a blast furnace from iron ore, which is the basic raw material used in steelmaking. Molten pig iron is then refined into molten steel in converters by blowing pure oxygen at high pressure to remove impurities. Different desired steel properties may also be obtained by regulating the chemical contents.

At this point, molten steel is made into semi-finished products such as slabs, blooms or billets at the continuous casting machine. Slabs, blooms and billets are produced at different standardized sizes and shapes. Slabs, blooms and billets are semi-finished lower margin products that we either use to produce our further processed products or sell to other steelmakers that produce further processed steel products.

Slabs are processed to produce hot rolled coil products at hot strip mills or to produce plates at plate mills. Hot rolled coils are an intermediate stage product that may either be sold to our customers as various finished products or be further processed by us or our customers into higher value-added products, such as cold rolled sheets and silicon steel sheets. Blooms and billets are processed into wire rods at wire rod mills.

#### ***Stainless Steel Electric Arc Furnace Method***

Stainless steel is produced from stainless steel scrap, chrome, nickel and steel scrap using an electric arc furnace. Stainless steel is then processed into higher value-added products by methods similar to those used for steel production. Stainless steel slabs are produced at a continuous casting mill. The slabs are processed at hot rolling mills into stainless steel hot coil, which can be further processed at cold strip mills to produce stainless cold rolled steel products.



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### **Competition**

#### ***Domestic Market***

We are the largest fully integrated steel producer in Korea. We generally face fragmented competition in the domestic market. In hot rolled products, where we had a market share of approximately 39% in 2011, we face competition from a Korean steel producer that operates mini-mills and produces hot rolled coil products from slabs and from various foreign producers, primarily from China and Japan. In cold rolled products and stainless steel products, where we had a market share of approximately 49% and 58%, respectively, in 2011, we compete with smaller specialized domestic manufacturers and various foreign producers, primarily from China and Japan. For a discussion of domestic market shares, see [Markets](#) [Domestic Market](#).

We may face increased competition in the future from new specialized or integrated domestic manufacturers of steel products in the Korean market. Our biggest competitors in Korea are Hyundai Steel Co., Ltd. with an annual crude steel production of approximately 16.2 million tons and Dongbu Steel Co., Ltd. with an annual crude steel production of approximately 4.6 million tons. Hyundai Steel Co., Ltd. completed construction of an integrated steel mill with an annual capacity of 4 million tons in January 2010 and added a second furnace with the same capacity in November 2010 and a third furnace with the same capacity in April 2011.

The Korean Government does not impose quotas on or provide subsidies to local steel producers. As a World Trade Organization signatory, Korea has also removed all steel tariffs.

#### ***Export Markets***

The competitors in our export markets include all the leading steel manufacturers of the world. In recent years, there has been a trend toward industry consolidation among our competitors, and smaller competitors in the global steel market today may become larger competitors in the future. For example, Mittal Steel's takeover of Arcelor in 2006 created a company with approximately 10% of global steel production capacity. Competition from global steel manufacturers with expanded production capacity such as ArcelorMittal, and new market entrants, especially from China and India, could result in a significant increase in competition. Major competitive factors include range of products offered, quality, price, delivery performance and customer service. Our larger competitors may use their resources, which may be greater than ours, against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

Various export markets currently impose tariffs on different types of steel products. However, we do not believe that tariffs significantly affect our ability to compete in these markets.

### **Subsidiaries and Global Joint Ventures**

#### ***Steel Production***

In order to effectively implement our strategic initiatives and to solidify our leadership position in the global steel industry, we have established various subsidiaries and joint ventures around the world.

***Korea.*** We established POSCO Specialty Steel Co., Ltd. as a wholly-owned subsidiary in Korea in February 1997. POSCO Specialty Steel produces high-quality steel products for the automotive, machinery, nuclear power plant, shipbuilding, aeronautics and electronics industries. Production facilities operated by POSCO Specialty Steel have an aggregate annual production capacity of 840 thousand tons of wire rods, round bars, steel pipes and semi-finished products. POSCO Specialty Steel Co., Ltd. produced 736 thousand tons of such products in 2011.

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In order to expand our sale of value-added products, we established POSCO Coated and Color Sheet Co., Ltd. by merging a coated steel manufacturer and a color sheet manufacturer in March 1999. POSCO Coated and Color Sheet produces 600 thousand tons a year of both galvanized and aluminized steel sheets widely used in the construction, automotive parts and home appliances industries. POSCO Coated and Color Sheet also produces color sheets with an annual capacity of 350 thousand tons that are mainly used for interior and exterior materials and home appliances.

**China.** We entered into an agreement with Sagang Group Co. to establish Zhangjiagang Pohang Stainless Steel Co., Ltd., a joint venture company in China for the manufacture and sale of stainless cold rolled steel products. We have an 82.5% interest in the joint venture (including 23.9% interest held by POSCO China Holding Corporation). The plant commenced production of stainless cold rolled steel products in December 1998. The joint venture also completed the construction of new mills in July 2006 with additional annual production capacity of approximately 800 thousand tons of stainless hot rolled products. Zhangjiagang Pohang Stainless Steel produced 850 thousand tons of stainless steel products in 2011.

We established Qingdao Pohang Stainless Steel Co., Ltd., a wholly owned subsidiary set up to manufacture and sell stainless cold rolled steel products in China. The plant became operational in December 2004, with an annual production capacity of 180 thousand tons of stainless cold rolled steel products. Qingdao Pohang Steel produced 210 thousand tons of such products in 2011.

In August 2003, we entered into a joint venture agreement with Benxi Iron and Steel Group in China to establish Benxi Steel POSCO Cold Rolled Sheet Co., Ltd. The cold rolling mill with an annual production capacity of 1.9 million tons became operational in March 2006 and the company produced 2.0 million tons of such products in 2011. We currently hold a 25% interest in this joint venture.

**Vietnam.** We entered into an agreement with Nippon Steel Corporation to establish POSCO Vietnam Co., Ltd., a joint venture company in Vietnam for the manufacture and sale of cold rolled steel products. We have an 85% interest in the joint venture. We completed the construction of a plant in September 2009 with an annual production capacity of 1.2 million tons of cold rolled products and commenced commercial production. POSCO Vietnam produced 1,026 thousand tons of such products in 2011.

**Thailand.** In order to secure an alternative sales source for stainless cold rolled steel products and an export base for expanding into the Southeast Asia stainless steel markets, we acquired a controlling interest in Thainox Stainless Public Company Limited, a major stainless steel manufacturer in Thailand, in September 2011. We renamed the company as POSCO Thainox Public Company Limited in October, 2011 and currently hold a 94.9% interest in the company. POSCO Thainox Pcl plans to increase its production volume to 300,000 tons by 2015. The company produced 124 thousand tons of stainless cold rolled products in 2011.

**United States.** We entered into a joint venture in March 2007 with US Steel and SeAH to establish United Spiral Pipe LLC to produce American Petroleum Institute-compliant pipes ( API Pipes ) and non-API pipes. We hold a 35% interest in the company. US Steel and we each supply 50% of the hot rolled steel required for the production of pipes. United Spiral Pipe started commercial production in May 2010 and produced 15.4 thousand tons of pipes in 2011.

We also entered into 50-50 joint venture between U.S. Steel Corporation and us called USS-POSCO Industries Corporation. We sell hot rolled products to USS-POSCO Industries, which uses such products to manufacture cold rolled and galvanized steel products and tin-plate products for sale in the United States. USS-POSCO Industries produced 894 tons of such products in 2010 and 874 thousand tons in 2011.

**Mexico.** In Mexico, POSCO Mexico S.A. de C.V. completed the construction of a plant in August 2009 with an annual production capacity of 0.4 million tons of cold rolled products and

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commenced commercial production to supply automotive manufacturers in Mexico, Southeastern United States and South America. POSCO Mexico produced 370 thousand tons of cold rolled products in 2011.

**Others.** In addition to the above investments, we are carefully seeking out additional promising investment opportunities abroad. In June 2005, we entered into a memorandum of understanding with Orissa State Government of India for the construction of an integrated steel mill and the development of iron ore mines in Orissa State. We estimate the aggregate costs of the initial phase of construction and mine development to be approximately \$3.7 billion and an additional cost of approximately \$8.3 billion in order to increase the annual production capacity to 12 million tons of plates and hot rolled products. We obtained the approval of the Government of India in May 2011 to construct an integrated steel mill in Orissa State, and we are currently in the process of acquiring the land on which the plant will be constructed. However, the National Green Tribunal, a special court in India that handles the expeditious disposal of cases pertaining to environmental issues, ruled in March 2012 that the Ministry of Environment should reassess the conditions on which clearance was granted for the project, and we are waiting for the ministry's review of the tribunal's ruling. With respect to development of iron ore mines in Orissa State, we are waiting for the final judgment from the Indian Supreme Court on mining rights. In June 2010, we also signed a memorandum of understanding with the Government of Karnataka, a state in southwest India, to construct an integrated steel mill in Karnataka, and we are in discussions with the Government of Karnataka to obtain a mining lease and secure land with appropriate infrastructure.

We have also established supply chain management centers around the world to provide processing and logistics services such as cutting flat steel products to smaller sizes to meet customers' needs. In 2011, our 54 supply chain management centers recorded aggregate sales of 4.2 million tons of steel products.

### ***Steel Trading***

Our trading activities consist of exporting and importing a wide range of steel products that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. To strengthen our global market presence, we are coordinating these trading activities through a global trading network comprised of overseas subsidiaries, branches and representative offices. Such subsidiaries and offices support our trading activities by locating suitable local suppliers and purchasers on behalf of ourselves as well as customers, identifying business opportunities and providing information regarding local market conditions. Our consolidated subsidiaries engaged in steel trading include POSCO Processing & Service Co., Ltd. that primarily focuses in the domestic market, and POSCO Asia Company Limited located in Hong Kong, POSCO Japan Co., Ltd. located in Tokyo, Japan, POSCO America Corporation located in New Jersey, U.S.A. and POSCO South Asia Co., Ltd. located in Bangkok, Thailand.

On September 20, 2010, we acquired a controlling interest in Daewoo International for Won 3.37 trillion. Daewoo International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects. It also manufactures and sells textiles, operates a department store in Korea, and holds a 24% interest in Kyobo Life Insurance, Korea's third largest life insurance company in terms of market share in 2011. Daewoo International was established in December 2000 when the international trading and construction businesses of Daewoo Corporation were spun off into three separate companies as part of a debt workout program of Daewoo Corporation.

Daewoo International's trading activities consist of exporting and importing a wide variety of products and commodities, including iron and steel, chemicals, natural resources and energy, automotive parts, machinery and plant equipment, electronics products, raw materials for steel production, non-ferrous metals, agricultural commodities, livestock and textiles. Daewoo International is also engaged in third-country trade, which does not involve exports from or imports to Korea. In the

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past three years, export sales represented more than 50%, third-country trade represented approximately 40% and import sales represented less than 10% of Daewoo International's total sales on a consolidated basis. More than 50% of Daewoo International's export sales are derived from its export of steel products including products manufactured by us.

### ***Engineering and Construction***

POSCO E&C is one of the leading engineering and construction companies in Korea, primarily engaged in the planning, design and construction of industrial plants and architectural works and civil engineering projects. In particular, POSCO E&C has established itself as one of the premier engineering and construction companies in Korea through:

its strong and stable customer base; and

its cutting-edge technological expertise obtained from construction of advanced integrated steel plants, as well as participation in numerous modernization and rationalization projects at our Pohang Works and Gwangyang Works.

Leveraging its technical know-how and track record of building some of the leading industrial complexes in Korea, POSCO E&C has also focused on diversifying its operations into construction of high-end apartment complexes and participating in a wider range of architectural works and civil engineering projects, as well as engaging in urban planning and development projects and expanding its operations abroad. One of its landmark urban planning and development projects includes the development of a 5.7 million-square meter area of Songdo International City in Incheon, which POSCO E&C is co-developing with Gale International, a respected real estate developer based in the United States. POSCO E&C also has substantial experience in the energy field obtained from the construction of various power plants for member companies of the POSCO Group, specializing primarily in engineering and construction of LNG and coal-fired thermal power plants. In recent years, POSCO E&C has obtained various orders for such power plants, including LNG-fired power plants in Incheon, Korea and coal-fired thermal power plants in Ventanas and Angamos, Chile. In response to increasing demand from the energy industry, POSCO E&C plans to continue to target opportunities in power plant construction, which it believes offers significant growth potential, and thereby enhance its know-how and profitability.

### ***Energy***

We have accumulated several decades of experience and know-how in a wide range of energy-related fields, including natural gas and other forms of power generation. As part of our diversification efforts, we strive to identify business opportunities for power generation, renewable energy, LNG logistics and natural resources exploration.

***POSCO Energy Corporation.*** In 2006, we acquired the largest domestic private power utility company that operates LNG combined cycle power generation facilities with total power generation capacity of 1,800 megawatts and renamed it POSCO Energy Corporation. POSCO Energy Corporation expanded its power generation capacity by constructing additional 1,252 megawatts power plants that began commercial operation in June 2011. In December 2010, POSCO Energy Corporation also completed the construction of a 284 megawatts combined cycle power generation facility utilizing by-product gas generated from our Gwangyang Works. As part of its efforts to geographically diversify its power generation facilities, POSCO Energy Corporation is constructing a 1,200 megawatts class coal power plant in Vietnam with Applied Energy Services Corporation. In Indonesia, POSCO Energy Corporation has partnered with Krakatau Daya Listrik to build a 200 megawatts byproduct gas power plant, which will be used to power our integrated mill. POSCO Energy Corporation's total power generation capacity was approximately 3,300 megawatts as of December 31, 2011.

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POSCO Energy Corporation is also selectively seeking opportunities to expand into solar, wind and other renewable energy businesses in order to become an integrated provider of energy solutions. In order to meet the increasing demand and regulatory requirements for clean energy, POSCO Energy Corporation signed a strategic partnership agreement in February 2007 with FuelCell Energy, a global leader in the field of molten carbonate fuel cell technology, pursuant to which POSCO Energy Corporation is exploring opportunities to expand its business into the stationary fuel cell market. In consultation with FuelCell Energy, POSCO Energy Corporation completed construction of a fuel cell stack manufacturing plant with an annual production capacity of 34 megawatts in 2011 with the objective of enhancing POSCO Energy Corporation's capability to meet the growing domestic demand for fuel cell energy.

**LNG Logistics.** In an effort to reduce our dependency on oil, we became the first private company in Korea to import liquefied natural gas (LNG) in 2005, and we have steadily increased the use of natural gas for energy generation at our steel production facilities. We operate an LNG receiving terminal that is equipped with two 100,000 kiloliters storage tanks and one 165,000 kiloliters storage tank and additional facilities with capacity to process up to 1.7 million tons of LNG annually in Gwangyang. We are also constructing an additional 165,000 kiloliters storage tank that is scheduled for completion in May 2013. In order to achieve maximum operational efficiency of our LNG terminal, we participate in the LNG trading and LNG ship gas trial businesses. We are also building a synthetic natural gas production plant with an annual capacity of 500,000 tons in Gwangyang that is scheduled for completion by the end of 2014. We believe that the synthetic natural gas production plant will provide us with a stable supply of LNG substitutes that we can utilize to meet our growing needs for energy generation.

**Natural Resources Development.** We are also actively seeking business opportunities in the exploration and production of oil and natural gas. In 2007, we participated in the Aral Sea Exploration Project in Uzbekistan, purchasing a 9.8% interest from Korea National Oil Corporation. Additionally, we acquired a 12.5% interest in 2008 in the Namangan-Tergachi and Chust-Pap Oil and Gas Exploration Project in Uzbekistan. On September 20, 2010, we also acquired a controlling interest in Daewoo International for Won 3.37 trillion. Daewoo International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects throughout the world. In particular, Daewoo International joined a consortium with Korea Gas Corporation, ONGC Videsh Ltd. and the Gas Authority of India Ltd. in November 2002, which made a successful bid in the gas exploration, development and production project in the Myanmar A-1 gas field. In October 2005, the consortium made a successful bid in the gas exploration, development and production project in the Myanmar A-3 gas field, located adjacent to the Myanmar A-1 gas field. In December 2008, the consortium entered into a sales agreement with China National United Oil Corporation to sell the gas produced from the A-1 and A-3 gas fields for a period of 30 years after the commencement of production. In August 2010, Myanmar Oil & Gas Enterprise, the national oil and gas company of Myanmar, acquired a 15% interest in each of the projects. As of December 31, 2011, Daewoo International had invested approximately US\$411 million in the A-1 gas field project and approximately US\$285 million in the A-3 gas field project and held a 51% interest in each of the projects. Daewoo International plans to make substantial further investments in the future, and production of gas from these gas fields is expected to commence in 2013.

Such natural resources development projects, while entailing higher risks than the traditional trading business, offer higher potential returns. Daewoo International intends to continue to expand its operations by carefully seeking out promising energy development projects abroad. Daewoo International mitigates the risks associated with such investments through subsidies from the Korea National Oil Corporation and the Korea Resources Corporation, government agencies that promote natural resources development activities and subsidize a portion of the investment amount in the event the investor fails to develop viable deposits. If the natural resources development activities are successful, the investor must reimburse the relevant agency for the subsidy amount, together with accrued interest.

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We acquired or established several subsidiaries that address specific services to support the operations of Pohang Works and Gwangyang Works. POSCON Co., Ltd., acquired in 1986, provides industrial engineering services, including manufacturing services utilizing automation technology. POSCO ICT Co., Ltd., founded in 1989, provides information and technology consulting and system network integration and outsourcing services. POSCO Plant Engineering Co., Ltd., created from merger of POSCO Machinery & Engineering Co., Ltd. and POSCO Machinery Co., Ltd. in January 2010, provides engineering services related to plant construction and operations. POSCO Chemtech Company Ltd., formerly POSCO Refractories and Environment Company, Ltd., specializes in the manufacturing of refractories and lime used in steel manufacturing processes as well as a wide range of chemical products.

**Insurance**

As of December 31, 2011, our property, plant and equipment are insured against fire and other casualty losses up to Won 25,390 billion. In addition, we carry general insurance for vehicles and accident compensation insurance for our employees to the extent we consider appropriate.

**Item 4.C. Organizational Structure**

The following table sets out the jurisdiction of incorporation and our ownership interests of our significant subsidiaries:

<b>Name</b>	<b>Jurisdiction of Incorporation</b>	<b>Percentage of Ownership</b>
Daewoo International Corporation	Korea	66.56%
POSCO Engineering & Construction Co., Ltd	Korea	89.53%
POSCO Energy Corporation	Korea	100.00%
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	58.60%
POSCO Specialty Steel Co., Ltd.	Korea	100.00%
POSCO Processing & Service Co., Ltd.	Korea	95.31%
POSCO ICT Co., Ltd.	Korea	72.54%

**Item 4.D. Property, Plants and Equipment**

Our principal properties are Pohang Works, which is located at Youngil Bay on the southeastern coast of Korea, and Gwangyang Works, which is located in Gwangyang City in the southwestern region of Korea. We expect to increase our production capacity in the future when we increase our capacity as part of our facilities expansion or as a result of continued modernization and rationalization of our existing facilities. For a discussion of major items of our capital expenditures currently in progress, see Item 5. Operating and Financial Review and Prospects Item 5.B. Liquidity and Capital Resources Liquidity Capital Expenditures and Capital Expansion.

**Pohang Works**

Construction of Pohang Works began in 1970 and ended in 1983. Pohang Works currently has an annual crude steel and stainless steel production capacity of 17.5 million tons. Pohang Works produces a wide variety of steel products. Products produced at Pohang Works include hot rolled sheets, plates, wire rods and cold rolled sheets, as well as specialty steel products such as stainless steel sheets and silicon steel sheets. These products can also be customized to meet the specifications of our customers.

Situated on a site of 8.9 million square meters at Youngil Bay on the southeastern coast of Korea, Pohang Works consists of 41 plants, including iron-making, crude steelmaking and continuous casting and other rolling facilities. Pohang Works also has docking facilities capable of accommodating

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ships as large as 200,000 tons for unloading raw materials, storage areas for up to 34 days supply of raw materials and separate docking facilities for ships carrying products for export. Pohang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

The following table sets out Pohang Works capacity utilization rates for the periods indicated.

	As of or for the Year Ended December 31,				
	2007	2008	2009	2010	2011
Crude steel and stainless steel production capacity as of end of the year (million tons per year)	14.30	15.00	15.00	15.00	16.65
Actual crude steel and stainless steel output (million tons)	13.66	14.94	14.34	14.23	16.38
Capacity utilization rate (%) <sup>(1)</sup>	95.5	99.6	95.6	94.9	99.8

(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.

**Gwangyang Works**

Construction of Gwangyang Works began in 1985 on a site of 13.7 million square meters reclaimed from the sea in Gwangyang City in the southwestern region of Korea. Gwangyang Works currently has an annual crude steel production capacity of 22.2 million tons. Gwangyang Works specializes in high volume production of a limited number of steel products. Products manufactured at Gwangyang Works include both hot and cold rolled types.

Gwangyang Works is comprised of 49 plants, including iron-making plants, steelmaking plants, continuous casting plants, hot strip mills and thin-slab hot rolling plants. The site also features docking and unloading facilities for raw materials capable of accommodating ships of as large as 300,000 tons for unloading raw materials, storage areas for 38 days supply of raw materials and separate docking facilities for ships carrying products for export.

We believe Gwangyang Works is one of the most technologically advanced integrated steel facilities in the world. Gwangyang Works has a completely automated, linear production system that enables the whole production process, from iron-making to finished products, to take place without interruption. This advanced system reduces the production time for hot rolled products to only four hours. Like Pohang Works, Gwangyang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

Capacity utilization has kept pace with increases in capacity. The following table sets out Gwangyang Works capacity utilization rates for the periods indicated.

	As of or for the Year Ended December 31,				
	2007	2008	2009	2010	2011
Crude steel production capacity as of end of the year (million tons per year)	16.70	18.00	18.00	20.80	20.80
Actual crude steel output (million tons)	17.41	18.20	15.19	19.48	20.94
Capacity utilization rate (%) <sup>(1)</sup>	104.2	101.1	84.4	100.4	100.7

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

**The Environment**

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We believe we are in compliance with applicable environmental laws and regulations in all material respects. Our levels of pollution control are higher than those mandated by Government standards. We established an on-line environmental monitoring system with real-time feedback on pollutant levels and a forecast system of pollutant concentration in surrounding areas. We also



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undergo periodic environmental inspection by both internal and external inspectors in accordance with ISO 14001 standards to monitor execution and maintenance of our environmental management plan. As we continue to diversify our production operations abroad and the importance of comprehensive environmental management continues to grow, we announced an integrated environmental management system in December 2010, pursuant to which all of our subsidiaries located in Korea as well as abroad will strive to acquire the ISO 14001 certification by the end of 2012. We also operate a certification program targeting our suppliers and outsourcing partners, pursuant to which they are encouraged to establish environmental management systems of their own.

We have taken additional measures to ensure that we are appropriately addressing environmental issues. We recycle most of the by-products from the steelmaking process. A vital part of our production process requires consumption of water, and many of our operations are located on coastal sites or adjacent to major lakes and rivers. Recognizing the importance of water resources, we established mid-to-long-term water management strategies to more effectively utilize water resources, including increasing water recycling, reducing usage volume, developing substitute sources and reducing manufacturing discharge harmful to the environment. As part of our efforts to preserve biological diversity, we supply steel slag that is used in the construction of underwater facilities designed to restore marine ecosystems damaged by rising seawater temperatures. In addition, we have been developing environmentally friendly products such as chrome-free steel sheets in an effort to compete with products from the European Union, the United States and Japan and to meet strengthened environmental regulations. Anticipating the trend toward increasing regulation of chrome in various steel products, we introduced chrome-free steel products meeting international environmental standards in 2006 that are used to manufacture automotive oil tanks.

We plan to continue to invest in developing more environmentally friendly steel manufacturing processes. We commenced research and development for a new steel manufacturing technology called FINEX in 1992 jointly with the Research Institute of Industrial Science and Technology and VOEST Alpine, an Australian company, and we completed the construction of our first FINEX plant in May 2003 with an annual steel production capacity of 0.6 million tons and a second FINEX plant in May 2007 with an annual steel production capacity of 1.5 million tons. The total annual steel production capacity of our FINEX plants is 2.1 million tons. We are now preparing for the construction of our third FINEX plant, which we expect will commence operations in 2013. We will continue to refine FINEX, a low cost, environmentally friendly steel manufacturing process that we believe optimizes our production capacity by utilizing non-agglomerated iron ore fines and using non-coking coal as an energy source and a reducing agent. We believe that FINEX offers considerable environmental and economic advantages by eliminating major sources of pollution such as sinter and coke plants, as well as decreasing operating and raw material costs.

Our climate change response program seeks to minimize the risks from changes in climate as well as to maximize the opportunities available in such environment by enhancing the energy efficiency of our production process. We invested Won 203 billion in facilities and equipments for the program in 2011, and we spent Won 47 billion in our research and development activities in 2011 to reduce carbon dioxide emissions. We are also involved in a forestation project in Uruguay, which was registered as the world's first Clean Development Mechanism project sponsored by a steel producer. Clean Development Mechanism is one of the Kyoto Protocol's project-based mechanisms designed to promote projects that reduce emissions. We have disclosed our carbon dioxide emission levels and efforts to deal with climate changes through various channels, including participating in the Carbon Disclosure Project in 2011. The Carbon Disclosure Project is an organization based in the United Kingdom that works with major corporations around the world to disclose their greenhouse gas emission levels.

POSCO spent Won 297 billion in 2009, Won 636 billion in 2010 and Won 493 billion in 2011 on anti-pollution facilities. In 2011, approximately 13% of our investments in facilities were dedicated to investing in low-emission, anti-pollution facilities.

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### **Item 4A. *Unresolved Staff Comments***

We do not have any unresolved comments from the Securities and Exchange Commission staff regarding our periodic reports under the Exchange Act of 1934.

### **Item 5. *Operating and Financial Review and Prospects***

#### **Item 5.A. *Operating Results***

The following discussion and analysis is based on our consolidated financial statements, which have been prepared in accordance with IFRS, as issued by the IASB.

#### **Overview**

We are the largest fully integrated steel producer in Korea. We have four reportable operating segments—a steel segment, an engineering and construction segment, a trading segment and a segment that contains operations of all other entities which fall below the reporting thresholds. The steel segment includes production of steel products and sale 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 global trading activities of Daewoo International, exporting and importing a wide range of steel products that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. The others segment includes power generation, LNG production, network and system integration, logistics and magnesium coil and sheet production. See Note 37 of Notes to Consolidated Financial Statements.

One of the major factors contributing to our historical performance has been the growth of the Korean economy, and our future performance will depend at least in part on Korea's general economic growth and prospects. For a description of recent developments that have had and may continue to have an adverse effect on our results of operations and financial condition, see Item 3. Key Information—Item 3.D. Risk Factors. Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate. A number of other factors have had or are expected to have a material impact on our results of operations, financial condition and capital expenditures. These factors include:

our sales volume, unit prices and product mix;

costs and production efficiency;

exchange rate fluctuations; and

acquisition of Daewoo International in September 2010.

As a result of these factors, our financial results in the past may not be indicative of future results or trends in those results.

#### ***Sales Volume, Prices and Product Mix***

In recent years, our net sales have been affected by the following factors:

the demand for our products in the Korean market and our capacity to meet that demand;

our ability to compete for sales in the export market;

price levels; and

our ability to improve our product mix.

Domestic demand for our products is affected by the condition of major steel consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general.

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In 2011, unit sales prices in Won for all of our principal product lines, other than those categorized under "others", increased. However, the weighted average unit price for our products decreased by 0.6% from 2010 to 2011, as we consolidated sales results of steel products sold by Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011. Sales prices of steel products manufactured by other steel companies that are sold by Daewoo International are typically lower than those produced and sold by us.

Unit sales price of plates, which accounted for 13.8% of total sales volume, increased by 11.5% in 2011. Unit sales price of silicon steel sheets, which accounted for 2.6% of total sales volume, increased by 7.3% in 2011. Unit sales price of wire rods, which accounted for 6.4% of total sales volume, increased by 7.1% in 2011. Unit sales price of cold rolled products, which accounted for 30.9% of total sales volume, increased by 4.7% in 2011. Unit sales price of hot rolled products, which accounted for 17.2% of total sales volume, increased by 2.9% in 2011. Unit sales price of stainless steel products, which accounted for 5.8% of total sales volume, increased by 0.7% in 2011. On the other hand, unit sales price of steel products categorized under "others", which include steel products sold by Daewoo International and accounted for 23.3% of total sales volume, decreased by 9.0% in 2011.

Appreciation in the average value of the Won against the Dollar from 2010 to 2011 contributed to a decrease in our export prices in Won terms. The average exchange rate of the Won against the Dollar, as announced by Seoul Money Brokerage Services, Ltd., appreciated from Won 1,156.3 to US\$1.00 in 2010 to Won 1,108.1 to US\$1.00 in 2011.

Partly in response to the weakening demand resulting from the global economic downturn, our export prices in dollar terms decreased in the first half of 2009. Starting in the third quarter of 2009, our export prices in dollar terms gradually started to recover due to an increase in demand driven by improvement in business confidence and higher level of economic activities as well as a decrease in our inventory level. We maintained similar pricing levels throughout 2010, but we gradually increased our export prices in the first half of 2011. However, our export prices fell substantially in the second half of 2011 due to uncertainties in the global economy caused by financial difficulties affecting European countries including Greece, Spain, Portugal and Italy. We may decide to adjust our future export sales prices on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

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

Products	For the Year Ended December 31,	
	2010	2011
	(In thousands of Won per ton)	
Hot rolled products	(Won) 868	(Won) 893
Plates	982	1,094
Wire rods	1,097	1,175
Cold rolled products	1,008	1,056
Silicon steel sheets	1,633	1,753
Stainless steel products	3,014	3,037
Others <sup>(1)</sup>	926	843
Average <sup>(2)</sup>	(Won) 1,132	(Won) 1,125

(1) Including all sales results of steel products sold by Daewoo International. Such sales results were consolidated in 2010 only from the date of our acquisition of Daewoo International on September 20, 2010, compared to consolidation for the full year in 2011. Prior to September 20, 2010, sales results of steel products sold by us to Daewoo International were classified under the applicable steel product category.

(2) Average prices are based on the weighted average, by sales volume, of our sales for the listed products. See Item 4. Information on the Company Item 4.B. Business Overview Major Products.



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Our major costs and operating expenses are raw material purchases, depreciation, labor and other purchases. The table below sets out our cost of sales and selling and administrative expenses as a percentage of our revenue as well as gross profit margin and operating profit margin for the periods indicated.

	<b>For the Year Ended December 31,</b>	
	<b>2010</b>	<b>2011</b>
	<b>(Percentage of net sales)</b>	
Cost of goods sold	82.9%	86.8%
Selling and administrative expenses	5.5	5.3
Gross margin	17.1	13.2
Operating profit margin	11.3	7.8

Our operating profit margin decreased from 11.3% in 2010 to 7.8% in 2011. Our operating profit margin was negatively affected in 2011 due to the consolidation of Daewoo International's results in 2011 for the full year compared to the consolidation of such results in 2010 starting September 20, 2010, the date of our acquisition of the controlling interest in Daewoo International. Daewoo International, as a global trading company that primarily engages in trading of steel and raw materials, typically recognizes revenue from its trading activities on a gross basis that results in lower margin levels.

We are closely monitoring changes in market conditions and we implemented the following measures in recent years to address challenges posed by the global economic downturn:

pursuing cost reduction through enhancing product designs, improving productivity and reducing transportation costs;

focusing on marketing activities to increase our domestic market share and export sales; and

establishing a special sales committee to more effectively respond to changes in market trends and preparing responses to various scenarios of future sales.

Our production efficiency prior to the recent global economic downturn had benefited from operation near or in excess of stated capacity levels. Production capacity represents our maximum production capacity that can be achieved with an optimal level of operations of our facilities. In 2009, we reduced our crude steel production in the first quarter of the year but began to incrementally increase our crude steel production starting in April 2009, and our production level normalized in the second half of 2009. See Item 4. Information on the Company Item 4.D. Property, Plants and Equipment.

The table below sets out certain information regarding our efficiency in the production of steel products for the periods indicated.

	<b>For the Year Ended December 31,</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Crude steel and stainless steel production capacity (million tons per year)	34.6	37.6	39.4
Actual crude steel and stainless steel output (million tons)	31.1	35.4	39.1
Capacity utilization rate (%)	90.0	94.2	99.2
Steel product sales (million tons) <sup>(1)</sup>	31.1	33.8	38.3

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- (1) Includes sales by our consolidated sales subsidiaries of steel products purchased by them from third parties, including trading companies to which we sell steel products. These sales amounted to approximately 0.5 million tons in 2009, 2.2 million tons in 2010, and 9.2 million tons in 2011.

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### **Exchange Rate Fluctuations**

Our consolidated financial statements are prepared from our local currency denominated financial results, assets and liabilities and our subsidiaries around the world, which are then translated into Won. A substantial proportion of our consolidated financial results is accounted for in currencies other than the Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by changes in the exchange rates of foreign currencies. In 2011, 44.9% of our sales volume of steel products was in overseas markets outside of Korea. To the extent that we incur costs in one currency and make sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. Since the currency in which sales are recorded may not be the same as the currency in which expenses are incurred, foreign exchange rate fluctuations may materially affect our results of operations. Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt;

an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated primarily in Dollars; and

foreign exchange translation losses on liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won against major currencies, on the other hand, causes:

our export products to be less competitive by raising our prices in Dollar terms; and

a reduction in net sales and accounts receivables in Won from export sales, which are primarily denominated in Dollars.

We try to minimize our exposure to currency fluctuations by attempting to maintain export sales, which result in foreign currency receipts, at a level that covers foreign currency obligations to the extent feasible. As a result, a decrease in our export sales could increase our foreign exchange risks. We attempt to manage the remaining net exposure after natural hedges by entering into derivative contracts such as forward exchange contracts. Although the impact of exchange rate fluctuations has in the past been partially mitigated by such strategies, our results of operations have historically been affected by exchange rate fluctuations. Because of the larger positive effects of the appreciation of the Won (i.e., the reverse of the negative effects caused by the depreciation of the Won, as discussed above), depreciation of the Won generally has a negative impact on our results of operations.

### ***Acquisition of Daewoo International in September 2010***

On September 20, 2010, we acquired a controlling interest in Daewoo International for Won 3.37 trillion. On a consolidated basis, Daewoo International generated revenues of Won 19,457 billion and profit for the period of Won 211 billion in 2011, compared to revenues of Won 4,272 billion and profit for the period of Won 128 billion in 2010. In accordance with IFRS as issued by the IASB, the results of operations of Daewoo International have been consolidated starting on September 20, 2010, the date of acquisition. Accordingly, comparability with our consolidated financial statements for prior years is impacted accordingly.

### ***Inflation***

Inflation in Korea, which was 2.8% in 2009, 2.9% in 2010 and 4.2% in 2011, has not had a material impact on our results of operations in recent years.



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### **Critical Accounting Estimates**

We have prepared our consolidated financial statements in accordance with IFRS as issued by the IASB. These accounting principles require us to make certain estimates and judgments that affect the reported amounts in our consolidated financial statements. Our estimates and judgments are based on historical experience, forecasted future events and various other assumptions that we believe to be reasonable under the circumstances. Estimates and judgments may differ under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. We believe the critical accounting policies discussed below are the most important to the portrayal of our financial condition and results of operations. Each of them is dependent on projections of future market conditions, and they require us to make the most difficult, subjective or complex judgments.

#### ***Allowance for Doubtful Accounts***

We maintain an allowance for doubtful accounts for exposures in our receivable balances that represent our estimate of probable losses in our short-term and long-term receivable balances from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate and negatively impact their ability to make payments, additional allowances may be required. Determining the allowance for doubtful accounts requires significant management judgment and estimates including, among others, the credit worthiness of our customers, experience of historical collection patterns, potential events and circumstances affecting future collections and the ongoing risk assessment of our customer's ability to pay.

Trade account receivables are analyzed on a regular basis and, upon our becoming aware of a customer's inability to meet its financial commitments to us, we reduce the value of the receivable is reduced through a charge to the allowance for doubtful accounts. In addition, we record a charge to the allowance for doubtful accounts upon receipt of customer claims in connection with sales that management estimates are unlikely to be collected in full. As of December 31, 2011, the percentage of allowance for doubtful accounts to gross account receivables is 2.86%. The increase in allowance for doubtful accounts in 2011 was primarily the result of the increase in receivables related to the Construction Segment. Assumptions and judgments related to bad debt allowance did not change in 2011.

Specifically, allowance for doubtful accounts are recorded when any of the following loss events occurs: (i) there is objective evidence as to uncollectibility of the account observed through bankruptcy, default or involuntary dissolution of the customer; (ii) we lose a lawsuit against the customer or our right of claim gets extinguished; (iii) our costs to collect the account exceed the payments to be received; or (iv) dispute with the customer over the collection of the account persists over three years.

The actual average annual uncollected percentage rate of accounts receivables resulting in write-offs for the two years in the period ended December 31, 2011 was 0.23%. These historical results, as well as current known conditions impacting the collectability of our accounts receivable balances, are significant factors for us when we estimate the amount of the necessary allowance for doubtful accounts. Historically, losses from uncollectible accounts receivables have been within expectations and in line with the allowances established. However, unforeseen circumstances such as adverse market conditions that deviate significantly from our estimates may require us to change the timing of, and make additional allowances to, our receivable balances. In this case, our results of operations, financial condition and net worth could be materially and adversely affected.

#### ***Valuation of Financial Instruments including Debt and Equity Securities and Derivatives***

We invest in various financial instruments including debt and equity securities and derivatives. Depending on the accounting treatment specific to each type of financial instrument, an estimate of fair value is required to determine the instrument's effect on our consolidated financial statements.

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If available, quoted market prices provide the best indication of fair value. We determine the fair value of our financial instruments using quoted market prices when available, including quotes from dealers trading those securities. If quoted market prices are not available, we determine the fair value based on pricing or valuation models, quoted prices of instruments with similar characteristics, or discounted cash flows. Determining the fair value of unlisted financial instruments involves a significant degree of management resources and judgment as no quoted prices exist and such securities are generally very thinly traded. Derivatives for which quoted market prices are not available are valued using valuation models such as the discounted cash flow method. The key inputs used in the valuation of such derivatives depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, the spot price of the underlying instrument, volatility and correlation. The fair values based on pricing and valuation models and discounted cash flow analysis are subject to various assumptions used that, if changed, could significantly affect the fair value of the investments.

We assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. As part of this impairment review, the investee's operating results, net asset value and future performance forecasts as well as general market conditions are taken into consideration in order to assess whether there is any objective evidence such as significant financial difficulty of the issuer.

We have estimated fair values of material non-marketable securities. We estimated these fair values based on pricing or valuation models, quoted prices of instruments with similar characteristics, or discounted cash flow models. The discounted cash flow model valuation technique is based on the estimated cash flow projections of the underlying investee. Key assumptions and estimates include market conditions, revenue growth rates, operating margin rates, income tax rates, depreciation and amortization rates, the level of capital expenditures, working capital amounts and the discount rates. These estimates are based on historical results of the investee and other market data. In these cash flows projections, the two most significant estimates are the discount rates and revenue growth rates. If the discount rates used in these valuations were increased by 1%, then the estimated fair values would have decreased by 14% in total. In addition, if the revenue growth rate assumptions were decreased by 1% in the cash flow models, then the estimated fair values would have decreased by 11% in total. If the discount rate assumptions were increased by 1% or the revenue growth rate assumptions were decreased by 1%, there would be no impact on impairment loss of non-marketable securities.

We recognized losses on impairment of available for sale financial assets of Won 57 billion in 2010 and Won 156 billion in 2011. Loss on impairment of investments increased in 2011 primarily due to an impairment loss of Won 107 billion resulting from significant and prolonged decline in the fair value of our investment in SK Telecom below cost.

Historically, our estimates and assumptions used to evaluate impairment of investments have been within expectations. However, unforeseen circumstances such as adverse market conditions that deviate significantly from our estimates may require us to recognize additional losses on impairment of investments. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. The use of alternative estimates and assumptions could increase or decrease the estimated fair values of our investments and potentially result in different impacts on our results of operations.

***Long-lived Assets***

At each reporting date, we review the carrying amounts of our tangible and intangible assets (excluding goodwill) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of the asset's net selling price (fair value

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reduced by selling costs) and its value in use. When the book value of long-lived asset exceeds the recoverable value of the asset due to obsolescence, physical damage or a decline in market value and such amount is material, the impairment of asset is recognized and the asset's carrying value is reduced to its recoverable value and the resulting impairment loss is charged to current operations. Such recoverable value is based on our estimates of the future use of assets that is subject to changes in market conditions.

The depreciable lives and salvage values of our long-lived assets are estimated and reviewed each year based on industry practices and prior experience to reflect economic lives of long-lived assets. Effective January 1, 2011, we changed our estimated useful lives for certain machinery and equipment in our steel operating segment from the previous eight years to fifteen years based on an asset life study performed in 2011.

Our estimates of the useful lives and recoverable values of long-lived assets are based on historical trends adjusted to reflect our best estimate of future market and operating conditions. Also, our estimates include the expected future period in which the future cash flows are expected to be generated from continuing use of the assets that we review for impairment and cash outflows to prepare the assets for use that can be directly attributed or allocated on a reasonable and consistent basis. If applicable, estimates also include net cash flows to be received or paid for the disposal of the assets at the end of their useful lives. As a result of the impairment review, when the sum of the discounted future cash flows expected to be generated by the assets is less than the book value of the assets, we recognize impairment losses based on the recoverable value of those assets. We make a number of significant assumptions and estimates in the application of the discounted cash flow model to forecast cash flows, including business prospects, market conditions, selling prices and sales volume of products, costs of production and funding sources. The estimated cash flow forecast amounts are derived from the most recent financial budgets for the next five years. For periods beyond the five year forecast period, we use a terminal value approach to estimate the cash flows for the remaining years based on an expected estimated growth rate. This estimated growth rate is based on actual historical results. As of December 31, 2011, we estimated an average discount rate of 8.43% and an average rate of revenue growth of 3.75%. However, given the current economic environment, it is likely that the estimates and assumptions will be more volatile than they have been in the past. Further impairment charges may be required if triggering events occur, such as adverse market conditions, that suggest deterioration in an asset's recoverability or fair value. Assessment of the timing of when such declines become other than temporary and the amount of such impairment is a matter of significant judgment. Results in actual transactions could differ from those estimates used to evaluate the impairment of such long-lived assets. If our future cash flow projections are not realized, either because of an extended recessionary period or other unforeseen events, impairment charges may be required in future periods.

If the estimated average discount rates used in these valuations were increased by 1%, then the estimated fair values would have decreased by 18% in total. If the estimated average rate of revenue growth rate were decreased by 1%, then the estimated fair values would have decreased by 16% in total. These sensitivity analyses do not affect the impairment loss due to the absence of an impairment loss indicator for our long-lived assets.

***Goodwill***

Goodwill is tested for impairment annually at the level of the groups of cash generating units or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the groups of cash-generating units are determined from the higher of its fair value less cost to sell or its value-in-use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

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Our management estimates discount rates using post-tax rates that reflect current market rates for investments of similar risk. Growth rates are based on industry growth forecasts, and changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market. Cash flow forecasts are derived from the most recent financial budgets for the next five years. Beyond the specifically forecasted period, we extrapolate cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed.

In validating the value in use determined for the cash generating units, the key assumptions used in the discounted cash-flow model such as discount rates and terminal growth rates were sensitized to test the resilience of value-in-use in 2011. If the estimated average discount rates used in these valuations were increased by 0.25%, the estimated value-in-use would have decreased by 4.13% in total. If the estimated terminal growth rate were decreased by 0.25%, the estimated value-in-use would have decreased by 3.31% in total. If the discount rate assumptions were increased by 0.25% or the terminal growth rate assumptions were decreased by 0.25%, there would be no impact on goodwill impairment. Based on an impairment test as of December 31, 2011, the value in use of each of the cash generating units substantially exceeded its respective carrying value.

***Inventories***

Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined using the moving-weighted average or weighted average method while materials-in-transit are determined using the specific identification method. Amounts of inventory are written down to net realizable value due to losses occurring in the normal course of business and the allowance is reported as a contra inventory account, while the related charge is recognized in cost of goods sold.

The net realizable value is determined based on the latest selling price available at the end of each quarter taking into account the directly attributable selling costs. The latest selling price is the base price which is the negotiated selling price based upon the recent transactions entered into with major customers. Considering that our inventory turnover is approximately two months and inventories at balance sheet date would be sold during the following two months, we perform valuation of inventories using the base price as of the balance sheet date and adjust for significant changes in selling price occurring subsequent to the reporting date. The selling price range used for determining the net realizable value of our inventories ranged from the inventory cost amount less 23.17% of gross profit margin to the inventory cost amount plus 28.39% of gross profit margin. For inventories in which expected selling prices are less than the cost amount, the necessary adjustment to write-down the inventories to net realizable value is made. There was no recovery in 2010 and 2011. The inventory write-down charges were Won 39 billion in 2010 and Won 140 billion in 2011.

***Deferred Income Tax Assets***

In assessing the realization of our deferred income tax assets, our management considers whether it is probable that a portion or all of the deferred income tax assets will not be realized. The ultimate realization of our deferred income tax assets is dependent on whether we are able to generate future taxable income in specific tax jurisdictions during the periods in which temporary differences become deductible.

Our management has scheduled the expected future reversals of the temporary differences and projected future taxable income in making this assessment. However, changes in our evaluation of our deferred income tax assets from period to period could have a significant effect on our net results and financial condition.

***Employee Benefits***

Our accounting of employee benefits for defined benefit plans involves judgments about uncertain events including, but not limited to, discount rates, life expectancy, future pay inflation and expected rate of return on plan assets. The discount rates are determined by reference to the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of

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our benefits obligations and that are denominated in the same currency in which the benefits are expected to be paid. The expected rate of returns assumptions on plan assets are based on the portfolio as a whole and determined on the assumptions considering long-term historical returns and asset allocations. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in our defined benefit plan. We immediately recognize all actuarial gains and losses arising from defined benefit plans in retained earnings. If the estimated average discount rates by actuarial assumptions used in these valuations were increased by 1%, then the estimated provision for severance benefits would have decreased by 7.31% in total. If the estimated future pay inflation rates were decreased by 1%, then the estimated provision for severance benefits would have decreased by 7.51% in total.

**Operating Results 2010 Compared to 2011**

The following table presents selected income statement data and changes therein for 2010 and 2011.

	For the Year Ended December 31,		Changes 2010 versus 2011	
	2010	2011	Amount	%
	(In billions of Won)			
Revenue	(Won) 47,887	(Won) 68,939	(Won) 21,051	44.0%
Cost of sales	39,722	59,824	20,101	50.6
Gross profit	8,165	9,115	950	11.6
Selling and administrative expenses	2,621	3,660	1,040	39.7
Other operating income	231	337	106	45.7
Other operating expenses	342	383	42	12.1
Operating profit	5,434	5,408	(25)	(0.5)
Share of profit of equity-accounted investees	183	51	(132)	(72.3)
Finance income	1,739	3,190	1,452	83.5
Finance costs	2,088	3,867	1,779	85.2
Profit before income tax	5,267	4,782	(485)	(9.2)
Income tax expense	1,081	1,068	(13)	(1.2)
Profit for the period	4,186	3,714	(471)	(11.3)
Profit for the period attributable to owners of the controlling company	4,106	3,648	(458)	(11.1)
Profit for the period attributable to non-controlling interests	80	66	(14)	(17.3)

(1) Not applicable.

**Revenue**

The following table presents a breakdown of our revenue by segment, after adjusting for inter-segment transactions that are eliminated during consolidation, and changes therein for 2010 and 2011.

	For the Year Ended December 31,		Changes 2010 versus 2011	
	2010	2011	Amount	%
	(In billions of Won)			
Steel	(Won) 35,527	(Won) 39,152	(Won) 3,625	10.2%
Trading	6,236	21,097	14,861	238.3

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Construction	4,349	5,476	1,127	25.9
Others	1,775	3,213	1,438	81.0
Total revenue	(Won) 47,887	(Won) 68,939	(Won) 21,051	44.0%

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Our revenue increased by 44.0%, or Won 21,051 billion, from Won 47,887 billion in 2010 to Won 68,939 billion in 2011 due to increases in revenues from the trading segment and to a lesser extent, the steel segment and the construction segment. Specifically:

**Trading Segment.** Revenue from the Trading Segment increased by 238.3%, or Won 14,861 billion, from Won 6,236 billion in 2010 to Won 21,097 billion in 2011 primarily due to the consolidation of revenue of Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011 and, to a lesser extent, increases in the sales volume of steel products sold by our trading and sales subsidiaries. On a consolidated basis, Daewoo International generated revenues of Won 4,272 billion in 2010 subsequent to the acquisition, compared to revenues of Won 19,457 billion in 2011.

**Steel Segment.** Revenue from the Steel Segment increased by 10.2% from Won 35,527 billion in 2010 to Won 39,152 billion in 2011 primarily due to an increase in our sales volume of steel products, which was offset in part by a slight decrease in the average unit sales price per ton of steel products sold by us. Our overall sales volume of steel products increased by 13.5% from 33.8 million tons in 2010 to 38.3 million tons in 2011, and the weighted average unit sales price per ton of our steel products decreased by 0.6% from Won 1,132 per ton in 2010 to Won 1,125 per ton in 2011. Such factors were principally attributable to the following:

The sales volume of products categorized under *others* increased by 175.1% from 2010 to 2011, and the sales volume of our principal product lines of plates and wire rods increased by 23.3% and 8.0%, respectively, from 2010 to 2011. On the other hand, our sales volume of hot rolled products, cold rolled products, stainless steel products and silicon steel products decreased by 13.0%, 8.7%, 6.2% and 4.3%, respectively, from 2010 to 2011. For a discussion of changes in sales volume of each of our principal product lines, see *Item 4.B. Business Overview - Major Products*.

The unit sales prices in Won for all of our principal product lines, other than those categorized under *others*, increased. However, the weighted average unit price for our products decreased by 0.6% from 2010 to 2011, as we consolidated sales results of steel products sold by Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011. Sales prices of steel products manufactured by other steel companies that are sold by Daewoo International are typically lower than those produced and sold by us. See *Overview - Sales Volume, Prices and Product Mix* above.

**Construction Segment.** Revenue from the Construction Segment increased by 25.9%, or Won 1,127 billion, from Won 4,349 billion in 2010 to Won 5,476 billion in 2011 primarily due to an increase in sales from POSCO E&C's overseas contracts related to the construction of energy and steelmaking plants abroad.

**Others.** The Others Segment includes power generation, LNG production, network and system integration, logistics and magnesium coil and sheet production. Revenue from the Others Segment increased by 81.0%, or Won 1,438 billion, from Won 1,775 billion in 2010 to Won 3,213 billion in 2011 primarily due to an increase in revenue of POSCO Energy Corporation, which increased from Won 827 billion in 2010 to Won 1,864 billion in 2011.

### ***Cost of Sales and Gross Profit***

Our cost of sales increased by 50.6%, or Won 20,101 billion, from Won 39,722 billion in 2010 to Won 59,824 billion in 2011. The increase in cost of sales was primarily due to the consolidation of cost of sales of Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011, as well as an increase in our sales volume of steel

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and non-steel products as discussed above and increases in the average prices in Won terms of key raw materials that were used to manufacture finished goods sold.

Our gross profit increased by 11.6%, or Won 950 billion, from Won 8,165 billion in 2010 to Won 9,115 billion. Our gross margin decreased from 17.1% in 2010 to 13.2% in 2011 as the increase in revenue was outpaced by the increase in cost of sales in 2010, as described above. Our gross margin was negatively affected primarily by an increase in the cost of sales of the Steel Segment caused by increases in the average prices in Won terms of key raw materials, which increase outpaced an increase in the revenue from the Steel Segment. In addition, Daewoo International, as a global trading company that primarily engages in trading of steel and raw materials, typically recognizes revenue from its trading activities on a gross basis that results in relatively lower margin levels. Accordingly, our gross margin for 2010 was negatively affected by the consolidation of results of Daewoo International only from the date of its acquisition on September 20, 2010 compared to a full year of such negative effect for 2011.

**Operating Income and Expenses**

**Selling and Administrative Expenses.** The following table presents a breakdown of our selling and administrative expenses and changes therein for 2010 and 2011.

	For the Year Ended December 31,		Changes		2010 versus 2011	
	2010	2011	Amount	%		
	(In billions of Won)					
Freight	(Won) 949	(Won) 1,406	(Won) 457	48.2%		
Sales commissions	70	85	16	22.3		
Others	102	120	19	18.5		
Total selling expenses	(Won) 1,120	(Won) 1,612	492	43.9		
Wages and salaries	(Won) 446	(Won) 607	(Won) 161	36.1%		
Expenses related to defined benefit plan	37	60	24	64.2		
Other employee benefits	116	165	48	41.5		
Depreciation	110	173	63	57.0		
Taxes and public dues	35	51	16	45.2		
Rental	55	66	11	19.8		
Advertising	96	71	(25)	(26.3)		
Research and development	141	212	71	50.4		
Service fees	193	287	94	48.5		
Bad debt allowance	51	104	53	102.9		
Others	220	254	34	15.4		
Total administrative expenses	(Won) 1,500	(Won) 2,048	548	36.5		

Our selling and administrative expenses increased by 39.7%, or Won 1,040 billion, from Won 2,621 billion in 2010 to Won 3,660 billion in 2011 primarily due to increases in freight expenses, labor-related expenses, service fees and research and development expense. Such factors were principally attributable to the following:

Freight expenses increased by 48.2%, or Won 457 billion, from Won 949 billion in 2010 to Won 1,406 billion in 2011 primarily due to the consolidation of freight expenses of Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011, as well as an increase in our sales volume resulting from increased demand for, and shipping of, our products.



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Our labor-related expenses included in selling and administrative expenses, which consist of wages and salaries, expenses related to defined benefit plans and other employee benefits, increased by 38.8%, or Won 233 billion, from Won 599 billion in 2010 to Won 832 billion in 2011, primarily due to the consolidation of labor-related expenses of Daewoo International in

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2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011. Service fees increased by 48.5%, or Won 94 billion, from Won 193 billion in 2010 to Won 287 billion in 2011 primarily due to the consolidation of service fees of Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011. Service fees of Daewoo International consisted primarily of fees paid to financial institutions in connection with accounts receivable-related financing activities.

Research and development expenses increased by 50.4%, or Won 71 billion, from Won 141 billion in 2010 to Won 212 billion in 2011 primarily due to an increase in our efforts to develop new steel products with enhanced performance features.

**Other Operating Income and Expenses.** The following table presents a breakdown of our other operating income and expenses and changes therein for 2010 and 2011.

	For the Year Ended December 31,		Changes	
	2010	2011	Amount	%
	(In billions of Won)			
Gain on disposal of property, plant and equipment	(Won) 26	(Won) 14	(Won) (12)	(46.2)%
Gain on disposal of investment of equity-accounted investees	3	2	(1)	(33.3)
Reversal of allowance for doubtful accounts	4	86	82	2,050.0
Outsourcing income	11	42	31	281.8
Gain on disposal of wastes	3	10	7	233.3
Gain from claim compensation	58	33	(25)	(43.1)
Penalty income from early termination of contracts	14	39	25	178.6
Others	112	111	(1)	(0.9)
<b>Total other operating income</b>	<b>(Won) 231</b>	<b>(Won) 337</b>	<b>106</b>	<b>45.9</b>
Loss on disposal of property, plant and equipment	(Won) 83	(Won) 61	(Won) (22)	(26.5)%
Loss on disposal of investment property	12	9	(3)	(25.0)
Cost of idle assets	1	17	16	1,600.0
Other bad debt expenses	13	28	15	115.4
Contributions	74	67	(7)	(9.5)
Loss on disposal of wastes	15	18	3	20.0
Impairment loss of property, plant and equipment and others	128	99	(29)	(22.7)
Others	15	86	71	473.3
<b>Total other operating expenses</b>	<b>(Won) 342</b>	<b>(Won) 383</b>	<b>41</b>	<b>12.0</b>

**Operating Profit**

Due to the factors described above, our operating profit decreased by 0.5%, or Won 25 billion, from Won 5,434 billion in 2010 to Won 5,408 billion in 2011. Our operating margin decreased from 11.3% in 2010 to 7.8% in 2011.

**Non-operating Income and Expenses**

**Share of Profit of Equity-Accounted Investees.** Our share of profit of equity-accounted investees decreased by 72.3%, or Won 132 billion, from Won 183 billion in 2010 to Won 51 billion in 2011 primarily due to worsening of the results of operations of our foreign associates, particularly AMCI (WA) Pty Ltd., BX Steel Posco Cold Rolled Sheet Co., Ltd. and USS-POSCO Industries, as well as an increase in our proportionate net loss from Sungjin Geotec Co., Ltd. These decreases were partially offset by increases in our proportionate net income from our interest in Kyobo Life Insurance Co., Ltd.

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**Finance Income and Finance Costs.** The following table presents a breakdown of our finance income and costs and changes therein for 2010 and 2011.

	For the Year Ended December 31,		Changes 2010 versus 2011	
	2010	2011	Amount	%
(In billions of Won)				
Interest income	(Won) 293	(Won) 216	(Won) (77)	(26.2)%
Dividend income	102	144	42	40.8
Gain on foreign currency transactions	844	1,454	610	72.2
Gain on foreign currency translations	205	259	54	26.6
Gain on derivatives transactions	181	549	369	203.7
Gain on valuation of derivatives	87	112	25	28.6
Gain on disposal of available-for-sale financial assets	3	455	452	17,449.9
Others	24	2	(23)	(93.6)
<b>Total finance income</b>	<b>(Won) 1,739</b>	<b>(Won) 3,190</b>	<b>(Won) 1,452</b>	<b>83.5%</b>
Interest expenses	(Won) 587	(Won) 788	(Won) 201	34.3%
Loss on foreign currency transactions	809	1,620	812	100.4
Loss on foreign currency translations	423	530	106	25.1
Loss on derivatives transactions	175	513	338	192.7
Loss on valuation of derivatives	18	189	171	961.3
Impairment of available-for-sale financial assets	57	153	96	167.3
Others	19	74	55	294.8
<b>Total finance costs</b>	<b>(Won) 2,088</b>	<b>(Won) 3,867</b>	<b>(Won) 1,779</b>	<b>85.2%</b>

Our gain on disposal of available-for-sale financial assets increased significantly from Won 3 billion in 2010 to Won 455 billion in 2011 primarily due to recognition of a Won 332 billion gain from our disposal of a minority investment in an iron ore manufacturer in Australia, which was previously impaired due to a significant decline in its fair value below acquisition cost. Upon disposal, the related unrecognized gain recorded in other comprehensive income was reclassified to profit or loss.

We recognized a net gain on foreign currency transactions of Won 36 billion in 2010 compared to net loss of Won 166 billion in 2011 and our net loss on foreign currency translations increased by 23.8%, or Won 52 billion, from Won 219 billion in 2010 to Won 271 billion in 2011 as the Won appreciated against the Dollar in 2010 while it depreciated against the Dollar in 2011. The Won depreciated at a greater level against the Yen in 2010 compared to 2011. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the Won appreciated from Won 1,167.6 to US\$1.00 as of December 31, 2009 to Won 1,138.9 to US\$1.00 as of December 31, 2010, while it depreciated against the Dollar to Won 1,153.3 to US\$1.00 as of December 30, 2011. The Won depreciated against the Yen from Won 1,262.8 per Yen 100 as of December 31, 2009 to Won 1,397.1 per Yen 100 as of December 31, 2010 and depreciated further to Won 1,485.2 per Yen 100 as of December 31, 2011. Against such fluctuations, we recognized a net gain on valuation of derivatives of Won 69 billion in 2010 compared to a net loss of Won 77 billion in 2011, as well as a 537.2% increase, or Won 31 billion, in net gain on derivative transactions from Won 6 billion in 2010 to Won 37 billion in 2011.

Our interest expenses increased by 34.3%, or Won 201 billion, from Won 587 billion in 2010 to Won 788 billion in 2011 primarily due to the consolidation of interest expenses of Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011, as well as an increase in the average balance of our borrowings, which was partially offset by a general decrease in interest rates in Korea.

Our impairment of available-for-sale financial assets increased by 167.3%, or Won 96 billion, from Won 57 billion in 2010 to Won 153 billion in 2011 primarily due to impairment loss of Won 107 billion in 2011 resulting from a decrease in the fair value of our investment in SK Telecom.



**Table of Contents****Income Tax Expense**

Income tax expense decreased by 1.2%, or Won 13 billion, from Won 1,081 billion in 2010 to Won 1,068 billion in 2011 primarily due to a 9.2% decrease in profit before income tax expense, which was partially offset by a decrease in tax credits, from Won 193 billion in 2010 to Won 89 billion in 2011. Our effective tax rates were 20.5% in 2010 and 22.3% in 2011 primarily due to such decrease in tax credits.

**Profit for the Period**

Due to the factors described above, our profit for the period decreased by 11.3%, or Won 471 billion, from Won 4,186 billion in 2010 to Won 3,714 billion in 2011. Our net profit margin decreased from 8.7% in 2010 to 5.4% in 2011.

The following table presents a breakdown of our profit for the period by segment, prior to adjusting for inter-segment transactions that are eliminated during consolidation, and changes therein for 2010 and 2011.

	For the Year Ended December 31,		Changes	
	2010	2011	2010 versus 2011	
	(In billions of Won)		Amount	%
Steel	(Won) 4,089	(Won) 3,689	(Won) (399)	(9.8)%
Trading	94	195	101	107.7
Construction	256	155	(102)	(39.6)
Others	13	155	142	1,102.5
Consolidation adjustments	(266)	(480)	(214)	80.5
Total profit for the period	(Won) 4,185	(Won) 3,714	(Won) (471)	(11.3)%

**Segment Results**

**Steel Segment.** Revenue from the Steel Segment increased by 10.2%, or Won 3,625 billion, from Won 35,527 billion in 2010 to Won 39,152 billion in 2011 primarily due to the reasons discussed above. However, our gross margin of the segment, which is gross profit as a percentage of total revenue prior to consolidation adjustments, decreased from 15.7% in 2010 to 12.6% in 2011 primarily due to increases in prices of raw materials that outpaced increases in the sales prices of our steel products. Our profit from the segment, prior to consolidation adjustments, decreased by 9.8%, or Won 399 billion, from Won 4,089 billion in 2010 to Won 3,689 billion in 2011 primarily due to the factors described above, as well as an increase in selling and administrative expenses of the segment from Won 1,925 billion in 2010 to Won 2,230 billion in 2011 primarily due to increases in freight and custody expenses.

Depreciation and amortization of the Steel Segment, prior to consolidation adjustments, decreased by 27.8%, or Won 821 billion, from Won 2,949 billion in 2010 to Won 2,128 billion in 2011 primarily due to a change in our estimated useful lives for certain machinery and equipment in our Steel Segment from the previous eight years to fifteen years based on an asset life study performed in 2011. Income tax expense of the Steel Segment, prior to consolidation adjustments, increased by 8.4%, or Won 87 billion, from Won 1,025 billion in 2010 to Won 1,112 billion in 2011 primarily due to impact from tax rate changes.

**Trading.** Revenue from the Trading Segment increased by 238.3%, or Won 14,861 billion, from Won 6,236 billion in 2010 to Won 21,097 billion in 2011 primarily due to the reasons discussed above. Our gross margin of the segment, prior to consolidation adjustments, increased from 3.8% in 2010 to 4.1% in 2011 and our profit from the Trading Segment, prior to consolidation adjustments, increased by

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107.7%, or Won 101 billion, from Won 94 billion in 2010 to Won 195 billion in 2011 primarily due to the consolidation of revenue of Daewoo International in 2010 only from the date of its acquisition on September 20, 2010 compared to consolidation for the full year in 2011. On a consolidated basis, Daewoo International generated profit for the period of Won 128 billion in 2010 subsequent to the acquisition, compared to profit for the period of Won 211 billion in 2011. The Trading Segment recognized income tax credit, prior to consolidation adjustments, of Won 48 billion in 2010 compared to income tax expense of Won 35 billion in 2011.

**Construction Segment.** Revenue from the Construction Segment increased by 25.9%, or Won 1,127 billion, from Won 4,349 billion in 2010 to Won 5,476 billion in 2011 primarily due to the reasons discussed above. However, our gross margin of the segment, prior to consolidation adjustments, decreased from 9.5% in 2010 to 9.1% in 2011 as the market conditions in the domestic construction industry further weakened in 2011 that resulted in an increase in competition. Our profit from the Construction Segment, prior to consolidation adjustments, decreased by 39.6%, or Won 102 billion, from Won 256 billion in 2010 to Won 155 billion in 2011 primarily due to the factors described above, as well as due to increases in selling and administrative expenses and financial expenses. Our selling and administrative expenses and financial expenses of the Construction Segment increased from Won 510 billion in 2010 to Won 753 billion in 2011 primarily due to increases in employee benefits expenses and losses on foreign currency transactions. Income tax expense of the Construction Segment, prior to consolidation adjustments, decreased by 67.7%, or Won 47 billion, from Won 70 billion in 2010 to Won 23 billion in 2011.

**Others Segment.** The Others Segment includes power generation, LNG production, network and system integration, logistics and magnesium coil and sheet production. Revenue from the Others Segment increased by 81.0%, or Won 1,438 billion, from Won 1,775 billion in 2010 to Won 3,213 billion in 2011 primarily due to the reasons discussed above. Our gross margin of the segment, prior to consolidation adjustments, decreased from 11.1% in 2010 to 10.2% in 2011. However, our profit from the Others Segment, prior to consolidation adjustments, increased by 1,102.5%, or Won 142 billion, from Won 13 billion in 2010 to Won 155 billion in 2011 primarily due to increases in profits from POSCO Energy Corporation, which completed construction of two additional power plants in 2011.

Depreciation and amortization of the Others Segment, prior to consolidation adjustments, increased by 140.9%, or Won 104 billion, from Won 74 billion in 2010 to Won 178 billion in 2011 primarily due to the construction of two additional power plants by POSCO Energy Corporation. Income tax expense of the Others Segment, prior to consolidation adjustments, increased by 223.9%, or Won 11 billion, from Won 5 billion in 2010 to Won 16 billion in 2011.

**Item 5.B. Liquidity and Capital Resources**

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

	<b>For the Year Ended December 31,</b>	
	<b>2010</b>	<b>2011</b>
	<b>(In billions of Won)</b>	
Net cash provided by operating activities	(Won) 3,582	(Won) 1,692
Net cash used in investing activities	6,915	5,517
Net cash provided by (used in) financing activities	4,588	4,900
Effect of exchange rate fluctuations on cash held	(7)	3
Cash and cash equivalents at beginning of period	2,273	3,521
Cash and cash equivalents at end of period	3,521	4,599
Net increase in cash and cash equivalents	1,248	1,078

**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. From time to time, we have also engaged in acquisition of treasury shares.

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Net cash used in investing activities was Won 6,915 billion in 2010 and Won 5,517 billion in 2011. These amounts included acquisition of property, plant and equipment of Won 5,792 billion in 2010 and Won 5,331 billion in 2011. We plan to decrease our capital expenditures in 2012, which we may adjust on an on-going 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 recorded net disposal of short-term financial instruments of Won 3,030 billion in 2010 and Won 1,238 billion in 2011. We also recorded net acquisition of available-for-sale securities of Won 302 billion in 2010 and net disposal of available-for-sale securities of Won 89 billion in 2011.

In our financing activities, we used cash of Won 882 billion in 2010 and Won 1,746 billion in 2011 for repayments of borrowings. We paid dividends on common stock in the amount of Won 693 billion in 2010 and Won 771 billion in 2011.

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. For example, we acquired a controlling interest in Daewoo International on September 20, 2010 for Won 3.37 trillion, and we spent Won 306 billion in 2011 to acquire a controlling interest in Thainox Stainless Public Company Limited, a major stainless steel manufacturer in Thailand. 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 our related companies' indebtedness. The following table sets forth the amount of long-term debt, capital lease and operating lease obligations as of December 31, 2011.

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 Year	1 to 3 Years (In billions of Won)	4 to 5 Years	After 5 Years
Long-term debt obligations (a)	(Won) 17,635	(Won) 1,295	(Won) 7,138	(Won) 5,334	(Won) 3,868
Interest payments on long-term debt (b)	2,849	618	1,078	563	591
Capital lease obligations (c)	61	15	18	18	10
Operating lease obligations (d)	35	16	18	1	
Purchase obligations (e)	59,156	14,455	17,763	14,365	12,565
Accrued severance benefits (f)	1,352	89	221	248	794
<b>Total</b>	<b>(Won) 81,088</b>	<b>(Won) 16,488</b>	<b>(Won) 26,236</b>	<b>(Won) 20,529</b>	<b>(Won) 17,828</b>

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

(b) As of December 31, 2011, a portion of our long-term debt carried variable interest rates. We used the interest rate in effect as of December 31, 2011 in calculating the interest payments on long-term debt for the periods indicated.

(c) We entered into a capital lease contract with Ilshin Shipping Co., Ltd. for a vessel for transporting plates and other products.

(d) We acquired certain tools and equipment under operating lease agreements with Macquarie Capital Korea Co., Ltd. and others.

(e)

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Our purchase obligations include long-term contracts to purchase iron ore, coal, LNG and other raw materials. These contracts generally have terms of three to ten years and provide for periodic price adjustments to then-market prices. As of December 31, 2011, 261 million tons of iron ore and 38 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 annually 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 in effect as of December 31, 2011 in calculating the iron ore, coal and LNG purchase obligations described above for the periods indicated.



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- (f) Represents, as of December 31, 2011, 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.

**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 sale of treasury shares and our holdings in available-for-sale securities.

Our net cash provided by operating activities decreased by 52.8% from Won 3,582 billion in 2010 and Won 1,692 billion in 2011. The sales volume of our steel products increased by 13.5% in such periods as discussed above, which increased gross cash inflow from our sales activities. However, our overall net cash provided by operating activities decreased by 52.8% as a result of an increase in the price of raw materials in 2011 as well as building up of semi-finished and finished goods due to increase in uncertainties in the global economy from difficulties affecting the European Union led to an increase in the inventory level and a delay in recoupment of cash used in production activities, including purchase of raw materials. Our inventory level increased from Won 9,559 billion as of December 31, 2010 to Won 12,284 billion as of December 31, 2011.

Proceeds from short-term borrowings, after deducting for repayment of short-term borrowings, were Won 1,201 billion in 2010 and Won 52 billion in 2011. Net proceeds from borrowings, after deducting for repayment of borrowings, were Won 3,485 billion in 2010 and Won 5,322 billion in 2011. Long-term borrowings, excluding current installments, were Won 10,664 billion as of December 31, 2010 and Won 16,020 billion as of December 31, 2011, and total short-term borrowings and current installments of long-term borrowings were Won 10,476 billion as of December 31, 2010 and Won 10,792 billion as of December 31, 2011. We periodically increase our short-term borrowings and adjust our long-term debt financing levels depending on changes in our capital requirements. We also generated cash of Won 7 billion in 2010 and Won 164 billion in 2011 from the sale of our treasury shares. In April 2012, we also generated cash of Won 580 billion from our disposal of a portion of our holdings of shares in SK Telecom, KB Financial Group and Hana Financial Group in block trade transactions.

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 9,396 billion as of December 31, 2010 and Won 13,952 billion as of December 31, 2011. Our holding of cash and cash equivalents were Won 3,521 billion as of December 31, 2010 and Won 4,599 billion as of December 31, 2011. POSCO had unused credit lines of Won 2,542 billion out of total available credit lines of Won 4,669 billion as of December 31, 2011. 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.

Our liquidity is affected by exchange rate fluctuations. See [Overview](#) [Exchange Rate Fluctuations](#).

**Table of Contents****Capital Expenditures and Capacity Expansion**

Cash used for acquisitions of property, plant and equipment was Won 5,792 billion in 2010 and Won 5,331 billion in 2011. We currently plan to decrease our capital expenditures in 2012, which we may adjust on an on-going 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.

Our current plan for capital investment in production facilities emphasizes capacity rationalization, increased production of higher value-added products and improvements in the efficiency of older facilities in order to reduce operating costs. The following table sets out the major items of our capital expenditures as of December 31, 2011:

Project	Expected Completion Date	Total Cost of Project (In billions of Won)	Estimated Remaining Cost of Completion as of December 31, 2011
<b>Pohang Works:</b>			
Construction of a pickling and galvanizing line	March 2012	269	39
Optimization of the facilities	January 2014	2,203	1,875
Renovation of the first stainless steel sheets rolling facilities	March 2014	218	218
<b>Gwangyang Works:</b>			
Construction of no.4 hot rolled steel plant	July 2014	1,626	1,404
Renovation of the first and fifth furnace	June 2014	1,060	899
<b>Pohang and Gwangyang Works:</b>			
Raw materials treatment facility upgrades	September 2016	1,301	542

**Item 5.C. Research and Development, Patents and Licenses, Etc.**

We maintain a research and development program to carry out basic research and applied technology development activities. Our technology development department works closely with the Pohang University of Science & Technology, Korea's first research-oriented college founded by us in 1986, and the Research Institute of Industrial Science and Technology, Korea's first private comprehensive research institute founded by us in 1987. As of December 31, 2011, Pohang University of Science & Technology and the Research Institute of Industrial Science and Technology employed a total of approximately 1,027 researchers. In 1994, we founded the POSCO Technical Research Laboratory to carry out applied research and technology development activities. As of December 31, 2011, the Technical Research Laboratory employed a total of 428 researchers.

We recorded research and development expenses of Won 395 billion as cost of goods sold in 2010 and Won 380 billion in 2011, as well as research and development expenses of Won 141 billion as selling and administrative expenses in 2010 and Won 212 billion in 2011.

Our research and development program has filed over thirty-one thousand industrial rights applications relating to steel-making technology, approximately one-fourth of which were registered as of December 31, 2011, and has successfully applied many of these to the improvement of our manufacturing process.

**Item 5.D. Trend Information**

These matters are discussed under Item 5.A. and Item 5.B. above where relevant.

**Item 5.E. Off-balance Sheet Arrangements**

As of December 31, 2010 and 2011, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special

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purpose entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### **Item 5.F. *Tabular Disclosure of Contractual Obligations***

These matters are discussed under Item 5.B. above where relevant.

### **Item 5.G. *Safe Harbor***

See Item 3. Key Information Item 3.D. Risk Factors This annual report contains forward-looking statements that are subject to various risks and uncertainties.

## **Item 6. *Directors, Senior Management and Employees***

### **Item 6.A. *Directors and Senior Management***

#### **Board of Directors**

Our board of directors has the ultimate responsibility for the management of our business affairs. Our board consists of five directors who are our executive officers ( Inside Directors ) and seven directors who are outside directors ( Outside Directors ). Our shareholders elect both the Inside Directors and Outside Directors at a general meeting of shareholders. Candidates for Inside Directors are recommended to shareholders by the board of directors after the board reviews such candidates' qualifications, and candidates for Outside Directors are recommended to the shareholders by a separate board committee consisting of three Outside Directors and one Inside Director ( Director Candidate Recommendation Committee ) after the committee reviews such candidates' qualifications. Any shareholder holding our outstanding shares with voting rights may suggest candidates for Outside Directors to the Director Candidate Recommendation Committee.

Our board of directors maintains the following six sub-committees:

the Director Candidate Recommendation Committee;

the Evaluation and Compensation Committee;

the Finance and Operation Committee;

the Executive Management Committee;

the Audit Committee; and

the Related Party Transactions Committee.

Our board committees are described in greater detail below under Item 6.C. Board Practices.

Under the Commercial Code and our articles of incorporation, one Chairman should be elected among the Outside Directors and several Representative Directors may be elected among the Inside Directors by our board of directors' resolution.



**Table of Contents****Inside Directors**

Our current Inside Directors are:

Name	Position	Responsibilities and Division	Years as Director	Years with POSCO	Age	Expiration of Term of Office
Chung, Joon-Yang	Chief Executive Officer and Representative Director		8	37	64	March 2015
Park, Han-Yong	President and Representative Director	Chief Staff Officer	2	33	61	March 2013
Cho, Noi-Ha	Senior Executive Vice President	Head of Carbon Steel Business Division	0	34	59	March 2013
Park, Ki-Hong	Senior Executive Vice President	Chief Financial and Planning Officer	0	6	54	March 2014
Kim, Joon-Sik	Senior Executive Vice President	Head of Stainless Steel Business Division	0	30	58	March 2014

All Inside Directors are engaged in our business on a full-time basis.

**Outside Directors**

Our current Outside Directors are set out in the table below. Each of our Outside Directors meets the applicable independence standards set forth under the rules of the Financial Investment Services and Capital Markets of Korea ( FSCMA ).

Name	Position	Principal Occupation	Years as Director	Age	Expiration of Term of Office
Han, Joon-Ho.	Director	CEO, Samchully Co., Ltd.	3	66	March 2014
Lee, Young-Sun	Director	Former President, Hallym University	3	64	March 2014
Lee, Chang-Hee	Director	Professor, Seoul National University	3	52	March 2015
Nam, Yong	Director	Former Vice Chairman and CEO, LG Electronics Inc.	1	64	March 2013
Park, Sang-Kil	Director	Lawyer, Kim & Chang	1	58	March 2013
Byun, Dae-Gyu	Director	Chairman and CEO, Humax Co., Ltd.	1	52	March 2013
James B. Bemowski	Director	Vice Chairman and CEO, Doosan Co., Ltd.	0	58	March 2015

The term of office of the Directors elected in March 2012 is up to three (3) years. Each Director's term expires at the close of the ordinary general meeting of shareholders convened in respect of the fiscal year that is the last one to end during such Director's tenure.

**Table of Contents****Senior Management**

In addition to the Inside Directors who are also our executive officers, we have the following executive officers:

<b>Name</b>	<b>Position</b>	<b>Responsibility and Division</b>	<b>Years with POSCO</b>	<b>Age</b>
Kwon, Oh-Joon	President	Chief Technology Officer	23	61
Chang In-Hwan	Senior Executive Vice President	Head of Growth and Investment Division	29	57
Cho, Bong-Rae	Senior Executive Vice President	General Superintendent, Pohang Works	32	59
Song, Sebin	Executive Vice President	Legal Affairs Department	1	49
Baek, Sung-Kwan	Executive Vice President	General Superintendent, Gwangyang Works	31	56
Woo, Jong-Soo	Executive Vice President	General Superintendent (Technical Research Laboratories)	32	56
Hwang, Eun-Yeon	Executive Vice President	Head of Carbon Steel Marketing Division	25	53
Kim, Yeung-Gyu	Executive Vice President	Corporate Relations Division	29	57
Lee, Hoo-Geun	Executive Vice President	FINEX Research and Development Project Department (Pohang Works)	29	54
Lee, Jung-Sik	Executive Vice President	Corporate Strategy Department I	32	57
Suh, Young-Sea	Executive Vice President	Stainless Steel Marketing Department	28	56
Park, Myung-Kil	Executive Vice President	Corporate Future Creation Academy	26	53
Lee, Young-Hoon	Executive Vice President	Corporate Strategy Department II	26	52
Choi, Jeong-Woo	Executive Vice President	Corporate Audit Department	27	54
Park, Kui-Chan	Executive Vice President	Department of External Affairs	8	54
Kim, Young-Hun	Executive Vice President	Group Training Institute Establishment Project Dept.	30	54
Seo, Myung-Deuk	Executive Vice President	Raw Materials Division	27	56
Park, Sung-Ho	Senior Vice President	Steel Technology Strategy Department	29	55
Yeon, Kyu-Sung	Senior Vice President	Deputy General Superintendent (Maintenance, Pohang Works)	27	53
Lee, Kyoung-Mok	Senior Vice President	Steel Business Department II	30	56
Jeon, Woo-Sig	Senior Vice President	Strategic Business Department	26	52
Cho, Sang-Ho	Senior Vice President	Magnesium Business Department	29	56
An, Tong-II	Senior Vice President	Deputy General Superintendent (Maintenance, Gwangyang Works)	25	52
Yae, Jae-Hen	Senior Vice President	Labor and Outside Services Department	27	55
Min, Kyung-Zoon	Senior Vice President	Deputy General Superintendent (Hot and Cold Rolling, Gwangyang Works)	28	53
Kim, Won-Ki	Senior Vice President	Order Processing and Technical Service Department	30	55
Nam, Sik	Senior Vice President	POSCO-Vietnam Co., Ltd.	29	55
Ko, Suk-Bum	Senior Vice President	Deputy General Superintendent (Administration, Gwangyang Works)	27	54
Kim, Hag-Dong	Senior Vice President	Deputy General Superintendent (Iron and Steel Making, Gwangyang Works)	27	52
Kim, Sun-Won	Senior Vice President	POSCO-South Asia Co., Ltd.	29	53
Kim, Dong-Chul	Senior Vice President	Steel Business Department I	26	56
Kim, Jhi-Yong	Senior Vice President	Advanced Materials Business Department	19	50
Jeon, Cheol	Senior Vice President	Stainless Steel Production and Technology	29	54
Kim, Yong-Min	Senior Vice President	Zhangjiagang Pohang Stainless Steel Co., Ltd.	29	54



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<b>Name</b>	<b>Position</b>	<b>Responsibility and Division</b>	<b>Years with POSCO</b>	<b>Age</b>
Lee, Young-Ki	Senior Vice President	Deputy General Superintendent (Hot and Cold Rolling, Pohang Works)	26	52
Yu-Seong	Senior Vice President	POSCO-Japan Co., Ltd.	26	55
Shin, Jae-Chul	Senior Vice President	Marketing Strategy Department	26	51
Kim, Se-Hyun	Senior Vice President	Productivity Research Center	2	52
Hwang, Seok-Joo	Senior Vice President	Information Planning Department	26	49
Yim Chang-Hee	Senior Vice President	General Superintendent (Gwangyang Research Lab)	26	55
Chang, In-Hwa	Senior Vice President	New Growth Business Department	1	56
Shim, Tong-Wook	Senior Vice President	Finance Department	26	52
Kwon, Suk-Chul	Senior Vice President	POSCO-China Co., Ltd.	28	55
Lee, Tae-Ju	Senior Vice President	European Union Office	29	54
Yun, Kimok	Senior Vice President	Stainless Steel Raw Materials Department	28	54
Kim, Jae-Yeol	Senior Vice President	Hot Rolled Products Marketing Department	26	52
Kim, Hong-Soo	Senior Vice President	Investment Management Dept.	29	54
Bae, Chung-Hun	Senior Vice President	POSCO-VST Co., Ltd.	27	55
Kim, Dong-Soo	Senior Vice President	Deputy General Superintendent (Iron and Steel Making, Pohang Works)	29	53
Chon, Jung-Son	Senior Vice President	Raw Materials Procurement Dept.	25	49
Sung, Gee-Woong	Senior Vice President	Environment & Energy Planning Dept.	17	52
Shin, Geon	Senior Vice President	Engineering Research Center	30	54
Cho Young-Ki	Senior Vice President	POSCO-Mexico Co., Ltd.	26	53
Lee, Bok-Sung	Senior Vice President	Deputy General Superintendent (Administration, Pohang Works)	26	54
Cho, Yong-Doo	Senior Vice President	Management Monitoring Dept.	2	51
Jeong, Tak	Senior Vice President	Overseas Marketing Dept.	0	52
Chung, Chang-Hwa	Senior Vice President	Communication Dept.	16	50
Son, Chang Hwan	Senior Vice President	Automotive Materials Marketing Dept.	27	51
Kim, Kwan Young	Senior Vice President	Human Resources and Innovation Dept.	24	50

**Item 6.B. Compensation****Compensation of Directors and Officers**

Salaries and bonuses for Inside Directors and salaries for Outside Directors are paid in accordance with standards decided by the board of directors within the limitation of directors remuneration approved by the annual general meeting of shareholders. In addition, executive officers compensation is paid in accordance with standards decided by the board of directors. The aggregate compensation paid and accrued to all Directors and executive officers was approximately Won 28.4 billion in 2011 and the aggregate amount set aside or accrued by us to provide pension and retirement benefits to such persons was Won 7.4 billion in 2011.

We have also granted stock options to some of our Directors and executive officers. See Item 6.E. Share Ownership for a list of stock options granted to our Directors and executive officers. At



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the annual shareholders meeting held in February 2006 our shareholders elected to terminate the stock option program. Stock options granted prior to this meeting remain valid and outstanding pursuant to the articles of incorporation in effect at the time of the issuance of the stock option.

### **Item 6.C. Board Practices**

#### **Director Candidate Recommendation Committee**

The Director Candidate Recommendation Committee is composed of three Outside Directors, Lee, Young-Sun (committee chair), Han, Joon-Ho, Lee, Chang-Hee, and one Inside Director, Kim, Joon-Sik. The Director Candidate Recommendation Committee reviews the qualifications of potential candidates and proposes nominees to serve on our board of directors as an Outside Director. Any shareholder holding our outstanding shares with voting rights may suggest candidates for Outside Directors to the Director Candidate Recommendation Committee.

#### **Evaluation and Compensation Committee**

The Evaluation and Compensation Committee is composed of four Outside Directors, Byun, Dae-Gyu (committee chair), Han, Joon-Ho, Nam, Yong and Park, Sang-Kil. The Evaluation and Compensation Committee's primary responsibilities include establishing evaluation procedures and compensation plans for executive officers and taking necessary measures to execute such plans.

#### **Finance and Operation Committee**

The Finance and Operation Committee is composed of three Outside Directors, Nam, Yong (committee chair), Byun, Dae-Gyu, James B. Bemowski and two Inside Directors, Cho, Noi-Ha and Park, Ki-Hong. This committee is an operational committee that oversees decisions with respect to finance and operational matters, including making assessments with respect to potential capital investments and evaluating prospective capital-raising activities.

#### **Executive Management Committee**

The Executive Management Committee is composed of five Inside Directors: Chung, Joon-Yang (committee chair), Park, Han-Yong, Cho, Noi-Ha, Park, Ki-Hong and Kim, Joon-Sik. This committee oversees decisions with respect to our operational and management matters, including review of management's proposals of new strategic initiatives, as well as deliberation over critical internal matters related to organization structure and development of personnel.

#### **Audit Committee**

Under Korean law and our articles of incorporation, we are required to have an Audit Committee. The Audit Committee may be composed of three or more directors; all members of the Audit Committee must be Outside Directors. Audit Committee members must also meet the applicable independence criteria set forth under the rules and regulations of the Sarbanes-Oxley Act of 2002. Members of the Audit Committee are elected by the shareholders at the ordinary general meeting of shareholders. We currently have an Audit Committee composed of three Outside Directors. Members of our Audit Committee are Lee, Chang-Hee (committee chair), Lee, Young-Sun and Park, Sang-Kil.

The duties of the Audit Committee include:

engaging independent auditors;

approving independent audit fees;

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approving audit and non-audit services;

reviewing annual financial statements;

reviewing audit results and reports, including management comments and recommendations;

reviewing our system of controls and policies, including those covering conflicts of interest and business ethics; and

examining improprieties or suspected improprieties.

In addition, in connection with general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors at each general meeting of stockholders. Our internal and external auditors report directly to the Audit Committee. The committee holds regular meetings at least once each quarter, and more frequently as needed.

**Related Party Transactions Committee**

The Related Party Transaction Committee is composed of three Outside Directors, Lee, Chang-Hee (committee chair), Lee, Young-Sun and Park, Sang-Kil. This committee reviews related party and other internal transactions and ensures compliance with the Monopoly Regulation and Fair Trade Act.

**Item 6.D. Employees**

As of December 31, 2011, we had 34,936 employees, including 17,383 persons employed by our subsidiaries, almost all of whom were employed within Korea. Of the total number of employees, approximately 80% are technicians and skilled laborers and 20% are administrative staff. We use subcontractors for maintenance, cleaning and transport activities. We had 33,557 employees, including 17,148 persons employed by our subsidiaries, as of December 31, 2010, and 29,811 employees, including 13,295 persons employed by our subsidiaries, as of December 31, 2009. To improve operational efficiency and increase labor productivity, we plan to reduce the number of our employees in future years through natural attrition. However, we expect the number of persons employed by our subsidiaries in growth industries to increase in the future.

We consider our relations with our work force to be excellent. We have never experienced a work stoppage or strike. Wages of our employees are among the highest of manufacturing companies in Korea. In addition to a base monthly wage, employees receive periodic bonuses and allowances. Base wages are determined annually following consultation between the management and employee representatives, who are currently elected outside the framework of the POSCO labor union. A labor union was formed by our employees in June 1988. Union membership peaked at 19,026 employees at the beginning of 1991, but has steadily declined since then. As of December 31, 2011, only 13 of our employees were members of the POSCO labor union.

In accordance with the National Pension Act of Korea, we contribute an amount equal to 4.5% of an employee's standard monthly wages, and each employee contributes 4.5% of his or her standard monthly wages, into his or her personal pension account. Our employees, including executive officers as well as non-executive employees, are subject to a pension insurance system, under which we make monthly contributions to the pension accounts of the employees, and upon retirement, such employees are paid from their pension accounts. Prior to 2011, our executive and non-executive employees were subject to a lump-sum severance payment system, under which they were entitled to receive a lump-sum severance payment upon termination of their employment, based on their length of service and salary level at the time of termination. Starting in 2011, in accordance with the Korean Employee

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Retirement Income Security Act, we replaced such lump-sum severance payment system with our current pension insurance system in the form of either a defined benefit plan or a defined contribution plan, with a total unfunded portion of Won 340 billion as of December 31, 2011. Our employees have the option of choosing either the defined benefit plan or the defined contribution plan. Lump-sum severance amounts previously accrued prior to our adoption of the current pension insurance system continue to remain payable. We also provide a wide range of fringe benefits to our employees, including housing, housing loans, company-provided hospitals and schools, a company-sponsored pension program, an employee welfare fund, industrial disaster insurance, and cultural and athletic facilities.

As of December 31, 2011, our employees owned, through our employee stock ownership association, approximately 0.01% of our common stock in their association accounts and 2.24% of our common stock in their employee accounts.

**Item 6.E. Share Ownership****Common Stock**

The persons who are currently our Directors or executive officers held, as a group, 22,314 common shares as of April 25, 2012, the most recent practicable date for which this information is available. The table below shows the ownership of our common shares by our Directors and executive officers.

Cho, Noi-Ha	3,500
Chung, Joon-Yang	1,714
Kim, Joon-Sik	1,177
Kim, Hag-Dong	940
Kwon, Oh-Joon	900
Kim, Young-Hun	847
Lee, Hoo-Geun	548
Shim, Tong-Wook	470
Woo, Jong-Soo	441
Hwang, Seok-Joo	430
Yim Chang-Hee	419
Yae, Jae-Hen	380
Min, Kyung-Zoon	380
Lee, Kyoung-Mok	372
Kim, Dong-Chul	370
Jeon, Cheol	370
Kwon, Suk-Chul	370
Suh, Young-Sea	351
Cho Young-Ki	348
Lee, Jung-Sik	346
Park, Sung-Ho	346
Cho, Sang-Ho	341
Kim, Dong-Soo	320
Lee, Bok-Sung	320
Kim, Kwan-Young	320
Kim, Sun-Won	312
Lee, Tae-Ju	297
Shin, Jae-Chul	293
Nam, Sik	291
Kim, Hong-Soo	291
Baek, Sung-Kwan	261
Lee, Young-Ki	260
Ko, Suk-Bum	245
Kim, Won-Ki	242
Seo, Myung-Deuk	242
Chang In-Hwan	234

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Yu-Seong	218
Jeon, Woo-Sig	210
Park, Ki-Hong	200
Song, Sebin	200
Kim, Jhi-Yong	193
Hwang, Eun-Yeon	189
Park, Myung-Kil	170
Cho, Bong-Rae	164
Kim, Yong-Min	152
An, Tong-Il	150
Yeon, Kyu-Sung	145
Sung, Gee-Woong	143
Lee, Young-Hoon	128
Kim, Yeung-Gyu	120
Park, Kui-Chan	86
Park, Han-Yong	82
Choi, Jeong-Woo	60
Bae, Chung-Hun	59
Yun, Kimok	57
Chang, In-Hwa	50
Kim, Se-Hyun	50
Kim, Jae-Yeol	50
Chon, Jung-Son	44
Shin, Geon	44
Son, Chang-Hwan	44
Chung, Chang-Hwa	18
Total	22,314

**Stock Options**

With respect to the options granted, we may elect either to issue shares of common stock, distribute treasury stock or to pay in cash the difference between the exercise and the market price at the date of exercise. The options may be exercised by a person who has continued employment with POSCO for two or more years from the date on which the options are granted. Expiration date of options is seven years from the date on which the options are granted. All of the stock options below relate to our common stock.

At the annual shareholders meeting held in February 2006, our shareholders elected to terminate the stock option program. Stock options granted prior to this meeting remain valid and outstanding pursuant to the articles of incorporation in effect at the time of the issuance of the stock option. The following table sets forth information regarding the stock options we have granted to our current Directors and executive officers as of April 30, 2012.

Directors	Grant Date	Exercise Period		Exercise Price	Granted Options	Exercised Options	Exercisable Options
		From	To				
Chung, Joon-Yang	April 27, 2002	4/28/2004	4/27/2009	136,400	9,316	9,316	0
	July 23, 2004	7/24/2006	7/23/2011	151,700	4,900	4,900	0
Park, Han-Yong	April 26, 2003	4/27/2005	4/26/2010	102,900	9,604	9,604	0
Cho, Noi-Ha	April 28, 2005	4/29/2007	4/28/2012	194,900	10,000	10,000	0

  

Executive Officers	Grant Date	Exercise Period		Exercise Price	Granted Options	Exercised Options	Exercisable Options
		From	To				
Kwon, Oh-Joon	April 26, 2003	4/27/2005	4/26/2010	102,900	9,604	9,604	0

**Table of Contents****Item 7. Major Shareholders and Related Party Transactions****Item 7.A. Major Shareholders**

The following table sets forth certain information relating to the shareholders of our common stock issued as of December 31, 2011.

<b>Shareholders</b>	<b>Number of Shares Owned</b>	<b>Percentage</b>
National Pension Service	5,937,323	6.81
Nippon Steel Corporation <sup>(1)</sup>	4,394,712	5.04
SK Telecom	2,481,310	2.85
Pohang University of Science and Technology	1,905,000	2.18
Directors and executive officers as a group	20,251	0.02
Public <sup>(2)</sup>	62,505,848	71.69
POSCO (held in the form of treasury stock)	7,449,117	8.54
POSCO (held through treasury stock fund)	2,493,274	2.86
<b>Total issued shares of common stock</b>	<b>87,186,835</b>	<b>100.00%</b>

(1) Held in the form of ADRs.

(2) Includes ADRs.

As of December 31, 2011, there were 13,243,566 shares of common stock outstanding in the form of ADRs, representing 15.19% of the total issued shares of common stock.

**Item 7.B. Related Party Transactions**

We have issued guarantees of Won 3,588 billion as of December 31, 2010 and Won 7,366 billion as of December 31, 2011 in favor of affiliated and related companies. We have also engaged in various transactions with our subsidiaries and affiliated companies. See Notes 34 and 35 of Notes to Consolidated Financial Statements.

As of December 31, 2010 and 2011, we had no loans outstanding to our executive officers and Directors.

**Item 7.C. Interests of Experts and Counsel**

Not applicable

**Item 8. Financial Information****Item 8.A. Consolidated Statements and Other Financial Information**

See Item 18. Financial Statements and pages F-1 through F-107.

**Legal Proceedings**

We have been subject to a number of anti-dumping and countervailing proceedings in the United States, China, India, Russia, Thailand and Brazil. The anti-dumping and countervailing proceedings have not had a material adverse effect on our business and operations. However, there

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can be no assurance that increases in, or new impositions of, anti-dumping duties, countervailing duties, quotas or tariffs on our sales of products abroad may not have a material adverse impact on our exports in the future. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

On April 25, 2002, Nippon Steel Corporation announced that it has filed civil lawsuits in Japan and the United States relating to claims of alleged improper acquisition and infringement of intellectual property rights related to production of grain oriented electrical steel sheets. Nippon Steel Corporation announced that it is seeking an injunction to prohibit us from manufacturing and selling the allegedly infringing products as well as monetary damages. We have not received any petitions relating to these alleged claims, but we plan to vigorously defend against such claims as necessary upon completion of our assessment of the merits of the claims.

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Except as described above, we are not involved in any pending or threatened legal or arbitration proceedings that may have, or have had during the last 12 months, a material adverse effect on our results of operations or financial position.

**DIVIDENDS**

The amount of dividends paid on our common stock is subject to approval at the annual general meeting of shareholders, which is typically held in February or March of the following year. In addition to our annual dividends, our board of directors is authorized to declare and distribute interim dividends once a year under our articles of incorporation. If we decide to pay interim dividends, our articles of incorporation authorize us to pay them in cash, shares or other form of property and to the shareholders of record as of June 30 of the relevant fiscal year. We may pay cash dividends out of retained earnings that have not been appropriated to statutory reserves.

The table below sets out the annual dividends declared on the outstanding common stock to shareholders of record on December 31 of the years indicated and the interim dividends declared on the outstanding common stock to shareholders of record on June 30 of the years indicated. A total of 87,186,835 shares of common stock were issued at the end of 2011. Of these shares, 77,244,444 shares were outstanding and 7,449,117 shares were held by us in treasury and 2,493,274 shares were held through our treasury stock fund. The annual dividends set out for each of the years below were paid in the immediately following year.

Year	Annual Dividend per Common Stock to Public	Interim Dividend per Common Stock (In Won)	Average Total Dividend per Common Stock
2007	7,500	2,500	10,000
2008	7,500	2,500	10,000
2009	6,500	1,500	8,000
2010	7,500	2,500	10,000
2011	7,500	2,500	10,000

Owners of the ADSs are entitled to receive any dividends payable in respect of the underlying shares of common stock.

Historically, we have paid to holders of record of our common stock an annual dividend. However, we can give no assurance that we will continue to declare and pay any dividends in the future.

**Item 8.B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our Consolidated Financial Statements included in this annual report.

**Item 9. The Offer and Listing****Item 9.A. Offer and Listing Details****Market Price Information****Notes**

Not applicable

**Table of Contents****Common Stock**

The principal trading market for our common stock is the KRX KOSPI Market. Our common stock, which is in registered form and has a par value of Won 5,000 per share, has been listed on the first section of the KRX KOSPI Market since June 1988 under the identifying code 005490. The table below shows the high and low trading prices and the average daily volume of trading activity on the KRX KOSPI Market for our common stock since January 1, 2007.

	Price		Average Daily Trading Volume (Number of Shares)
	High (In Won)	Low	
<b>2007</b>			
First Quarter	395,000	286,500	296,883
Second Quarter	481,000	366,000	246,291
Third Quarter	673,000	443,500	298,177
Fourth Quarter	765,000	557,000	331,286
<b>2008</b>			
First Quarter	575,000	437,000	334,157
Second Quarter	594,000	450,000	382,083
Third Quarter	544,000	410,000	389,984
Fourth Quarter	436,500	242,000	600,141
<b>2009</b>			
First Quarter	430,000	303,000	389,081
Second Quarter	435,000	369,000	390,866
Third Quarter	519,000	420,000	324,403
Fourth Quarter	619,000	472,500	293,724
<b>2010</b>			
First Quarter	625,000	516,000	255,173
Second Quarter	560,000	434,500	343,367
Third Quarter	524,000	460,500	257,784
Fourth Quarter	538,000	448,500	299,776
<b>2011</b>			
First Quarter	517,000	450,500	345,785
Second Quarter	505,000	421,000	282,070
Third Quarter	480,000	358,500	277,876
Fourth Quarter	398,000	351,000	235,063
October	391,000	351,000	266,326
November	391,500	353,000	221,389
December	398,000	380,000	219,613
<b>2012</b>			
First Quarter	424,000	376,000	198,190
January	418,500	406,000	196,089
February	423,500	376,000	195,168
March	424,000	377,500	203,312
Second Quarter (through April 27)	384,500	366,500	156,111
April (through April 27)	384,500	366,500	156,111

**ADSs**

Our common stock is also listed on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange in the form of ADSs. The ADSs have been issued by The Bank of New York Mellon as ADR depository and are listed on the New York Stock Exchange under the symbol PKX. One ADS represents one-fourth of one share of common stock. As of December 31, 2011, 13,243,566 ADSs were outstanding, representing 15.19% shares of common stock.



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The table below shows the high and low trading prices and the average daily volume of trading activity on the New York Stock Exchange for our ADSs since January 1, 2007.

	Price		Average Daily Trading Volume (Number of ADSs)
	High (In US\$)	Low	
<b>2007</b>			
First Quarter	106.88	76.49	770,003
Second Quarter	129.60	99.34	712,996
Third Quarter	184.54	124.50	809,315
Fourth Quarter	195.89	147.17	721,160
<b>2008</b>			
First Quarter	147.74	108.41	418,434
Second Quarter	147.05	112.80	249,329
Third Quarter	133.73	88.35	294,629
Fourth Quarter	89.00	47.14	355,604
<b>2009</b>			
First Quarter	79.11	47.14	212,268
Second Quarter	89.00	69.23	168,527
Third Quarter	108.08	80.73	491,455
Fourth Quarter	131.47	100.00	458,775
<b>2010</b>			
First Quarter	140.10	108.23	429,700
Second Quarter	124.83	88.78	559,765
Third Quarter	113.98	94.67	344,102
Fourth Quarter	120.47	95.34	376,905
<b>2011</b>			
First Quarter	117.57	97.46	380,459
Second Quarter	117.57	100.50	403,646
Third Quarter	116.83	95.86	348,986
Fourth Quarter	112.41	76.01	314,454
October	89.16	72.51	300,073
November	89.16	72.51	358,137
December	85.93	75.30	249,881
<b>2012</b>			
First Quarter	87.91	79.91	292,200
First Quarter	95.27	80.28	266,610
January	93.83	80.28	300,382
February	94.05	90.85	200,163
March	95.27	82.14	299,286
Second Quarter (through April 27)	85.53	79.86	238,028
April (through April 27)	85.53	79.86	238,028

**Item 9.B. Plan of Distribution**

Not applicable

**Item 9.C. Markets****The Korean Securities Market**

On January 27, 2005, the Korea Exchange was established pursuant to the Korea Securities and Futures Exchange Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. There are three different markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market, and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a limited liability company, the shares of which are held by (i) investment brokers and investment dealers that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Currently, the Korea Exchange is the only stock exchange in Korea and is operated by membership, having as its members most of the Korean investment brokers and investment dealers and some Korean branches of foreign investment brokers and investment dealers.



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According to data published by the Korea Exchange, as of December 31, 2011, the aggregate market value of equity securities listed on the KRX KOSPI Market and the KRX KOSDAQ Market was approximately Won 1,148 trillion, and the average daily trading volume of equity securities for 2011 was approximately 1,025 million shares with an average transaction value of Won 8,084 billion. The Korea Exchange has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Regulation on Listing on the Korea Exchange. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semi-annually and quarterly and to release immediately all information that may affect trading in a security.

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the past, the Government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers excess capacity in a particular industry and induced private companies to offer publicly their securities.

The Korea Exchange publishes the Korea Composite Stock Price Index, or KOSPI, every ten seconds, which is an index of all equity securities listed on the Korea Exchange. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

Movements in KOSPI are set out in the following table together with the associated dividend yields and price earnings ratios.

Year	Opening	High	Low	Closing	Period Average	
					Dividend Yield <sup>(1)(2)</sup> (Percent)	Price Earnings Ratio <sup>(2)(3)</sup>
1985	139.53	163.37	131.40	163.37	5.3	5.2
1986	161.40	279.67	153.85	272.61	4.3	7.6
1987	264.82	525.11	264.82	525.11	2.6	10.9
1988	532.04	922.56	527.89	907.20	2.4	11.2
1989	919.61	1,007.77	844.75	909.72	2.0	13.9
1990	908.59	928.82	566.27	696.11	2.2	12.8
1991	679.75	763.10	586.51	610.92	2.6	11.2
1992	624.23	691.48	459.07	678.44	2.2	10.9
1993	697.41	874.10	605.93	866.18	1.6	12.7
1994	879.32	1,138.75	855.37	1,027.37	1.2	16.2
1995	1,027.45	1,016.77	847.09	882.94	1.2	16.4
1996	882.29	986.84	651.22	651.22	1.3	17.8
1997	647.67	792.29	350.68	376.31	1.5	17.0
1998	374.41	579.86	280.00	562.46	1.9	10.8
1999	565.10	1,028.07	498.42	1,028.07	1.1	13.5
2000	1,028.33	1,059.04	500.60	504.62	1.6	18.6
2001	503.31	704.50	468.76	693.70	2.0	14.2
2002	698.00	937.61	584.04	627.55	1.4	17.8
2003	633.03	822.16	515.24	810.71	2.2	10.9
2004	821.26	936.06	719.59	895.92	2.1	15.8
2005	896.00	1,379.37	870.84	1,379.37	1.7	11.0
2006	1,383.32	1,464.70	1,203.86	1,434.46	1.7	11.4
2007	1,438.89	2,015.48	1,345.08	1,897.13	1.4	16.8
2008	1,891.45	1,888.88	938.75	1,124.47	2.6	8.9
2009	1,132.87	1,718.88	1,018.81	1,682.77	1.2	23.7
2010	1,681.71	2,052.97	1,552.79	2,051.00	1.1	19.0
2011	2,063.69	2,231.47	1,644.11	1,825.12	1.3	13.1
2012 (through April 27)	1,831.69	2,057.28	1,810.48	1,975.35	1.4	12.8

Source: The KRX KOSPI Market

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- (1) Dividend yields are based on daily figures. Before 1983, dividend yields were calculated at the end of each month. Dividend yields after January 3, 1984 include cash dividends only.

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(2) Starting in April 2000, dividend yield and price earnings ratio are calculated based on KOSPI 200, an index of 200 equity securities listed on the KRX KOSPI Market. Starting in April 2000, KOSPI 200 excludes classified companies, companies which did not submit annual reports to the KRX KOSPI Market, and companies which received qualified opinion from external auditors.

(3) The price earnings ratio is based on figures for companies that record a profit in the preceding year. Shares are quoted ex-dividend on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the Korea Exchange to 15% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price (Won)	Rounded Down to (Won)
Less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the financial investment companies with a brokerage license. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. An agricultural and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the Korea Exchange. See Item 10. Additional Information Item 10.E. Taxation Korean Taxation.

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The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

Year	Market Capitalization on the Last Day of Each Period			Average Daily Trading Volume, Value		
	Number of Listed Companies	(Billions of Won)	(Millions of US\$) <sup>(1)</sup>	Thousands of Shares	(Millions of Won)	(Thousands of US\$) <sup>(1)</sup>
1985	342	(Won) 6,570	US\$ 7,381	18,925	(Won) 12,315	US\$ 13,834
1986	355	11,994	13,924	31,755	32,870	38,159
1987	389	26,172	33,033	20,353	70,185	88,583
1988	502	64,544	94,348	10,367	198,364	289,963
1989	626	95,477	140,490	11,757	280,967	414,430
1990	669	79,020	110,301	10,866	183,692	256,411
1991	686	73,118	96,107	14,022	214,263	281,629
1992	688	84,712	107,448	24,028	308,246	390,977
1993	693	112,665	139,420	35,130	574,048	710,367
1994	699	151,217	191,730	36,862	776,257	984,223
1995	721	141,151	182,201	26,130	487,762	629,613
1996	760	117,370	139,031	26,571	486,834	576,680
1997	776	70,989	50,162	41,525	555,759	392,707
1998	748	137,799	114,091	97,716	660,429	546,803
1999	725	349,504	305,137	278,551	3,481,620	3,039,655
2000	704	188,042	149,275	306,163	2,602,211	2,065,739
2001	689	255,850	192,934	473,241	1,997,420	1,506,237
2002	683	258,681	215,496	857,245	3,041,598	2,533,815
2003	684	355,363	296,679	542,010	2,216,636	1,850,589
2004	683	412,588	395,275	372,895	2,232,109	2,138,445
2005	702	655,075	646,158	467,629	3,157,662	3,114,679
2006	731	704,588	757,948	279,096	3,435,180	3,695,331
2007	745	951,900	1,016,770	363,741	5,539,653	5,917,168
2008	763	576,888	458,758	352,599	3,211,039	2,553,510
2009	770	887,935	762,503	485,657	5,595,552	4,976,859
2010	777	1,141,885	1,006,243	380,859	5,619,768	4,952,210
2011	791	1,041,999	904,670	353,760	6,836,146	5,935,185
2012 (through April 27)	778	1,131,131	995,539	607,424	5,348,150	4,707,049

Source: The Korea Exchange

(1) Converted at the Concentration Base Rate of The Bank of Korea or the Market Average Exchange Rate, as the case may be, at the end of the periods indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and under the regulations set forth in the FSCMA. In July 2007, the National Assembly of Korea enacted the FSCMA. The FSCMA, which came into effect on February 4, 2009, comprehensively regulates the Korean capital markets, the financial investment business (including collective investment businesses and trust businesses) and financial investment products (such as securities and derivatives). The FSCMA imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests. The FSCMA regulates the operation and monitoring of the securities and derivatives markets.

#### Protection of Customer's Interest in Case of Insolvency of Investment Brokers or Investment Dealers

Under Korean law, the relationship between a customer and an investment broker or an investment dealer in connection with a securities sell or buy order is deemed to be a consignment and the securities acquired by a consignment agent (i.e., the investment broker or the investment dealer) through such sell or buy order are regarded as belonging to the customer in so far as the customer and



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the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving an investment broker or an investment dealer, the customer of the investment broker or the investment dealer is entitled to the proceeds of the securities sold by the investment broker or the investment dealer.

When a customer places a sell order with an investment broker or an investment dealer that is not a member of the KRX KOSPI Market or the KRX KOSDAQ Market and this investment broker or investment dealer places a sell order with another investment broker or investment dealer that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the FSCMA, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by members of the KRX KOSPI Market or the KRX KOSDAQ Market. If an investment broker or an investment dealer that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with an investment broker or an investment dealer is regarded as belonging to the investment broker or investment dealer, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the investment broker or the investment dealer if a bankruptcy or rehabilitation procedure is instituted against the investment broker or the investment dealer and, therefore, can suffer from loss or damage as a result. However, in case of the investment broker or the investment dealer's bankruptcy, liquidation, cancellation of investment broker or investment dealer license or other insolvency events, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of the investors, pay each investor up to a total of Won 50 million, which shall represent both actual cash deposited and any interest accrued thereon. Pursuant to the FSCMA, as amended, investment brokers or investment dealers are required to deposit the cash received from its customers at the securities finance company established pursuant to the FSCMA. Set-off or attachment of cash deposits by investment brokers or investment dealers is prohibited. The premiums related to this insurance are paid by investment brokers or investment dealers.

## **Clearance and Settlement**

The settlement of trades on the Korea Exchange is required to be handled by a settlement agency of the Korea Exchange. The Korea Securities Depository is the institution commissioned by the Korea Exchange to handle all such settlement of trades. The settlement of trades on the Korea Exchange takes place through a clearance and settlement procedure. The Korea Exchange has adopted the multilateral netting system and carries out the clearance of the trades by netting the sales and purchases of each Korea Securities Depository participant. The Korea Exchange is required to provide the daily net settlement results of the trades to the Korea Securities Depository one business day after the day of the sale and purchase contract. The Korea Securities Depository then handles settlement of the securities and the funds based on the information received from the Korea Exchange. The securities are settled through book-entry changes in the accounts of Korea Securities Depository participants and the funds are settled by transfer to an account at a bank designated by the Korea Securities Depository. Settlement of trades is generally required to take place on the third day following the day of the sale and purchase contract.



**Table of Contents****Item 9.D. *Selling Shareholders***

Not applicable

**Item 9.E. *Dilution***

Not applicable

**Item 9.F. *Expenses of the Issuer***

Not applicable

**Item 10. *Additional Information*****Item 10.A. *Share Capital***

Currently, our authorized share capital is 200,000,000 shares, which consists of shares of common stock, par value Won 5,000 per share ( Common Shares ) and shares of non-voting stock, par value Won 5,000 per share ( Non-Voting Preferred Shares ). Our Non-Voting Preferred Shares have a preferential right to dividend payments. Common Shares and Non-Voting Preferred Shares together are referred to as Shares. Under our articles of incorporation, we are authorized to issue Non-Voting Preferred Shares up to the limit prescribed by applicable law, the aggregate of which currently is one-half of our total issued and outstanding capital stock. As of December 31, 2011, 87,186,835 Common Shares were issued, of which 7,449,117 shares were held by us in treasury and an additional 2,493,274 shares were held by our treasury stock fund. We have never issued any Non-Voting Preferred Shares. All of the issued and outstanding Common Shares are fully-paid and non-assessable and are in registered form. We issue share certificates in denominations of 1, 3, 4, 5, 10, 50, 100, 500, 1,000 and 10,000 shares.

**Item 10.B. *Memorandum and Articles of Association***

This section provides information relating to our capital stock, including brief summaries of material provisions of our articles of incorporation, the FSCMA, the Commercial Code and related laws, all as currently in effect. The following summaries are subject to, and are qualified in their entirety by reference to, our articles of incorporation and the applicable provisions of the FSCMA and the Commercial Code. We have filed copies of our articles of incorporation and these laws (except for the newly enacted the FSCMA) as exhibits to registration statements under the Securities Act or the Securities Exchange Act previously filed by us.

**Dividends**

We distribute dividends to our shareholders in proportion to the number of shares owned by each shareholder. The Common Shares represented by the ADSs have the same dividend rights as other outstanding Common Shares.

Holders of Non-Voting Preferred Shares are entitled to receive dividends in priority to the holders of Common Shares in an amount not less than 9% of the par value of the Non-Voting Preferred Shares as determined by the board of directors at the time of their issuance. If the amount available for dividends is less than the aggregate amount of such minimum dividend, we do not have to declare dividends on the Non-Voting Preferred Shares.

We may declare dividends annually at the annual general meeting of shareholders which is held within three months after the end of the fiscal year. We pay the annual dividend shortly after the annual general meeting to the shareholders of record as of the end of the preceding fiscal year. We may distribute the annual dividend in cash, Shares or other form of property. However, a dividend of Shares

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must be distributed at par value. Dividends in Shares may not exceed one-half of the annual dividend. In addition, we may declare, and distribute in cash, interim dividends pursuant to a board resolution once a fiscal year. We have no obligation to pay any annual dividend unclaimed for five years from the payment date.

Under the Commercial Code, we may pay an annual dividend only to the extent the net asset amount in our balance sheets exceeds the sum of the following: (i) our stated capital, (ii) the total amount of our capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period, and (iii) the legal reserve to be set aside for annual dividend. We may not pay an annual dividend unless we have set aside as earned surplus reserve an amount equal to at least 10% of the cash portion of the annual dividend or unless we have accumulated earned surplus reserve of not less than one-half of our stated capital. We may not use legal reserve to pay cash dividends but may transfer amounts from legal reserve to capital stock or use legal reserve to reduce an accumulated deficit.

### **Distribution of Free Shares**

In addition to paying dividends in Shares out of our retained or current earnings, we may also distribute to our shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free shares. We must distribute such free shares to all our shareholders in proportion to their existing shareholdings.

### **Preemptive Rights and Issuance of Additional Shares**

We may issue authorized but unissued shares at the times and, unless otherwise provided in the Commercial Code, on the terms our board of directors may determine. All our shareholders are generally entitled to subscribe for any newly issued Shares in proportion to their existing shareholdings. We must offer new Shares on uniform terms to all shareholders who have preemptive rights and are listed on our shareholders register as of the relevant record date. Under the Commercial Code, we may vary, without shareholders' approval, the terms of these preemptive rights for different classes of shares. We must give public notice of the preemptive rights regarding new Shares and their transferability at least two weeks before the relevant record date. Our board of directors may determine how to distribute Shares for which preemptive rights have not been exercised or where fractions of Shares occur.

Under our articles of incorporation, we may issue new Shares pursuant to a board resolution to persons other than existing shareholders, who in these circumstances will not have preemptive rights, if the new Shares are:

offered publicly or to underwriters for underwriting pursuant to the FSCMA;

issued to members of our employee stock ownership association pursuant to the FSCMA;

represented by depositary receipts pursuant to the FSCMA;

issued in a general public offering pursuant to a board resolution in accordance with the FSCMA, the amount of which is no more than 10% of the outstanding Shares;

issued to our creditors pursuant to a debt-equity swap;

issued to domestic or foreign corporations pursuant to a joint venture agreement, strategic coalition or technology inducement agreement when deemed necessary for management purposes; or

issued to domestic or foreign financial institutions when necessary for raising funds in emergency cases.



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In addition, we may issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of Won 2 trillion, to persons other than existing shareholders.

Members of our employee stock ownership association, whether or not they are our shareholders, generally have a preemptive right to subscribe for up to 20% of the Shares publicly offered pursuant to the FSCMA. This right is exercisable only to the extent that the total number of Shares so acquired and held by members of our employee stock ownership association does not exceed 20% of the total number of Shares then issued. As of December 31, 2011, our employees owned, through our employee stock ownership association, approximately 0.02% of our common stock in their association accounts and 2.23% of our common stock in their employee accounts.

### **General Meeting of Shareholders**

We hold the annual general meeting of shareholders within three months after the end of each fiscal year. The record date of the register of shareholders is December 31 of each year, and such shareholders listed on the register of shareholder as of the record date are entitled to exercise their right at the general meeting of shareholders. Subject to a board resolution or court approval, we may hold an extraordinary general meeting of shareholders:

as necessary;

at the request of holders of an aggregate of 3% or more of our outstanding Shares;

at the request of shareholders holding an aggregate of 1.5% or more of our outstanding Shares for at least six months; or

at the request of our audit committee.

Holders of Non-Voting Preferred Shares may request a general meeting of shareholders only after the Non-Voting Preferred Shares become entitled to vote or enfranchised, as described under **Voting Rights** below.

We must give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks before the date of the general meeting of shareholders. However, for holders of 1% or less of the total number of issued and outstanding voting Shares, we may give notice by placing at least two public notices in at least two daily newspapers or by notices to be posted on the electronic disclosure database system maintained by the Financial Supervisory Service or the Korea Exchange at least two weeks in advance of the meeting. Currently, we use *The Seoul Shinmun* published in Seoul, *The Maeil Shinmun* published in Taegu and *The Kwangju Ilbo* published in Kwangju for this purpose. Shareholders not on the shareholders register as of the record date are not entitled to receive notice of the general meeting of shareholders or attend or vote at the meeting. Holders of Non-Voting Preferred Shares, unless enfranchised, are not entitled to receive notice of general meetings of shareholders, but may attend such meetings. Our general meetings of shareholders are held either in Pohang or Seoul.

### **Voting Rights**

Holders of our Common Shares are entitled to one vote for each Common Share, except that voting rights of Common Shares held by us, or by a corporate shareholder that is more than 10% owned by us either directly or indirectly, may not be exercised. The Commercial Code permitted cumulative voting, under which voting method each shareholder would have multiple voting rights corresponding to the number of directors to be appointed in the voting and may exercise all voting rights cumulatively to elect one director.

Our shareholders may adopt resolutions at a general meeting by an affirmative majority vote of the voting Shares present or represented at the meeting, where the affirmative votes also represent at least one-fourth of our total voting Shares then issued and outstanding. However, under the

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Commercial Code and our articles of incorporation, the following matters, among others, require approval by the holders of at least two-thirds of the voting Shares present or represented at a meeting, where the affirmative votes also represent at least one-third of our total voting Shares then issued and outstanding:

amending our articles of incorporation;

removing a director;

effecting any dissolution, merger or consolidation of us;

transferring the whole or any significant part of our business;

acquisition of all or a part of the business of any other company that may have a material impact on our business;

issuing any new Shares at a price lower than their par value; or

approving matters required to be approved at a general meeting of shareholders, which have material effects on our assets, as determined by the Board of Directors.

In general, holders of Non-Voting Preferred Shares are not entitled to vote on any resolution or receive notice of any general meeting of shareholders. However, in the case of amendments to our articles of incorporation, or any merger or consolidation of us, or in some other cases that affect the rights or interests of the Non-Voting Preferred Shares, approval of the holders of Non-Voting Preferred Shares is required. We may obtain the approval by a resolution of holders of at least two-thirds of the Non-Voting Preferred Shares present or represented at a class meeting of the holders of Non-Voting Preferred Shares, where the affirmative votes also represent at least one-third of our total issued and outstanding Non-Voting Preferred Shares.

Shareholders may exercise their voting rights by proxy. When a shareholder is a corporate entity, such shareholder may give proxies to its officers or directors.

Holders of ADRs exercise their voting rights through the ADR depository, an agent of which is the record holder of the underlying Common Shares. Subject to the provisions of the deposit agreement, ADR holders are entitled to instruct the ADR depository how to vote the Common Shares underlying their ADSs.

### **Rights of Dissenting Shareholders**

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their Shares. Only the shareholders who have executed a share purchase agreement evidencing their acquisition of the relevant Shares on or prior to the day immediately following the public disclosure of the board resolutions approving any of the aforementioned transactions have the rights to require us to purchase their Shares. To exercise this right, shareholders, including holders of Non-Voting Preferred Shares, must submit to us a written notice of their intention to dissent before the general meeting of shareholders. Within 20 days after the relevant resolution is passed at a meeting, the dissenting shareholders must request us in writing to purchase their Shares. We are obligated to purchase the Shares of dissenting shareholders within one month after the expiration of the 20-day period. The purchase price for the Shares is required to be determined through negotiation between the dissenting shareholders and us. If we cannot agree on a price through negotiation, the purchase price will be the average of (1) the weighted average of the daily Share prices on the Korea Exchange for the two-month period before the date of the adoption of the relevant board resolution, (2) the weighted average of the daily Share price on the Korea Exchange for the one month period before the date of the adoption of the relevant resolution and (3) the weighted



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average of the daily Share price on the Korea Exchange for the one week period before such date of the adoption of the relevant resolution. However, the court may determine this price if we or dissenting shareholders do not accept the purchase price. Holders of ADSs will not be able to exercise dissenters' rights unless they have withdrawn the underlying common stock and become our direct shareholders.

### **Register of Shareholders and Record Dates**

Our transfer agent, Kookmin Bank, maintains the register of our shareholders at its office in Seoul, Korea. It registers transfers of Shares on the register of shareholders on presentation of the Share certificates.

The record date for annual dividends is December 31. For the purpose of determining the shareholders entitled to annual dividends, the register of shareholders may be closed for the period from January 1 to January 15 of each year. Further, for the purpose of determining the shareholders entitled to some other rights pertaining to the Shares, we may, on at least two weeks' public notice, set a record date and/or close the register of shareholders for not more than three months. The trading of Shares and the delivery of share certificates may continue while the register of shareholders is closed.

### **Annual Report**

At least one week before the annual general meeting of shareholders, we must make our annual report and audited financial statements available for inspection at our principal office and at all of our branch offices. In addition, copies of annual reports, the audited financial statements and any resolutions adopted at the general meeting of shareholders will be available to our shareholders.

Under the FSCMA, we must file with the FSC and the Korea Exchange (1) an annual business report within 90 days after the end of our fiscal year, (2) a half-year report within 45 days after the end of the first six months of our fiscal year, and (3) quarterly reports within 45 days after the end of the third month and the ninth month of our fiscal year. Copies of these reports are or will be available for public inspection at the FSC and the Korea Exchange.

### **Transfer of Shares**

Under the Commercial Code, the transfer of Shares is effected by delivery of share certificates. However, to assert shareholders' rights against us, the transferee must have his name and address registered on our register of shareholders. For this purpose, a shareholder is required to file his name, address and seal with our transfer agent. A non-Korean shareholder may file a specimen signature in place of a seal, unless he is a citizen of a country with a sealing system similar to that of Korea. In addition, a non-resident shareholder must appoint an agent authorized to receive notices on his behalf in Korea and file a mailing address in Korea. The above requirements do not apply to the holders of ADSs.

Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a brokerage, dealing or collective investment license and internationally recognized custodians may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and securities regulations apply to the transfer of Shares by non-residents or non-Koreans. See Item 10. Additional Information Item 10.D. Exchange Controls.

Our transfer agent is Kookmin Bank, located at 36-3, Yeoido-dong, Yeongdeungpo-gu, Seoul, Korea.

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### **Acquisition of Shares by Us**

We may acquire our own Shares, subject to the approval by the general meeting of shareholders. In addition, we may acquire Shares through purchases on the Korea Exchange or through a tender offer or by acquiring the interests in a trust account holding our own Shares through agreements with trust companies and asset management companies. The aggregate purchase price for the Shares may not exceed the total amount available for distribution of dividends available at the end of the preceding fiscal year less the amount of dividends and mandatory reserves required to be set aside for that fiscal year, subject to certain procedural requirements.

In accordance with the Commercial Code, we may resell or transfer any Shares acquired by us to a third party, subject to the approval by the Board of Directors. In general, corporate entities in which we own more than 50% equity interest may not acquire our Shares. Under the FSCMA, we are subject to certain selling restrictions for the Shares acquired by us.

### **Liquidation Rights**

In the event of our liquidation, after payment of all debts, liquidation expenses and taxes, our remaining assets will be distributed among shareholders in proportion to their shareholdings. Holders of Non-Voting Preferred Shares have no preference in liquidation.

### **Item 10.C. Material Contracts**

None.

### **Item 10.D. Exchange Controls**

#### **Shares and ADSs**

The Foreign Exchange Transaction Act and the Presidential Decree and regulations under that Act and Decree (collectively, Foreign Exchange Transaction Laws ) and the Foreign Investment Promotion Law regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Under the Foreign Exchange Transaction Laws, non-residents may invest in Korean securities subject to procedural requirements in accordance with these laws. The FSC has also adopted, pursuant to its authority under the FSCMA, regulations that restrict investment by foreigners in Korean securities.

Subject to certain limitations, the Ministry of Strategy and Finance has the authority to take the following actions under the Foreign Exchange Transaction Laws:

if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the Ministry of Strategy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies; and

if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries is likely to adversely affect the Won, exchange rates or other macroeconomic policies, the Ministry of Strategy and Finance may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transactions with The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies.



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### **Government Review of Issuance of ADSs**

In order for us to issue shares represented by ADSs, we are required to file a prior report of the issuance with our designated foreign exchange bank or the Ministry of Strategy and Finance, depending on the issuance amount. No further Korean governmental approval is necessary for the initial offering and issuance of the ADSs.

Under current Korean laws and regulations, the depository bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between (1) the aggregate number of shares deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (2) the number of shares on deposit with the depository bank at the time of such proposed deposit. We can give no assurance that we would grant our consent, if our consent is required.

### **Reporting Requirements for Holders of Substantial Interests**

Under the FSCMA, any person whose direct or beneficial ownership of shares with voting rights, whether in the form of shares or ADSs, certificates representing the rights to subscribe for Shares and equity-related debt securities including convertible bonds and bonds with warrants (collectively, Equity Securities ) together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person accounts for 5% or more of the total outstanding Equity Securities is required to report the status and the purpose (whether or not to exert an influence on management control over the issuer) of the holdings to the FSC and the Korea Exchange within five business days after reaching the 5% ownership interest. In addition, any change in the purpose of holding such ownership interest or a change in the ownership interest subsequent to the report which equals or exceeds 1% of the total outstanding Equity Securities is required to be reported to the FSC and the Korea Exchange within five business days from the date of the change. However, the reporting deadline of such reporting requirement is extended to the tenth day of the month immediately following the month of such change in their shareholding for (1) certain professional investors, as specified under the FSCMA, or (2) persons who hold shares for purposes other than management control. Those who report the purpose of shareholding as management control of the issuer are prohibited from exercising their voting rights and acquiring additional shares for five days subsequent to their report under the FSCMA.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and may result in a loss of voting rights with respect to the ownership of Equity Securities exceeding 5%. Furthermore, the FSC may issue an order to dispose of non-reported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of a company's shares accounts for 10% or more of the total issued and outstanding shares with voting rights (a major stockholder ) must report the status of his or her shareholding to the Securities and Futures Commission and the Korea Exchange within five business days after he or she becomes a major stockholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Securities and Futures Commission and the Korea Exchange by the fifth business day of any changes in his or her shareholding. Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment.

Under the KRX regulations, if a company listed on the KRX KOSPI Market has submitted public disclosure of material matters to a foreign financial investment supervisory authority pursuant to the laws of the foreign jurisdiction, then it must submit a copy of the public disclosure and a Korean translation thereof to the Korea Exchange. In addition, if a company listed on the KRX KOSPI Market is approved for listing on a foreign stock exchange or determined to be de-listed from the foreign stock exchange or actually lists on, or de-lists from, a foreign stock exchange, then it must submit to the

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Korea Exchange a copy, together with a Korean translation thereof, of all documents submitted to, or received from, the relevant foreign government, supervisory authority or stock exchange.

### **Restrictions Applicable to ADSs**

No Korean governmental approval is necessary for the sale and purchase of ADSs in the secondary market outside Korea or for the withdrawal of shares underlying ADSs and the delivery inside Korea of shares in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service ( FSS ) as described below. The acquisition of the shares by a foreigner must be immediately reported by the foreigner or his standing proxy in Korea to the Governor of the FSS ( Governor ).

Persons who have acquired shares as a result of the withdrawal of shares underlying the ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further governmental approval.

In addition, under the FSC regulations, effective as of November 30, 2006, we are required to file a securities registration statement with the FSC and such securities registration statement has to become effective pursuant to the FSCMA in order for us to issue shares represented by ADSs, except in certain limited circumstances.

### **Restrictions Applicable to Shares**

Under the Foreign Exchange Transaction Laws and FSC regulations (together, the Investment Rules ), foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market only through the KRX KOSPI Market, except in limited circumstances, including, among others:

odd-lot trading of shares;

acquisition of shares ( Converted Shares ) by exercise of warrant, conversion right under convertible bonds or withdrawal right under depositary receipts issued outside of Korea by a Korean company;

acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders rights, including preemptive rights or rights to participate in free distributions and receive dividends;

over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded with certain exceptions;

shares acquired by direct investment as defined in the Foreign Investment Promotion Law;

disposal of shares pursuant to the exercise of appraisal rights of dissenting shareholders;

disposal of shares in connection with a tender offer;

acquisition of shares by a foreign depositary in connection with the issuance of depositary receipts;

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acquisition and disposal of shares through overseas stock exchange market if such shares are simultaneously listed on the KRX KOSPI Market or the KRX KOSDAQ Market and such overseas stock exchange; and

arm's length transactions between foreigners, if all of such foreigners belong to an investment group managed by the same person.

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The Investment Rules require a foreign investor who wishes to invest in shares for the first time on the Korea Exchange (including Converted Shares) to register its identity with the FSS prior to making any such investment; however, the registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling such Converted Shares within three months from the date of acquisition of the Converted Shares or who acquire the shares in an over-the-counter transaction or dispose of shares where such acquisition or disposal is deemed to be a foreign direct investment pursuant to the Foreign Investment Promotion Law. Upon registration, the FSS will issue to the foreign investor an investment registration card which must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license or dealing license in Korea. Foreigners eligible to obtain an investment registration card include foreign nationals who are individuals residing abroad for more than six months, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by decree of the Ministry of Strategy and Finance. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the Korea Exchange, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares outside the Korea Exchange (as discussed above) must be reported by the foreign investor or his standing proxy to the Governor at the time of each such acquisition or sale; *provided, however*, that a foreign investor must ensure that any acquisition or sale by it of shares outside the Korea Exchange in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the Governor by the Korea Securities Depository, financial investment companies with a dealing or brokerage license or securities finance companies engaged to facilitate such transaction. A foreign investor must appoint one or more standing proxies from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks) financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians which will act as a standing proxy to exercise shareholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the Governor in cases deemed inevitable by reason of conflict between laws of Korea and those of the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. Only foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license, the Korea Securities Depository and internationally recognized custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that his custodian deposits its shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the Governor in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person according to its articles of incorporation. We set this ceiling at 3% until the discontinuation of our designation as a public corporation on September 28, 2000. As a result, we currently do not have any ceiling on the acquisition of shares by a single person or by foreigners in the

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aggregate. Furthermore, an investment by a foreign investor of not less than 10% of the outstanding shares with voting rights of a Korean company is defined as a direct foreign investment under the Foreign Investment Promotion Law, which is, in general, subject to the report to, and acceptance by, the Ministry of Knowledge Economy. The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign shareholding restrictions in the event that the restrictions are prescribed in each specific law which regulates the business of the Korean company.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened in the name of a financial investment company with a dealing, brokerage or collective investment license. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Dividends on Shares are paid in Won. No governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing, brokerage or collective investment license or his Won Account. Funds in the investor's Won Account may be transferred to his foreign currency account or withdrawn for local living expenses up to certain limitations. Funds in the Won Account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with a dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, these financial investment companies and asset management companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, as counterparty to foreign investors, without the investors having to open their own accounts with foreign exchange banks.

**Item 10.E. Taxation**

The following summary is based upon tax laws of the United States and Korea as in effect on the date of this annual report on Form 20-F, and is subject to any change in United States or Korean law that may come into effect after such date. Investors in the shares of common stock or ADSs are advised to consult their own tax advisers as to the United States, Korean or other tax consequences of the purchase, ownership and disposition of such securities, including the effect of any national, state or local tax laws.

**Korean Taxation**

The following is a summary of the principal Korean tax consequences to owners of the common shares or ADSs, as the case may be, who are non-resident individuals or non-Korean corporations without a permanent establishment in Korea to which the relevant income is attributable or with which the relevant income is effectively connected ( Non-resident Holders ). The statements regarding Korean tax laws set forth below are based on the laws in force and as interpreted by the Korean taxation authorities as of the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the common shares or ADSs, including specifically the tax consequences under Korean law, the laws of the jurisdiction of which they are resident, and any tax treaty between Korea and their country of residence, by consulting their own tax advisors.

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**Table of Contents*****Tax on Dividends***

Dividends on the common shares or ADSs paid (whether in cash or in shares) to a Non-resident Holder will be subject to Korean withholding taxes at the rate of 22% (including local income tax) or such lower rate as is applicable under a treaty between Korea and such Non-resident Holder's country of tax residence. Free distributions of shares representing a capitalization of certain capital surplus reserves may be subject to Korean withholding taxes.

The tax is withheld by the payer of the dividend. Since the payer is required to withhold the tax, Korean law does not entitle the person who was subject to the withholding of Korean tax to recover from the Government any part of the Korean tax withheld, even if it subsequently produces evidence that it was entitled to have tax withheld at a lower rate, except in certain limited circumstances.

***Tax on Capital Gains***

As a general rule, capital gains earned by Non-resident Holders upon transfer of the common shares or ADSs are subject to Korean withholding tax at the lower of (i) 11% (including local income tax) of the gross proceeds realized or (ii) 22% (including local income tax) of the net realized gains (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs), unless exempt from Korean income taxation under the effective Korean tax treaty with the Non-resident Holder's country of tax residence.

However, a Non-resident Holder will not be subject to Korean income taxation on capital gains realized upon the sale of the common shares through the KRX KOSPI Market if the Non-resident Holder (i) has no permanent establishment in Korea and (ii) did not or has not owned (together with any shares owned by any entity with a specified special relationship with such Non-resident Holder) 25% or more of the total issued and outstanding shares of us at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

It should be noted that capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside Korea will generally be exempt from Korean income taxation, provided that the ADSs are deemed to have been issued overseas. If and when an owner of the underlying common shares transfers the ADSs following the conversion of the underlying shares for ADSs, such person will not be exempt from Korean income taxation.

***Inheritance Tax and Gift Tax***

Korean inheritance tax is imposed upon (1) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (2) 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 vary according to the identity of the parties involved.

Under Korean inheritance and gift tax laws, securities issued by a Korean corporation are deemed to be located in Korea irrespective of where they are physically located or by whom they are owned.

***Securities Transaction Tax***

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or the right to subscribe for such shares generally at the rate of 0.5% of the sales price. In the case of the transfer of shares listed on the KRX KOSPI Market (such as the common shares), the securities transaction tax is imposed generally at the rate of (i) 0.3% of the sales price of such shares (including agricultural and fishery special surtax thereon) if traded on the KRX KOSPI Market or (ii) subject to certain exceptions, 0.5% of the sales price of such shares if traded outside the KRX KOSPI Market.

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Securities transaction tax or the agricultural and fishery special surtax is not applicable if (i) the shares or rights to subscribe for shares are listed on a designated foreign stock exchange and (ii) the sale of the shares takes place on such exchange.

Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay (to the tax authority) the tax, and when such transfer is made through a financial investment company with a brokerage license only, such company is required to withhold and pay the tax. Where the transfer is effected by a Non-resident Holder without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company with a brokerage license, the transferee is required to withhold the securities transaction tax. Failure to do so will result in the imposition of penalties equal to the sum of (i) between 10% to 40% of the tax amount due, depending on the nature of the improper reporting, and (ii) 10.95% per annum on the tax amount due for the default period.

***Tax Treaties***

Currently, Korea has income tax treaties with a number of countries, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Ireland, 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 dividend and interest is reduced, generally to between 5% and 16.5% (including local income tax), and the tax on capital gains derived by a non-resident from the transfer of securities issued by a Korean company is often eliminated.

Each Non-resident Holder of common shares should inquire for itself whether it is entitled to the benefits of a tax treaty with Korea. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest, dividend, capital gains or other income to submit to us (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, prior to or at the time of payment, such evidence of tax residence of the party claiming the treaty benefit as the Korean tax authorities may require in support of its claim for treaty protection. In the absence of sufficient proof, we (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, must withhold tax at the normal rates.

Furthermore, in order for a non-resident of Korea to obtain the benefits of tax exemption on certain Korean source income (e.g., capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agent) to submit to the payer of such Korean source income an application for a tax exemption along with a certificate of tax residency of such non-resident issued by a competent authority of the non-resident's country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

For a non-resident of Korea to obtain the benefits of treaty-reduced tax rates on certain Korean source income (e.g, capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agents) to submit to the payer of such Korean source income an application for treaty-reduced tax rates prior to receipt of such Korean source income; provided, however, that an owner of ADSs who is a non-resident of Korea is not required to submit such application, if the Korean source income on the ADSs is paid through an account opened at the Korea Securities Depository by a foreign depository.

At present, Korea has not entered into any tax treaty relating to inheritance or gift tax.

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**United States Taxation**

This summary describes the material U.S. federal income tax consequences for a U.S. holder (as defined below) of owning our shares of common stock or ADSs. This summary applies to you only if you hold shares of common stock or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;

a bank;

a life insurance company;

a tax-exempt organization;

a person that holds shares of common stock or ADSs that are a hedge or that are hedged against interest rate or currency risks;

a person that holds shares of common stock or ADSs as part of a straddle or conversion transaction for tax purposes;

a person whose functional currency for tax purposes is not the U.S. dollar; or

a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on laws, treaties and regulatory interpretations in effect on the date hereof, all of which are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local and other national tax consequences of purchasing, owning and disposing of shares of common stock or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are a beneficial owner of a share of common stock or ADS that is:

a citizen or resident of the United States;

a U.S. domestic corporation; or

subject to U.S. federal income tax on a net income basis with respect to income from the share of common stock or ADS.

***Shares of Common Stock and ADSs***



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In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the shares of common stock represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the shares of common stock represented by that ADS.

### *Dividends*

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your (or, in the case of ADSs, the depository's) receipt of the

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dividend, regardless of whether the payment is in fact converted into Dollars. If such a dividend is converted into Dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. holders should consult their own tax advisers regarding the treatment of any foreign currency gain or loss on any Won received by U.S. holders that are converted into Dollars on a date subsequent to receipt.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2013 with respect to the ADSs and common stock will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ADSs and common stock will be treated as qualified dividends if (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company ( PFIC ). The income tax treaty between Korea and the United States ( Treaty ) has been approved for the purposes of the qualified dividend rules, and we believe we are eligible for benefits under the Treaty. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2010 or 2011 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2012 taxable year. You should consult your own tax advisers regarding the availability of the reduced dividend tax rate in the light of your own particular circumstances.

Distributions of additional shares in respect of shares of common stock or ADSs that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

*Sales and Other Dispositions*

For U.S. federal income tax purposes, gain or loss that you realize on the sale or other disposition of shares of common stock or ADSs will be capital gain or loss, and will be long-term capital gain or loss if the shares of common stock or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at a reduced rate.

*Foreign Tax Credit Considerations*

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you generally may claim a credit, up to any applicable reduced rates provided under the Treaty, against your U.S. federal income tax liability for Korean taxes withheld from dividends on shares of common stock or ADSs, so long as you have owned the shares of common stock or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, at your election, deduct such Korean taxes in computing your taxable income, provided that you do not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant tax year and subject to generally applicable limitations under U.S. tax law. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain hedged positions in securities and may not be allowed in respect of arrangements in which your expected economic profit is insubstantial. You may not be able to use the foreign tax credit associated with any Korean withholding tax imposed on a distribution of additional shares that is not subject to U.S. tax unless you can use the credit against United States tax due on other foreign-source income.

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Any Korean securities transaction tax or agriculture and fishery special tax that you pay will not be creditable for foreign tax credit purposes.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involves the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

***U.S. Information Reporting and Backup Withholding Rules***

Payments in respect of the notes, shares of common stock or ADSs that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (1) is a corporation or other exempt recipient or (2) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

***Item 10.F. Dividends and Paying Agents***

See Item 8.A. Consolidated Statements and Other Financial Information Dividends above for information concerning our dividend policies and our payment of dividends. See Item 10.B. Memorandum and Articles of Association Dividends for a discussion of the process by which dividends are paid on shares of our common stock. The paying agent for payment of our dividends on ADSs in the United States is the Bank of New York Mellon.

***Item 10.G. Statements by Experts***

Not applicable

***Item 10.H. Documents on Display***

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 read and copy any materials filed with the SEC at the Public Reference Rooms in Washington, D.C., New York, New York and Chicago, Illinois. You may obtain information on the operation of the Public Reference Room 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>.

***Item 10.I. Subsidiary Information***

Not applicable

***Item 11. Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities, and to changes in the commodity prices of principal raw materials and the market value of our equity investments. Following evaluation of these positions, we selectively enter into derivative financial instruments to manage the related risk exposures. These contracts are entered into with major financial institutions, which minimizes the risk of credit loss. The activities of our finance division are subject to policies approved by our senior management. These policies address the use of derivative financial instruments, including the approval of counterparties, setting of limits and

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investment of excess liquidity. Our general policy is to hold or issue derivative financial instruments for hedging purposes. From time to time, we may also enter into derivative financial contracts for trading purposes.

**Exchange Rate Risk**

Korea is our most important market and, therefore, a substantial portion of our cash flow is denominated in Won. Most of our exports are denominated in Dollars. Japan is also an important market for us, and we derive significant cash flow denominated in Yen. We are exposed to foreign exchange risk related to foreign currency denominated liabilities and anticipated foreign exchange payments. Anticipated foreign exchange payments, which represent a substantial sum and are mostly denominated in Dollars, relate primarily to imported raw material costs and freight costs. Foreign currency denominated liabilities relate primarily to foreign currency denominated debt. We use, to a limited extent, cross-currency interest rate swaps to reduce our exchange rate exposure with respect to foreign currency denominated debt. Under cross-currency interest rate swaps, we typically agree with the other parties to exchange, at the maturity date, a fixed amount denominated in one currency with a fixed amount denominated in another currency. Until the maturity date, we agree to exchange interest payments, at specified intervals, calculated based on different interest rates for each currency. We also use, to a limited extent, currency forward contracts to purchase Dollars to reduce our exchange rate exposure. Under currency forward contracts, we typically agree with the other parties to exchange, at the maturity date, a fixed amount denominated in Dollars with an amount denominated in Yen or Won at a fixed exchange rate.

Our foreign currency exposure and changes in gain or loss resulting from a 10% foreign exchange rate change against the Korean Won are as follows:

	For the Years Ended December 31,			
	2010		2011	
	Increase	Decrease	Increase	Decrease
	(In billions of Won)			
US Dollars	(Won) (495)	(Won) 495	(Won) (706)	(Won) 706
Japanese Yen	(245)	245	(212)	212
Euro	(Won) (14)	(Won) 14	(Won) (34)	(Won) 34

**Interest Rate Risk**

We are also subject to market risk exposure arising from changing interest rates. In particular, we are exposed to interest rate risk on our existing floating rate borrowings and on additional debt financings that we may periodically undertake for various reasons, including capital expenditures and refinancing of our existing borrowings. A rise in interest rates will increase the cost of our existing variable rate borrowings. If interest rates on borrowings with floating rates had been 1% higher or lower with all other variables held constant, the impact on the gain or loss of the applicable period would be as follows:

	For the Years Ended December 31,	
	2010	2011
	(In billions of Won)	
Increase or decrease in annual profit and net equity	(Won) 16	(Won) 26

A reduction of interest rates also increases the fair value of our debt portfolio, which is primarily of a fixed interest nature. From time to time, we use, to a limited extent, interest rate swaps to reduce interest rate volatility on some of our debt and manage our interest expense by achieving a balanced mixture of floating and fixed rate debt.

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The following table summarizes the carrying amounts, fair values, principal cash flows by maturity date and weighted average interest rates of our short-term and long-term liabilities as of December 31, 2011 which are sensitive to exchange rates and/or interest rates. The information is presented in Won, which is our reporting currency.

	Maturities						December 31, 2011	December 31, 2010		
	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value	Total	Fair Value
(In billions of Won except rates)										
<b>Local currency:</b>										
Fixed rate	6,078	1,007	813	1,215	1,502	1,028	11,643	11,766	8,426	8,599
Average weighted rate <sup>(1)</sup>	4.54%	4.09%	3.99%	3.74%	3.55%	3.99%	4.2%		5.17%	
Variable rate	865	219	228	19	19	98	1,448	1,450	243	243
Average weighted rate <sup>(1)</sup>	3.47%	2.1%	2.33%	2.06%	2.09%	2.01%	2.95%		2.74%	
Sub-total	6,943	1,226	1,041	1,234	1,521	1,126	13,091	13,216	8,669	8,842
<b>Foreign currency, principally Dollars and Yen:</b>										
Fixed rate	4,001	1,477	2,006	1,068	1,754	2,644	12,950	13,115	10,987	11,2087
Average weighted rate <sup>(1)</sup>	1.67%	2.42%	2.46%	2.78%	2.39%	2.51%	2.24%		2.64%	
Variable rate	765	161	135	30	45	53	1,189	1,203	1,627	1,601
Average weighted rate <sup>(1)</sup>	2.15%	2.68%	2.37%	1.34%	1.34%	1.34%	2.16%		2.18%	
Sub-total	4,766	1,638	2,141	1,098	1,799	2,697	14,139	14,318	12,614	12,809
<b>Total</b>	<b>11,709</b>	<b>2,864</b>	<b>3,182</b>	<b>2,332</b>	<b>3,320</b>	<b>3,823</b>	<b>27,230</b>	<b>27,534</b>	<b>21,283</b>	<b>21,651</b>

(1) Weighted average rates of the portfolio at the period end.

**Commodity Price Risk**

We are exposed to market risk of price fluctuations related to the purchase of raw materials, especially iron ore and coal. To ensure adequate supply of raw materials, we enter into long-term supply contracts to purchase iron ore, coal, nickel, chrome, stainless steel scrap and LNG. These contracts generally have terms of three to ten years and provide for periodic price adjustments to then-market prices. The long-term contracts to purchase iron ore and coal generally provide for quarterly adjustments to the purchase prices to be determined through negotiation between the supplier and us. Such price negotiations 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. Typically, globally influenced buyers and sellers of raw materials determine benchmark prices of raw materials, based on which other buyers and sellers negotiate their prices after taking into consideration the quality of raw materials and other factors. In case of iron ore, if we fail to agree on the quarterly price adjustment within a predetermined deadline, the supplier and we typically agree on the purchase price based on the price formula that reflects the spot market price as well as the quality of iron ore and transportation expense. As of December 31, 2011, 261 million tons of iron ore and 38 million tons of coal remained to be purchased under long-term supply contracts. 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.

**Equity Price Risk**

We are exposed to equity price risk primarily from changes in the stock price of SK Telecom and Nippon Steel Corporation. As of December 31, 2011, a special purpose vehicle created by us holds a



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2.71% interest in SK Telecom, which are placed as collateral for exchangeable bonds issued in August 2011, and we hold a 3.50% interest in Nippon Steel Corporation. We have not entered into any derivative instruments or any other arrangements to manage our equity price risks.

**Item 12. Description of Securities Other than Equity Securities**

Not applicable

**Item 12.A. Debt Securities**

Not applicable

**Item 12.B. Warrants and Rights**

Not applicable

**Item 12.C. Other Securities**

Not applicable

**Item 12.D. American Depositary Shares**

**Fees and Charges**

Under the terms of the deposit agreement, holders of our ADSs are required to pay the following service fees to the depository:

Services	Fees
Issuance of ADSs upon deposit of shares	Up to \$0.05 per ADS issued
Delivery of deposited shares against surrender of ADSs	Up to \$0.05 per ADS surrendered
Distribution delivery of ADSs pursuant to sale or exercise of rights	Up to \$0.05 per ADS held
Distributions of dividends	Up to \$0.02 per ADS held
Distribution of securities other than ADSs	A fee equivalent to the fee that would be payable if securities distributed had been shares and such shares had been deposited for issuance of ADSs.
Other corporate action involving distributions to shareholders	1. As necessary for taxes and other governmental charges that the depository or the custodian have to pay on any ADS or share underlying an ADS (for example, stock transfer taxes, stamp duty or withholding taxes).  2. As necessary for any charges incurred by the depository or its agents for servicing the deposited securities.

Holders of our ADSs are also responsible for paying certain fees and expenses incurred by the depository and certain taxes and governmental charges such as:

fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares);

expenses incurred for converting foreign currency into U.S. dollars;

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expenses for cable, telex and fax transmissions and for delivery of securities;

taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit); and

fees and expenses incurred in connection with the delivery or servicing of shares on deposit.



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Depository fees payable upon the issuance and surrender of ADSs are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for surrender. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depository charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Korea Securities Depository, or KSD), the depository generally collects its fees through the systems provided by KSD (whose nominee is the registered holder of the ADSs held in KSD) from the brokers and custodians holding ADSs in their KSD accounts. The brokers and custodians who hold their clients ADSs in KSD accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

In the event of refusal to pay the depository fees, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to such holder of ADSs.

The fees and charges that holders of our ADSs may be required to pay may vary over time and may be changed by us and by the depository. Holders of our ADSs will receive prior notice of such changes.

**Fees and Payments from the Depository to Us**

In 2011, we received the following payments from the depository:

Reimbursement of NYSE listing fees:	\$ 60,185
Reimbursement of London Stock Exchange listing fees:	\$ 6,868
Reimbursement of Tokyo Stock Exchange fees:	\$ 5,020
Reimbursement of proxy process expenses (printing, postage and distribution):	\$ 83,235
Contributions toward our investor relations efforts:	\$ 613,269

In addition, as part of its service to us, the depository waives its fees for the standard costs associated with the administration of the ADS facility, associated operating expenses, investor relations advice and access to an internet-based tool used in our investor relations activities.

**PART II****Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not applicable

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**Item 15. Controls and Procedures**

**a. Disclosure Controls and Procedures**

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2011. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**b. Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed by, and under the supervision of, our principal executive, principal operating and principal financial officers, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has completed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2011 based on criteria in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2011.

KPMG Samjong Accounting Corp. ( KPMG Samjong ), an independent registered public accounting firm, which audited our consolidated financial statements as of, and for the year ended, December 31, 2011, as stated in their report which is included herein, has issued an attestation report on the effectiveness of our internal control over financial reporting.

**Table of Contents****c. Attestation Report of the Independent Registered Public Accounting Firm**

The attestation report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting is furnished in Item 18 of this Form 20-F.

**d. Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting that occurred during the year covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 16. [Reserved]****Item 16A. Audit Committee Financial Expert**

At our annual general meeting of shareholders in March 2012, our shareholders elected the following two members to the audit committee: Lee, Chang-Hee (committee chair) and Lee, Young-Sun. The board of directors has approved this newly elected audit committee. Lee, Chang-Hee is an audit committee financial expert and is independent within the meaning of applicable SEC rules.

**Item 16B. Code of Ethics**

We have adopted a code of business conduct and ethics, as defined in Item 16B. of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of business conduct and ethics, called Code of Conduct, applies to our chief executive officer and chief financial officer, as well as to our directors, other officers and employees. Our Code of Conduct is available on our web site at [www.posco.com](http://www.posco.com). If we amend the provisions of our Code of Conduct that apply to our chief executive officer or chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

**Item 16C. Principal Accountant Fees and Services****Audit and Non-Audit Fees**

The following table sets forth the fees billed to us by our independent auditor, KPMG in 2010 and 2011:

	For the Year Ended December 31,	
	2010	2011
	(In millions of Won)	
Audit fees	(Won) 5,198	(Won) 5,846
Audit-related fees	750	946
Tax fees	477	687
Other fees	439	222
<b>Total fees</b>	<b>(Won) 6,864</b>	<b>(Won) 7,701</b>

Audit fees in 2011 as set forth in the above table are the aggregate fees billed by KPMG Samjong, the Korean member firm of KPMG International, in connection with the audit of our annual financial statements and the annual financial statements of other related companies and review of interim financial statements.

Audit-related fees in 2011 as set forth in the above table are the aggregate fees billed by KPMG Samjong for due diligence service related to an acquisition project, accounting advisory service on consolidation and general consultation on financial accounting and reporting standards.

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Tax fees in 2011 as set forth in the above table are fees billed by KPMG Samjong for our tax compliance and tax planning, as well as tax planning and preparation of other related companies.

Other fees in 2011 as set forth in the above table are fees billed by KPMG Samjong primarily related to research on advanced developments of enterprise risk management.

**Audit Committee Pre-Approval Policies and Procedures**

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or us.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets forth the repurchases of common shares by us or any affiliated purchasers during the fiscal year ended December 31, 2011:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (In Won)	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
January 1 to January 31				
February 1 to February 29				
March 1 to March 31				
April 1 to April 30				
May 1 to May 31				
June 1 to June 30				
July 1 to July 31				
August 1 to August 31				
September 1 to September 30				
October 1 to October 31				
November 1 to November 30				
December 1 to December 31				
Total				

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable

**Item 16G. Corporate Governance**

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law and in accordance with our own internal procedures. The following is a summary of such significant differences.



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**NYSE Corporate Governance Standards  
Director Independence**

Independent directors must comprise a majority of the board

**Nomination/Corporate Governance Committee**

Listed companies must have a nomination/corporate governance committee composed entirely of independent directors

**Compensation Committee**

Listed companies must have a compensation committee composed entirely of independent directors

**Executive Session**

Listed companies must hold meetings solely attended by non-management directors to more effectively check and balance management directors

**Audit Committee**

Listed companies must have an audit committee that is composed of minimum of three directors and satisfy the requirements of Rule 10A-3 under the Exchange Act

**Shareholder Approval of Equity Compensation Plan**

Listed companies must allow their shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan

**Corporate Governance Guidelines**

Listed companies must adopt and disclose corporate governance guidelines

**Code of Business Conduct and Ethics**

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers

**Item 16H. Mine Safety Disclosure**

Not applicable

**POSCO's Corporate Governance Practice**

Our articles of incorporation provide that our board of directors must comprise no less than a majority of Outside Directors. Our Outside Directors must meet the criteria for outside directorship set forth under the Korean Securities and Exchange Act.

The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange's standards), and 7 out of 12 directors are Outside Directors. Under our articles of incorporation, we may have up to five Inside Directors and seven Outside Directors.

We have not established a separate nomination corporate governance committee. However, we maintain a Director Candidate Recommendation Committee composed of three Outside Directors and one Inside Director.

We maintain an Evaluation and Compensation Committee composed of four Outside Directors.

Our Outside Directors hold meetings solely attended by Outside Directors in accordance with operation guidelines of our board of directors.

We maintain an Audit Committee comprised of three Outside Directors who meet the applicable independence criteria set forth under Rule 10A-3 under the Exchange Act.

We currently have an Employee Stock Ownership Program.

We previously provided a stock options program for officers and directors, as another equity compensation plan. However, during our annual shareholders' meeting in February 2006, our shareholders resolved to terminate the stock option program and amended our articles of incorporation to delete the provision allowing grant of stock options to officers and directors. Consequently, since February 24, 2006, we have not granted stock options to officers and directors. Matters related to the Employee Stock Ownership Program are not subject to shareholders approval under Korean law.

We have adopted a Corporate Governance Charter setting forth our practices with respect to relevant corporate governance matters. Our Corporate Governance Charter is in compliance with Korean law but does not meet all requirements established by the New York Stock Exchange for U.S. companies listed on the exchange. A copy of our Corporate Governance Charter is available on our website at [www.posco.com](http://www.posco.com).

We have adopted a Code of Conduct for all directors, officers and employees. A copy of our Code of Conduct is available on our website at [www.posco.com](http://www.posco.com).

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**PART III**

**Item 17. Financial Statements**

Not applicable

**Item 18. Financial Statements**

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<u>Report of Independent Registered Public Accounting Firm, KPMG Samjong Accounting Corp., on Consolidated Financial Statements</u>	F-1
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<u>Consolidated Statements of Financial Position as of December 31, 2011, 2010 and January 1, 2010</u>	F-3
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**Item 19. Exhibits**

- 1.1 Articles of Incorporation of POSCO (English translation)
- 2.1 Form of Common Stock Certificate (including English translation) (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement No. 33-81554)\*
- 2.2 Form of Deposit Agreement (including Form of American Depositary Receipts) (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)\*
- 2.3 Letter from ADR Depository to the Registrant relating to the Pre-release of American Depositary Receipts (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)\*
- 8.1 List of consolidated subsidiaries
- 12.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* Filed previously

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

POSCO:

We have audited the accompanying consolidated statements of financial position of POSCO and subsidiaries (the Company) as of December 31, 2011, 2010 and January 1, 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of POSCO and subsidiaries as of December 31, 2011, 2010 and January 1, 2010 and the results of their operations and their cash flows for the years ended December 31, 2011 and 2010, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As described in note 12 to the consolidated financial statements, the Company changed the useful life of major machinery and equipment from 8 years to 15 years from January 1, 2011. For the year ended December 31, 2011, this change resulted in a reduction in depreciation expenses of (Won)1,227,169 million.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of POSCO's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 25, 2012 expressed an unqualified opinion on the effectiveness of POSCO's internal control over financial reporting.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

April 25, 2012

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**Report of Independent Registered Public Accounting Firm  
on Internal Control over Financial Reporting**

The Board of Directors and Stockholders

POSCO:

We have audited POSCO's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). POSCO's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on POSCO's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, POSCO maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of POSCO and subsidiaries as of December 31, 2011, 2010 and January 1, 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010, and our report dated April 25, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

April 25, 2012

**Table of Contents****POSCO****Consolidated Statements of Financial Position****As of December 31, 2011, 2010 and January 1, 2010**

	Notes	December 31, 2011	December 31, 2010	January 1, 2010
(in millions of Won)				
<b>Assets</b>				
Cash and cash equivalents	4,5,20	(Won) 4,598,682	3,521,045	2,273,059
Trade accounts and notes receivable, net	6,20,25	11,450,515	9,219,011	5,300,233
Other short-term financial assets	7,20	3,656,270	4,383,302	7,211,023
Inventories	8	12,283,644	9,559,206	4,918,413
Current income tax assets	31	18,621	17,654	11,980
Assets held for sale	9	329,037		24,961
Other current assets	14	1,220,142	972,159	690,186
<b>Total current assets</b>		<b>33,556,911</b>	<b>27,672,377</b>	<b>20,429,855</b>
Long-term trade accounts and notes receivable, net	6,20	183,061	273,622	522,775
Other long-term financial assets	7,20	5,125,672	6,417,038	5,308,660
Investments in associates	10	3,831,659	3,306,425	950,449
Investment property, net	11	527,533	493,365	558,207
Property, plant and equipment, net	12	28,453,184	25,437,740	22,342,747
Intangible assets, net	13	5,244,928	4,619,169	754,231
Deferred tax assets	31	855,603	538,876	409,748
Other long-term assets	14	630,287	659,814	250,475
<b>Total non-current assets</b>		<b>44,851,927</b>	<b>41,746,049</b>	<b>31,097,292</b>
<b>Total assets</b>	36	(Won) <b>78,408,838</b>	<b>69,418,426</b>	<b>51,527,147</b>

*See accompanying notes to consolidated financial statements.*

**Table of Contents****POSCO****Consolidated Statements of Financial Position****As of December 31, 2011, 2010 and January 1, 2010**

	Notes	December 31, 2011	December 31, 2010	January 1, 2010
(in millions of Won)				
<b>Liabilities</b>				
Trade accounts and notes payable	20	(Won) 4,397,279	3,980,701	2,392,317
Short-term borrowings and current installments of long-term borrowings	4,15,20	10,791,510	10,476,300	3,958,099
Other short-term financial liabilities	16,20	1,811,190	1,520,877	1,054,714
Current income tax liabilities	31	509,709	779,018	389,675
Liabilities related assets held for sale	9	226,607		80
Provisions	17	69,432	63,809	63,305
Other current liabilities	19,25	1,799,631	1,456,072	1,155,441
<b>Total current liabilities</b>		19,605,358	18,276,777	9,013,631
Long-term trade accounts and notes payable	20	383	378	
Long-term borrowings, excluding current installments	4,15,20	16,020,207	10,663,941	8,241,386
Other long-term financial liabilities	16,20	350,560	175,774	205,096
Defined benefits obligations	18	340,467	503,126	315,418
Deferred tax liabilities	31	1,168,097	1,028,728	377,539
Long-term provisions	17	109,343	152,149	12,005
Other long-term liabilities	19	84,503	80,386	28,391
<b>Total non-current liabilities</b>		18,073,560	12,604,482	9,179,835
<b>Total liabilities</b>	36	(Won) 37,678,918	30,881,259	18,193,466
<b>Equity</b>				
Share capital	21	482,403	482,403	482,403
Capital surplus	21	1,150,452	1,101,561	1,199,666
Reserves	22	405,426	1,507,288	833,806
Treasury shares	23	(2,391,406)	(2,403,263)	(2,403,263)
Retained earnings		38,709,475	35,887,697	32,567,352
<b>Equity attributable to owners of the controlling company</b>		38,356,350	36,575,686	32,679,964
<b>Non-controlling interests</b>		2,373,570	1,961,481	653,717
<b>Total equity</b>		40,729,920	38,537,167	33,333,681
<b>Total liabilities and equity</b>		(Won) 78,408,838	69,418,426	51,527,147

See accompanying notes to consolidated financial statements.

**Table of Contents****POSCO****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2011 and 2010**

	Notes	December 31, 2011 (in millions of Won except per share information)	December 31, 2010
<b>Revenue</b>	26,36	(Won) 68,938,725	47,887,255
<b>Cost of sales</b>	29	(59,823,850)	(39,722,461)
<b>Gross profit</b>		9,114,875	8,164,794
Selling and administrative expenses	27,29		
Administrative expenses		(2,048,264)	(1,500,370)
Selling expenses		(1,612,128)	(1,120,340)
		(3,660,392)	(2,620,710)
Other operating income	28	337,078	231,387
Other operating expenses	29	(383,459)	(341,951)
<b>Operating profit</b>		5,408,102	5,433,520
Non-operating income and expenses			
Share of profit of equity-accounted investees	10	50,569	182,657
Finance income	20,30	3,190,419	1,738,804
Finance costs	20,30	(3,866,695)	(2,087,858)
<b>Profit before income tax</b>		4,782,395	5,267,123
Income tax expense	31,36	(1,068,109)	(1,081,472)
<b>Profit for the period</b>	36	3,714,286	4,185,651
<b>Other comprehensive income (loss), net of tax</b>			
Capital adjustment arising from investments in equity-method investees		(11,240)	(40,877)
Net changes in fair value of available-for-sale investments		(1,231,758)	589,601
Foreign currency translation differences		1,666	183,190
Defined benefit plan actuarial losses		(30,577)	(152,125)
<b>Total comprehensive income for the period, net of tax</b>		(Won) 2,442,377	4,765,440
<b>Profit attributable to:</b>			
Owners of the controlling company		(Won) 3,648,136	4,105,623
Non-controlling interests		66,150	80,028
<b>Profit for the period</b>		(Won) 3,714,286	4,185,651
<b>Total comprehensive income attributable to:</b>			
Owners of the controlling company		(Won) 2,530,437	4,639,671
Non-controlling interests		(88,060)	125,769
<b>Total comprehensive income for the period</b>		(Won) 2,442,377	4,765,440

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<b>Basic and diluted earnings per share</b>	32	(Won)	47,224	53,297
<i>See accompanying notes to consolidated financial statements.</i>				

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Table of Contents**POSCO****Consolidated Statements of Changes in Equity****For the years ended December 31, 2011 and 2010**

	Share Capital	Owners of the Controlling Company			Retained Earnings	Sub Total	Non-Controlling Interests	Total
		Capital Surplus	Reserves	Treasury Shares (in millions of Won)				
<b>Balance as of January 1, 2010</b>	(Won) 482,403	1,199,666	833,806	(2,403,263)	32,567,352	32,679,964	653,717	33,333,681
<b>Comprehensive income:</b>								
Profit for the period					4,105,623	4,105,623	80,028	4,185,651
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax			(37,656)			(37,656)	(3,221)	(40,877)
Net changes in fair value of available-for-sale securities, net of tax			576,950			576,950	12,651	589,601
Foreign currency translation differences, net of tax			136,669			136,669	46,521	183,190
Defined benefit plan actuarial losses, net of tax					(141,914)	(141,914)	(10,211)	(152,125)
<b>Total comprehensive income</b>			675,963		3,963,709	4,639,672	125,768	4,765,440
<b>Transactions with owners of the Company, recognized directly in equity:</b>								
Year-end dividends					(500,714)	(500,714)	(16,580)	(517,294)
Interim dividends					(192,582)	(192,582)		(192,582)
Acquisition of subsidiaries							1,099,349	1,099,349
Changes in ownership interests in subsidiaries		(92,994)				(92,994)	23,510	(69,484)
Paid in capital increase of subsidiaries							79,683	79,683
Others		(5,111)	(2,481)		49,932	42,340	(3,966)	38,374
<b>Total transactions with owners of the Company</b>		(98,105)	(2,481)		(643,364)	(743,950)	1,181,996	438,046
<b>Balance as of December 31, 2010</b>	(Won) 482,403	1,101,561	1,507,288	(2,403,263)	35,887,697	36,575,686	1,961,481	38,537,167

See accompanying notes to consolidated financial statements.

**Table of Contents****POSCO****Consolidated Statements of Changes in Equity****For the years ended December 31, 2011 and 2010**

	Share Capital	Owners of the Controlling Company			Retained Earnings	Sub Total	Non-Controlling Interests	Total
		Capital Surplus	Reserves	Treasury Shares (in millions of Won)				
<b>Balance as of January 1, 2011</b>	(Won) 482,403	1,101,561	1,507,288	(2,403,263)	35,887,697	36,575,686	1,961,481	38,537,167
<b>Comprehensive income:</b>								
Profit for the period					3,648,136	3,648,136	66,150	3,714,286
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax			(12,276)			(12,276)	1,036	(11,240)
Net changes in fair value of available-for-sale securities, net of tax			(1,227,050)			(1,227,050)	(4,708)	(1,231,758)
Foreign currency translation differences, net of tax			146,622			146,622	(144,956)	1,666
Defined benefit plan actuarial losses, net of tax					(24,995)	(24,995)	(5,582)	(30,577)
<b>Total comprehensive income</b>			(1,092,704)		3,623,141	2,530,437	(88,060)	2,442,377
<b>Transactions with owners of the Company,</b>								
Year-end dividends					(577,747)	(577,747)	(16,831)	(594,578)
Interim dividends					(193,111)	(193,111)		(193,111)
Acquisition of subsidiaries							247,483	247,483
Changes in ownership interests in subsidiaries		(20,694)				(20,694)	(98,606)	(119,300)
Paid in capital increase of subsidiaries							365,249	365,249
Acquisition of treasury shares				(61,296)		(61,296)		(61,296)
Disposal of treasury shares		69,153		73,153		142,306		142,306
Others		432	(9,158)		(30,505)	(39,231)	2,854	(36,377)
<b>Total transactions with owners of the Company</b>		48,891	(9,158)	11,857	(801,363)	(749,773)	500,149	(249,624)
<b>Balance as of December 31, 2011</b>	(Won) 482,403	1,150,452	405,426	(2,391,406)	38,709,475	38,356,350	2,373,570	40,729,920

See accompanying notes to consolidated financial statements.





**Table of Contents****POSCO****Consolidated Statements of Cash Flows****For the years ended December 31, 2011 and 2010**

	Note	December 31, 2011 (in millions of Won)	December 31, 2010
<b>Cash flows from operating activities</b>			
Profit for the period		(Won) 3,714,286	4,185,650
Adjustments for:			
Depreciation		2,118,626	2,942,137
Amortization		133,289	75,344
Impairment loss of property, plant and equipment and others		99,072	128,083
Loss on disposal of property, plant and equipment		60,550	83,494
Finance income		(1,734,280)	(879,110)
Finance costs		2,245,957	1,278,630
Income tax expense		1,068,109	1,081,472
Share of profit or loss of equity-accounted investees		(50,569)	(182,657)
Accrual of severance benefits		236,999	173,971
Bad debt expenses		45,477	60,266
Others		41,136	(143,715)
		(Won) 4,264,366	4,617,915
Changes in operating assets and liabilities	36	(4,850,747)	(4,453,470)
Interest received		218,682	322,659
Interest paid		(745,111)	(480,020)
Dividends received		308,692	141,017
Income taxes paid		(1,218,602)	(751,746)
Net cash provided by operating activities		(Won) 1,691,566	3,582,005
<b>Cash flows from investing activities</b>			
Disposal of short-term financial instruments		(Won) 5,794,770	17,576,747
Decrease in loans		896,656	25,946
Disposal of available-for-sale investments		411,061	258,945
Disposal of other investment assets			27,257
Disposal of investments of equity-accounted investees		2,404	19,394
Disposal of property, plant and equipment		140,221	165,794
Disposal of intangible assets		55,899	4,964
Proceeds from disposal of business			6,747
Acquisition of short-term financial instruments		(4,556,340)	(14,546,301)
Increase in loans		(962,099)	(82,079)
Acquisition of available-for-sale investments		(322,046)	(561,030)
Acquisition of other investment assets		(450)	(310,154)
Acquisition of investments of equity-accounted investees		(740,971)	(914,491)
Acquisition of property, plant and equipment		(5,330,968)	(5,791,764)
Acquisition of intangible assets		(574,753)	(246,466)
Payment for acquisition of business, net of cash acquired		(437,464)	(3,079,899)
Other, net		107,214	531,569
Net cash used in investing activities		(Won) (5,516,866)	(6,914,821)

*See accompanying notes to consolidated financial statements.*

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**Table of Contents****POSCO****Consolidated Statements of Cash Flows****For the years ended December 31, 2011 and 2010**

	Note	December 31, 2011 (in millions of Won)	December 31, 2010
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		(Won) 7,068,322	4,367,193
Disposal of treasury shares		164,384	6,811
Proceeds from short-term borrowings		51,808	1,200,955
Repayment of borrowings		(1,746,487)	(882,477)
Acquisition of treasury shares		(61,296)	
Payment of cash dividends		(770,858)	(693,296)
Other, net		194,012	588,575
Net cash provided by financing activities		(Won) 4,899,885	4,587,761
Effect of exchange rate fluctuation on cash held		3,052	(6,959)
Net increase in cash and cash equivalents		1,077,637	1,247,986
<b>Cash and cash equivalents at beginning of the period</b>		3,521,045	2,273,059
<b>Cash and cash equivalents at end of the period</b>		(Won) 4,598,682	3,521,045

*See accompanying notes to consolidated financial statements.*

**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010****1. General Information**

General information about POSCO, its 58 domestic subsidiaries ( the Company ) including POSCO Engineering & Construction Co., Ltd., 161 foreign subsidiaries including POSCO America Corporation and its 91 associates 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 1988. POSCO owns and operates two steel plants (Pohang and Gwangyang) and one office in Korea and it also operates internationally through ten of its overseas liaison offices.

As of December 31, 2011, POSCO's shareholders are as follows:

Share holder's name	Number of shares	Ownership (%)
National Pension Service	5,937,323	6.81%
Nippon Steel Corporation (*1)	4,394,712	5.04%
SK Telecom Co., Ltd.	2,481,310	2.85%
Pohang University of Science and Technology	1,905,000	2.18%
Shinhan Financial Group Inc. (*2)	1,870,879	2.15%
Others	70,597,611	80.97%
	87,186,835	100.00%

(\*1) Nippon Steel Corporation has American Depositary Receipts (ADRs), each of which represents 0.25 share of POSCO's common share which has par value of (Won)5,000 per share.

(\*2) Includes number of shares subsidiaries hold at the end of the reporting period under commercial law.

As of December 31, 2011, the shares of POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York, Tokyo and London Stock Exchanges.

**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

## (b) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2011 and 2010 are as follows:

Principal Operations	Ownership (%)				Region		
	December 31, 2011		December 31, 2010				
	POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Domestic]							
POSCO E&C Co., Ltd.	89.53		89.53	89.53		89.53	Pohang
POSCO P&S Co., Ltd.	95.31		95.31	95.31		95.31	Seoul
POSCO Coated & Color Steel Co., Ltd.	56.87		56.87	56.87		56.87	Pohang
POSCO Plant Engineering Co., Ltd.	100.00		100.00	100.00		100.00	Pohang
POSCO ICT Co., Ltd.	72.54		72.54	72.54		72.54	Seongnam
POSCO Research Institute	100.00		100.00	100.00		100.00	Seoul
Seoung Gwang Co., Ltd.	69.38	30.62	100.00	69.38	30.62	100.00	Suncheon
POSCO Architects & Consultants Co., Ltd.	100.00		100.00	100.00		100.00	Seoul
POSCO Specialty Steel Co., Ltd.	100.00		100.00	100.00		100.00	Changwon
POSTECH Venture Capital Corp.	95.00		95.00	95.00		95.00	Pohang
eNtoB Co., Ltd.	32.19	30.20	62.39	32.19	30.20	62.39	Seoul
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	60.00		60.00	60.00		60.00	Pohang
POSCO Terminal Co., Ltd.	51.00		51.00	51.00		51.00	Gwangyang
POSCO M-TECH Co., Ltd. (*1)	48.85		48.85				Pohang
POSCO ENERGY Co., Ltd.	100.00		100.00	100.00		100.00	Seoul
Postech 2006 Energy Fund (*2)	10.53	11.58	22.11	10.53	11.58	22.11	Seoul
PHP Co., Ltd.		100.00	100.00		100.00	100.00	Incheon
POSCO TMC Co., Ltd.	34.20	33.56	67.76	34.20	33.56	67.76	Cheonan
PNR Co., Ltd.	70.00		70.00	70.00		70.00	Pohang
Megaasset Co., Ltd.		100.00	100.00		100.00	100.00	Cheonan
POSCO Engineering Company (formerly Daewoo Engineering Company)		94.14	94.14		92.26	92.26	Seongnam

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Pohang Feul Cell Co. Ltd.	Generation of electricity	100.00	100.00	100.00	100.00	Pohang
Pohang SPFC Co., Ltd.	Steel manufacturing	90.00	90.00	90.00	90.00	Pohang
POSWITH Co., Ltd.	Industrial clearing service	100.00	100.00	100.00	100.00	Pohang
BASYS INDUSTRY Co., Ltd.	Panel board, electric and control panel manufacturing	65.00	65.00	65.00	65.00	Seongnam
POSTECH BD Newundertaking fund	Bio diesel industries	100.00	100.00	100.00	100.00	Pohang
POSBRO Co., Ltd.	Video game manufacturing	97.79	97.79	97.79	97.79	Seongnam

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

Principal Operations	Ownership (%)						Region	
	December 31, 2011			December 31, 2010				
	POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total		
POSCO AST Co., Ltd.	Steel manufacturing and sales	100.00		100.00	100.00		100.00	Ansan
DaiMyung TMS Co., Ltd.	Cold-rolling of stainless steel, nickel alloy		100.00	100.00		100.00	100.00	Siheung
POS-HiMETAL Co., Ltd.	Steel manufacturing and sales	65.00		65.00	65.00		65.00	Gwangyang
POSCO E&E Co., Ltd.	Handling & disposal of waste matter		100.00	100.00		100.00	100.00	Seoul
POMIC Co., Ltd.	Education services		100.00	100.00		100.00	100.00	Pohang
POSFINE Co., Ltd.	Non metallic minerals manufacturing	69.23		69.23	69.23		69.23	Gwangyang
POS ECO HOUSING Co., Ltd.	Construction	85.25		85.25	85.25		85.25	Pohang
Mapo high broad parking Co., Ltd.	Construction		71.00	71.00		67.00	67.00	Seoul
Dakos Co., Ltd.	Railway equipment manufacturing		81.00	81.00		81.00	81.00	Seongnam
Kwang Yang SPFC Co., Ltd.	Steel manufacturing		65.84	65.84		100.00	100.00	Gwangyang
POSCALCIUM Company, Ltd.	Non metallic minerals manufacturing		70.00	70.00		70.00	70.00	Pohang
Plant Engineering service Technology Co., Ltd.	Engineering service		100.00	100.00		100.00	100.00	Pohang
9Digit Co., Ltd.	Steel manufacturing		86.49	86.49				Incheon
Postech Early Stage Fund (*2)	Financial investment		10.00	10.00		10.00	10.00	Pohang
Busan E&E Co., Ltd.	Handling & disposal of waste matter	70.00		70.00	70.00		70.00	Busan
POSCO Family Strategy Funds	Financial investment	69.93	30.07	100.00	69.93	30.07	100.00	Pohang
POREKA Co., Ltd.	Advertising agency	100.00		100.00	100.00		100.00	Seoul
Songdo SE Co., Ltd.	Cleaning service	100.00		100.00	100.00		100.00	Incheon
Posgreen Co., Ltd.	Plastic manufacturing		60.00	60.00		60.00	60.00	Gwangyang
Daewoo International Corporation	Trading, energy & resource development	66.56		66.56	67.96		67.96	Seoul
POSCOLED Co., Ltd.	LED lightning	16.70	63.33	80.03	16.70	63.33	80.03	Seongnam
Gunsan SPFC Co., Ltd.	Steel manufacturing		70.09	70.09		100.00	100.00	Gunsan
POSCO NST Co., Ltd.	Steel manufacturing	100.00		100.00	100.00		100.00	Busan
Pohang Scrap Recycling Center Co., Ltd.	Steel manufacturing		51.00	51.00		51.00	51.00	Pohang
PSC energy global Co., Ltd.	Business service		100.00	100.00				Pohang
Suncheon Ecotrans Co., Ltd.	Train manufacturing & management		100.00	100.00				Suncheon
Shinan Energy Co., Ltd.	Manufacturing & management		100.00	100.00				Mokpo
Reco Metal Co., Ltd.	Steel manufacturing		88.58	88.58				Hwasung

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NewAltec Co., Ltd.	Aluminum products manufacturing and sales	60.10	60.10	Incheon
PONUTech Co., Ltd.	Nuclear power generation design and repair service	100.00	100.00	Ulsan
BLUE O&M Co., Ltd	Service	100.00	100.00	Ulsan

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Foreign]								
POSCO America Corporation	Steel trading	99.45	0.55	100.00	99.45	0.55	100.00	USA
POSCO Australia Pty. Ltd.	Iron ore sales & mine development	100.00		100.00	100.00		100.00	Australia
POSCO Canada Ltd.	Coal sales		100.00	100.00		100.00	100.00	Canada
POSCAN Elkveiw Coal Ltd.	Coal sales		100.00	100.00		100.00	100.00	Canada
POSCO Asia Co., Ltd.	Steel transit trading	100.00		100.00	100.00		100.00	HongKong
Dalian POSCO Steel Co., Ltd	Steel manufacturing	30.00	55.00	85.00	30.00	55.00	85.00	China
POSCO-CTPC Co., Ltd.	Steel manufacturing	56.60	43.40	100.00	56.60	43.40	100.00	China
POSCO-JKPC Co., Ltd.	Steel manufacturing		95.00	95.00		95.00	95.00	Japan
International Business Center Corporation	Leasing service		60.00	60.00		60.00	60.00	Vietnam
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	58.60	23.88	82.48	58.60	23.88	82.48	China
Guangdong Pohang Coated Steel Co., Ltd.	Plating steel sheet manufacturing	84.52	10.01	94.53	89.35	6.11	95.46	China
POSCO (Thailand) Company Ltd.	Steel manufacturing	85.62	14.38	100.00	85.62	14.38	100.00	Thailand
Myanmar POSCO Steel Co., Ltd	Zinc relief manufacturing	70.00		70.00	70.00		70.00	Myanmar
POSCO-JOPC Co., Ltd.	Steel manufacturing		56.84	56.84		56.84	56.84	Japan
POSCO Investment Co., Ltd.	Financial services	100.00		100.00	100.00		100.00	HongKong
POSCO-MKPC SDN BHD.	Steel manufacturing	44.69	25.31	70.00	44.69	25.31	70.00	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	70.00	30.00	100.00	70.00	30.00	100.00	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO BioVentures L.P.	Bio tech industry		100.00	100.00		100.00	100.00	USA
PT. POSNESIA	Steel manufacturing	70.00		70.00	70.00		70.00	Indonesia
POSCO E&C Hawaii Inc.	Real estate industry		100.00	100.00		100.00	100.00	USA
POS-Qingdao Coil Center Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	China
POS-Ore Pty. Ltd.	Iron ore sales & mine development		100.00	100.00		100.00	100.00	Australia
POSCO-China Holding Corp.	A holding company	100.00		100.00	100.00		100.00	China
POSCO-Japan Co., Ltd.	Steel trading	100.00		100.00	100.00		100.00	Japan
POS-CD Pty. Ltd.	Coal sales		100.00	100.00		100.00	100.00	Australia
POS-GC Pty. Ltd.	Coal sales		100.00	100.00		100.00	100.00	Australia
POSCO-India Private Ltd.	Steel manufacturing	100.00		100.00	100.00		100.00	India
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	Steel manufacturing	65.00		65.00	65.00		65.00	India
POSCO-JNPC Co., Ltd.	Steel manufacturing		90.00	90.00		90.00	90.00	Japan
POSCO-Foshan Steel Processing Center Co., Ltd.	Steel manufacturing	39.60	60.40	100.00	39.60	60.40	100.00	China
POSCO E&C (China) Co., Ltd.	Construction and civil engineering		100.00	100.00		100.00	100.00	China
POSCO MPC S.A. de C.V.	Steel manufacturing		90.00	90.00		90.00	90.00	Mexico
Zhangjiagang Pohang Port Co., Ltd.	Load and unload industry		100.00	100.00		100.00	100.00	China
Qingdao Pujin Steel Material Co., Ltd	Steel manufacturing		100.00	100.00		100.00	100.00	China
POSCO-Vietnam Co., Ltd.	Steel manufacturing	85.00		85.00	85.00		85.00	Vietnam

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POSCO-Mexico Co., Ltd.	Mobile steel sheet manufacturing	80.68	19.32	100.00	84.67	15.33	100.00	Mexico
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	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	Steel manufacturing	76.40		76.40	76.40		76.40	India
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	Steel manufacturing	60.00		60.00	60.00		60.00	Poland
POS-NP Pty. Ltd.	Coal sales		100.00	100.00		100.00	100.00	Australia
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	89.58		89.58	89.58		89.58	Vietnam
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00		100.00	90.00	10.00	100.00	China
Suzhou POS-CORE Technology Co., Ltd.	Component manufacturing		100.00	100.00		100.00	100.00	China
POSCO-JYPC Co., Ltd.	Steel manufacturing		82.37	82.37		82.37	82.37	Japan
POSCO-Malaysia SDN. BHD.	Steel manufacturing	80.07	13.34	93.41	80.07	13.34	93.41	Malaysia
POS-Minerals Corporation	Mine development & sales		100.00	100.00		100.00	100.00	USA
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	68.57	31.43	100.00	68.57	31.43	100.00	China
POSCO E&C India Private Ltd.	Construction and engineering		100.00	100.00		100.00	100.00	India
POSCO E&C SMART	Construction and engineering		100.00	100.00		100.00	100.00	Mexico
POSCO-Philippine Manila Processing Center Inc.	Steel manufacturing		100.00	100.00		100.00	100.00	Philippines
Dalian POSCON Dongbang Automatic Co., Ltd.	Electrical control equipment manufacturing		70.00	70.00		70.00	70.00	China
SANPU TRADING CO., LTD.	Transit trade		70.04	70.04		70.04	70.04	China
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	Steel transit trading		100.00	100.00		100.00	100.00	China
POSCO Mexico Human Tech.	Service	80.00	20.00	100.00	80.00	20.00	100.00	Mexico
POSCO Mexico East Steel Distribution Center Co., Ltd.	Steel product sales		56.81	56.81		66.24	66.24	Mexico
POSCO Gulf Logistics LLC.	Steel product sales					100.00	100.00	UAE
POSCO ICT-China	IT service and DVR business		100.00	100.00		100.00	100.00	China
DWEMEX S.A.DE C.V.	Construction		99.00	99.00		99.00	99.00	Mexico
POS MPC Servicios de C.V.	Steel manufacturing		61.00	61.00		61.00	61.00	Mexico
EUROTALY S.A.	Lumber manufacturing & sales	98.00		98.00	98.00		98.00	Uruguay
POSCO South East Asia Pte. Ltd.	Steel transit trading		51.00	51.00		51.00	51.00	Singapore
Europe Steel Distribution Center	Steel product sales	50.00	20.00	70.00	50.00	20.00	70.00	Slovenia
VECTUS Ltd.	PRT test track construction		99.57	99.57		99.57	99.57	England
Zeus (Cayman)	Service	100.00		100.00	100.00		100.00	Cayman Island
POSCO VST Co., Ltd.	Stainless steel manufacturing	95.65		95.65	92.97		92.97	Vietnam
POSCO Maharashtra Steel Pvt. Ltd.	Steel manufacturing	100.00		100.00	100.00		100.00	India



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	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	Steel manufacturing	100.00		100.00	100.00		100.00	India
POSCO Turkey Nilufer Processing Center Co., Ltd.	Steel manufacturing	100.00		100.00	100.00		100.00	Turkey
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	Steel manufacturing	70.00		70.00	70.00		70.00	Vietnam
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO-Indonesia Jakarta Processing Center	Steel manufacturing	65.00	20.00	85.00	65.00	20.00	85.00	Indonesia
POSCO E&C Venezuela C.A	Construction and engineering		100.00	100.00		100.00	100.00	Venezuela
PT. MRI.	Mine development	65.00		65.00	65.00		65.00	Indonesia
POSCORE-INDIA	Steel manufacturing		100.00	100.00		100.00	100.00	India
POSCO America Alabama Processing Center Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	USA
PT DEC Indonesia	Construction		95.00	95.00		95.00	95.00	Indonesia
POSCO (Yantai) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Steel logistics		100.00	100.00		100.00	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Steel manufacturing	80.00	10.00	90.00	80.00	10.00	90.00	China
POSCO-South Asia Co., Ltd.	Steel product sales	100.00		100.00	100.00		100.00	Thailand
POSCO SS-VINA Co., LTD	Steel manufacturing		100.00	100.00		100.00	100.00	Vietnam
POSCO-NCR Coal Ltd.	Coal sales		100.00	100.00		100.00	100.00	Canada
POSCO WA Pty. Ltd.	Iron ore sales & mine development	100.00		100.00	100.00		100.00	Australia
POSCO E&C UZ	Construction		100.00	100.00		100.00	100.00	Uzbekistan
POSCO Australia GP Limited	Resource development		100.00	100.00		100.00	100.00	Australia
Daewoo International America Corp.	Trading business		100.00	100.00		100.00	100.00	USA
Daewoo International Deutschland GmbH	Trading business		100.00	100.00		100.00	100.00	Germany
Daewoo International Japan Corp.	Trading business		100.00	100.00		100.00	100.00	Japan
Daewoo International Singapore Pte. Ltd.	Trading business		100.00	100.00		100.00	100.00	Singapore
Daewoo Italia S.r.l.	Trading business		100.00	100.00		100.00	100.00	Italia
Daewoo Cement (Shandong) Co., Ltd.	Cement manufacturing		100.00	100.00		100.00	100.00	China
Daewoo (China) Co., Ltd.	Trading business		100.00	100.00		100.00	100.00	China
PT. RISMAR Daewoo Apparel	Clothing business		100.00	100.00		100.00	100.00	Indonesia
Daewoo Textile Fergana LLC	Textile manufacturing		100.00	100.00		100.00	100.00	Uzbekistan
Daewoo Textile Bukhara LLC	Textile manufacturing		100.00	100.00		100.00	100.00	Uzbekistan

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	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
Daewoo International Australia Holdings Pty. Ltd.	Resource development		100.00	100.00		100.00	100.00	Australia
Daewoo Paper Manufacturing Co., Ltd.	Paper industry		66.70	66.70		66.70	66.70	China
Tianjin Daewoo. Paper Co., Ltd	Paper industry		68.00	68.00		68.00	68.00	China
POSCO Mauritius Ltd.	Mine development & sales		100.00	100.00		100.00	100.00	Mauritius
PT. KRAKATAU STEEL POSCO	Steel manufacturing	70.00		70.00	70.00		70.00	Indonesia
MYANMAR Daewoo LTD.	Trading business		100.00	100.00		100.00	100.00	Myanmar
Dawwoo International MEXICO S.A. de C.V.	Trading business		100.00	100.00		100.00	100.00	Mexico
Daewoo International Guangzhou Corp.	Trading business		100.00	100.00		100.00	100.00	China
Daewoo Energy Central Asia	Resource development		100.00	100.00		100.00	100.00	Uzbekistan
Daewoo STC & Apparel Vietnam Ltd.	Textile manufacturing		100.00	100.00		100.00	100.00	Vietnam
MYANMAR Daewoo International Ltd.	Textile manufacturing		55.00	55.00		55.00	55.00	Myanmar
DAYTEK ELECTRONICS CORP.	Trading business		100.00	100.00		100.00	100.00	Canada
Daewoo (M) SDN. BHD.	Trading business		100.00	100.00		100.00	100.00	Malaysia
Daewoo CANADA LTD.	Trading business		100.00	100.00		100.00	100.00	Canada
Daewoo EL SALVADOR S.A. DE C.V.	Trading business		88.00	88.00		88.00	88.00	El Salvador
GEZIRA TANNERY CO., LTD.	Leather manufacturing		60.00	60.00		60.00	60.00	Sudan
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	China
Daewoo International Corporation (M) SDN BHD	Trading business		100.00	100.00		100.00	100.00	Malaysia
Daewoo International SHANGHAI CO., LTD.	Trading business		100.00	100.00		100.00	100.00	China
PGSF, LLC	Bio tech Industry		100.00	100.00		100.00	100.00	USA
Xenesys Inc.	Power generation equipment manufacturing	29.58	21.36	50.94	29.58	21.36	50.94	Japan
Daewoo International INDIA Private Ltd.	Trading business		100.00	100.00		100.00	100.00	India
TECHREN Solar, LLC	Electrical Industry		99.97	99.97		99.97	99.97	USA
PT. POSCO E&C Indonesia	Construction		100.00	100.00		100.00	100.00	Indonesia
Hume Coal Pty. Ltd.	Raw material manufacturing		70.00	70.00		70.00	70.00	Australia
Daewoo HANDELS GmbH	Trading business		100.00	100.00		100.00	100.00	Germany
POSCO Foundation	Non-profit charitable organization		100.00	100.00		100.00	100.00	India
EPC EQUITIES LLP	Construction		70.00	70.00				England
SANTOS CMI Construction Trading LLP	Construction		99.90	99.90				England
SANTOS CMI INC. USA	Construction		100.00	100.00				USA
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	Construction		99.98	99.98				Brazil
SANTOS CMI PERU S.A.	Construction		99.99	99.99				Peru
SANTOS CMI COSTA RICA S.A.	Construction		100.00	100.00				Costa Rica

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	Principal Operations	Ownership (%)			Region
		December 31, 2011		December 31, 2010	
		POSCO	Subsidiaries	Total POSCO Subsidiaries	
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	Construction		100.00	100.00	Uruguay
GENTECH International INC.	Construction		90.00	90.00	Panama
EPC INVESTMENTS C.V.	Construction		99.99	99.99	Netherlands
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	Construction		99.90	99.90	Ecuador
ASESORIA Y SERVICIOS EPC S.A CHILE	Construction		99.00	99.00	Chile
SANTOS CMI S.A.	Construction		70.00	70.00	Ecuador
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	Construction		99.00	99.00	Chile
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	Construction		99.00	99.00	Mexico
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	Construction		90.00	90.00	Ecuador
VAUTIDAMERICAS S.A.	Construction		51.00	51.00	Ecuador
SANTOS CMI Constructions Argentina S.A.	Construction		95.00	95.00	Argentina
POSCO E&C Brazil Ltd.	Construction		100.00	100.00	Brazil
POSCO Electrical Steel Inida Private Limited	Electrical Steel Manufacturing	100.00		100.00	India
Daewoo International Cameroon PLC	Resource Development		100.00	100.00	Cameroon
POSCO ASSAN TST STEEL Industry	Resource Development	60.00	10.00	70.00	Turkey
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Investment		100.00	100.00	HongKong
POSCO Klappan Coal Ltd.	Coal sales		100.00	100.00	Canada
DAESAN (Cambodia) Co., Ltd.	Investment		100.00	100.00	Cambodia
Brazil Sao Paulo Steel Processing Center Co., Ltd	Steel manufacturing		76.00	76.00	Brazil
POSCO (Dalian) IT Center Development Co., Ltd.	Investment		100.00	100.00	China
PT.POSCO Resources Indonesia	Mine development	100.00		100.00	Indonesia
PT. POSCO ICT Indonesia	IT service and Electric Control Engineering		100.00	100.00	Indonesia
PT. POSCO M-Tech Indonesia	Steel manufacturing		100.00	100.00	Indonesia
PT. KRAKATAU POSCOPOWER	manufacturing & management		70.00	70.00	Indonesia
POSCO RUS LLC.	Trading business	90.00	10.00	100.00	Russia
POSCO Thainox Co., Ltd.	Steel manufacturing	94.93		94.93	Thailand
Daewoo International Shanghai Waigaoqiao Co., Ltd.	Merchandising trade		100.00	100.00	China
PT. Bio Inti Agrindo	Forest resources Development		85.00	85.00	Indonesia
POSCO E&C Australia Pty Ltd.	Iron ore sales		100.00	100.00	Australia

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	Principal Operations	Ownership (%)			Region	
		December 31, 2011		December 31, 2010		
		POSCO	Subsidiaries	Total POSCO	Subsidiaries	Total
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	Steel manufacturing	73.53	14.71	88.24		China
Hunchun POSCO Logistics Co., Ltd.	Logistics		80.00	80.00		China
USA SRDC Corporation	Scrap sale		100.00	100.00		USA
Daewoo International Vietnam Co., Ltd.	Trading business		100.00	100.00		Vietnam

(\*1) In 2011, this company was included as a subsidiary as the Company has the power over more than half of the voting rights by virtue of an agreement with Postech, which has 4.72% of ownership.

(\*2) These subsidiaries are included in the consolidated financial statements as the controlling company has control over them in consideration of the board of directors' composition and others.



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(c) Summarized financial information of subsidiaries as of December 31, 2011 and 2010 are as follows:

## 1) December 31, 2011

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
[Domestic]					
POSCO E&C Co., Ltd.	(Won) 6,819,542	4,260,627	2,558,915	6,142,026	109,921
POSCO P&S Co., Ltd.	1,017,070	472,175	544,895	3,141,999	19,234
POSCO Coated & Color Steel Co., Ltd.	521,471	297,947	223,524	956,179	(24,713)
POSCO Plant Engineering Co., Ltd.	208,084	117,629	90,455	597,508	6,758
POSCO ICT Co., Ltd.	687,657	446,640	241,017	983,649	30,578
POSCO Research Institute	29,320	6,304	23,016	30,844	216
Seoung Gwang Co., Ltd.	82,671	34,868	47,803	14,652	2,522
POSCO Architects & Consultants Co., Ltd.	93,268	40,458	52,810	196,794	7,236
POSCO Specialty Steel Co., Ltd.	1,582,832	691,581	891,251	1,662,896	127,573
POSTECH Venture Capital Corp.	34,222	1,094	33,128		1,041
eNtoB Co., Ltd.	99,382	69,607	29,775	634,830	1,249
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	479,615	152,416	327,199	1,186,623	92,391
POSCO Terminal Co., Ltd.	96,806	15,145	81,661	100,710	22,955
POSCO M-TECH Co., Ltd.	316,953	153,876	163,077	602,155	12,447
POSCO ENERGY Co., Ltd. (formerly, POSCO Power Corp.)	2,891,382	2,327,398	563,984	1,863,670	25,152
Postech 2006 Energy Fund	21,662	1,042	20,620		(202)
PHP Co., Ltd.	66,461	58,521	7,940	4,456	483
POSCO TMC Co., Ltd.	204,738	113,595	91,143	219,580	5,746
PNR Co., Ltd.	159,076	129,198	29,878	74,013	13,366
Megaasset Co., Ltd.	23,757	9,354	14,403	63,667	5,794
POSCO Engineering Company (formerly Daewoo Engineering Company)	508,290	341,946	166,344	980,340	3,225
Pohang Feul Cell Co. Ltd.	12,061	8,592	3,469	2,235	(286)
Pohang SPFC Co., Ltd.	10,021	4,221	5,800	38,117	1,170
POSWITH Co., Ltd.	5,129	2,460	2,669	13,745	151
BASYS INDUSTRY Co., Ltd.	967	266	701	2,500	369
POSTECH BD Newundertaking fund	90		90		(1)
POSBRO Co., Ltd.	126		126		(54)
POSCO AST Co., Ltd.	316,695	163,548	153,147	365,682	4,972
DaiMyung TMS Co., Ltd.	28,350	52,497	(24,147)	6,265	(3,695)
POS-HiMETAL Co., Ltd.	309,369	268,788	40,581	34,682	(28,857)
POSCO E&E Co., Ltd.	22,435	127	22,308		508
POMIC Co., Ltd.	4,411	2,431	1,980	21,111	317
POSFINE Co., Ltd.	62,775	48,146	14,629	2,285	(3,847)
POS ECO HOUSING Co., Ltd.	8,190	1,846	6,344	13,629	265
Mapo high broad parking Co., Ltd.	1,676	110	1,566		(355)
Dakos Co., Ltd.	783	321	462	225	(58)

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Kwang Yang SPFC Co., Ltd.	68,279	52,806	15,473	4,686	(2,156)
POSCALCIUM Company, Ltd.	8,403	7,004	1,399	106	(1,353)
Plant Engineering service Technology Co., Ltd.	2,327	500	1,827	6,259	354
9Digit Co., Ltd.	33,820	27,091	6,729	58,341	(308)
Postech Early Stage Fund	10,034	65	9,969		(31)
Busan E&E Co., Ltd.	44,731	1,687	43,044		127
POSCO Family Strategy Funds	57,678	250	57,428		290
POREKA Co., Ltd.	15,131	12,880	2,251	20,785	1,158
Songdo SE Co., Ltd.	1,652	282	1,370	2,761	77

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Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
	(Won)				
Posgreen Co., Ltd.	8,225	4,280	3,945	2,944	(33)
Daewoo International Corporation	7,823,738	6,302,994	1,520,744	18,758,511	160,088
POSCOLED Co., Ltd.	28,717	5,917	22,800	14,063	(5,355)
Gunsan SPFC Co., Ltd.	51,483	30,673	20,810	53,797	(236)
POSCO NST Co., Ltd.	158,470	121,493	36,977	202,334	(803)
Pohang Scrap Recycling Center Co., Ltd.	17,842	2,863	14,979	1,748	143
PSC energy global Co., Ltd.	38,780		38,780		(1,595)
Suncheon Ecotrans Co., Ltd.	25,526	2,878	22,648		48
Shinan Energy Co., Ltd.	8,494		8,494		(56)
Reco Metal Co., Ltd.	15,043	13,280	1,763	6,761	(2,658)
NewAltec Co., Ltd.	114,744	17,171	97,573	92,849	638
PONUtech Co., Ltd.	9,919	182	9,737		(263)
BLUE O&M Co., Ltd	988		988		(12)
[Foreign]					
POSCO America Corporation	416,078	223,968	192,110	419,258	8,866
POSCO Australia Pty. Ltd.	1,161,366	462,383	698,983	136,144	283,875
POSCO Canada Ltd.	565,424	82,867	482,557	304,274	133,660
POSCO Asia Co., Ltd.	540,685	504,059	36,626	2,968,097	6,523
Dalian POSCO Steel Co., Ltd	49,104	58,254	(9,150)	90,990	(8,711)
POSCO-CTPC Co., Ltd.	84,966	52,546	32,420	134,930	1,320
POSCO-JKPC Co., Ltd.	93,668	75,512	18,156	87,203	1,405
International Business Center Corporation	90,577	51,831	38,746	25,889	11,655
POSCO E&C Vietnam Co., Ltd.	77,583	77,679	(96)	114,350	6,670
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,569,551	986,798	582,753	2,808,722	4,444
Guangdong Pohang Coated Steel Co., Ltd.	394,452	163,785	230,667	275,521	(7,849)
POSCO (Thailand) Company Ltd.	140,260	98,044	42,216	231,144	1,227
Myanmar POSCO Steel Co., Ltd	27,519	9,580	17,939	30,967	5,885
POSCO-JOPC Co., Ltd.	80,896	76,118	4,778	92,296	768
POSCO Investment Co., Ltd.	787,069	688,482	98,587	10,792	10,509
POSCO-MKPC SDN BHD.	165,789	116,928	48,861	177,822	1,763
Qingdao Pohang Stainless Steel Co., Ltd.	268,411	155,877	112,534	615,532	(3,110)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	305,690	220,468	85,222	384,705	11,046
POSCO BioVentures L.P.	16,851		16,851		(4,226)
PT. POSNESIA	14,129	20	14,109		(28)
POSCO E&C Hawaii Inc.	914	503	411		(304)
POS-Qingdao Coil Center Co., Ltd.	56,062	40,314	15,748	117,470	65
POS-Ore Pty. Ltd.	75,312	66,851	8,461	250,347	132,737
POSCO-China Holding Corp.	427,447	160,423	267,024	173,639	3,617
POSCO-Japan Co., Ltd.	1,157,755	1,017,990	139,765	1,686,385	13,518
POS-CD Pty. Ltd.	72,582	68,030	4,552	22,575	557
POS-GC Pty. Ltd.	79,517	32,397	47,120	10,263	(4,344)
POSCO-India Private Ltd.	147,359	421	146,938		(1,034)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	168,309	145,655	22,654	211,417	(16,626)
POSCO-JNPC Co., Ltd.	192,177	176,268	15,909	207,654	716
POSCO-Foshan Steel Processing Center Co., Ltd.	178,488	135,213	43,275	529,788	227

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POSCO E&C (China) Co., Ltd.	120,135	82,361	37,774	104,055	1,898
POSCO MPC S.A. de C.V.	192,538	182,180	10,358	316,446	(6,587)
Zhangjigang Pohang Port Co., Ltd.	26,801	11,327	15,474	6,244	222
Qingdao Pujin Steel Material Co., Ltd	14,209	11,997	2,212	79,732	13
POSCO-Vietnam Co., Ltd.	659,931	576,657	83,274	962,490	(46,976)
POSCO-Mexico Co., Ltd.	488,782	422,155	66,627	396,897	(43,298)

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd	(Won) 85,349	75,582	9,767	129,434	(9,824)
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd	62,709	49,981	12,728	71,871	(1,483)
POS-NP Pty. Ltd.	57,890	15,003	42,887	48,404	9,480
POSCO-Vietnam Processing Center Co., Ltd.	71,203	50,417	20,786	159,369	26
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	69,253	59,468	9,785	62,795	(1,622)
Suzhou POS-CORE Technology Co., Ltd.	60,082	33,980	26,102	96,008	781
POSCO-JYPC Co., Ltd.	67,587	64,165	3,422	102,700	781
POSCO-Malaysia SDN. BHD.	88,635	112,566	(23,931)	140,709	(4,114)
POS-Minerals Corporation	113,694		113,694		(808)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	69,613	45,766	23,847	92,554	618
POSCO E&C India Private Ltd.	35,982	31,304	4,678	4,966	1,135
POSCO E&C SMART	4,670	4,034	636	4,421	135
POSCO-Philippine Manila Processing Center Inc.	27,412	17,492	9,920	45,680	266
Dalian POSCON Dongbang Automatic Co., Ltd.	8,083	2,996	5,087	5,104	382
SANPU TRADING CO., LTD.	1,842	5	1,837	73	3
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	15,720	10,881	4,839	100,833	116
POSCO Mexico Human Tech.	787	481	306	5,378	221
POSCO Mexico East Steel Distribution Center Co., Ltd	13,186	1,353	11,833	5,638	110
POSCO ICT-China	1,737	1,294	443	4,920	114
DWEMEX S.A.DE C.V.	226	62	164	2	(29)
POS MPC Servicios de C.V.	667	458	209	4,902	90
EUROTALY S.A.	16,733	127	16,606	24	(898)
POSCO South East Asia Pte. Ltd.	5,232	2,633	2,599	62,235	256
Europe Steel Distribution Center	6,775	991	5,784	13,354	322
VECTUS Ltd.	3,066	5,126	(2,060)	3,560	(1,530)
POSCO VST Co., Ltd.	356,484	268,005	88,479	264,616	(10,669)
POSCO Maharashtra Steel Pvt. Ltd.	372,434	149,442	222,992	44	2,036
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	89,782	80,514	9,268	134,409	(3,232)
POSCO Turkey Nilufer Processing Center Co., Ltd.	49,588	40,578	9,010	38,729	(3,971)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	47,931	40,500	7,431	55,239	902
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	84,315	61,131	23,184	117,395	3,267
POSCO-Indonesia Jakarta Processing Center	62,550	55,069	7,481	64,597	216
POSCO E&C Venezuela C.A	138		138		
PT. MRI	12,251	17,626	(5,375)	458	(3,854)
POSCORE-INDIA	10,917	8,446	2,471	15,186	(48)
POSCO America Alabama Processing Center Co., Ltd.	63,014	50,007	13,007	85,381	(858)
PT DEC Indonesia	4,577	4,752	(175)	13,962	(267)
POSCO (Yantai) Automotive Processing Center Co., Ltd.	40,586	24,355	16,231	32,301	172
POSCO India Steel Distribution Center Private Ltd.	5,224	2,204	3,020	786	(427)
POSCO China Dalian Plate Processing Center Co., Ltd.	106,525	65,888	40,637	66,113	(165)
POSCO-South Asia Co., Ltd.	13,703	199	13,504	8,015	1,039
POSCO SS-VINA Co., LTD	74,438	409	74,029		(1,122)
POSCO WA Pty. Ltd.	212,984	9	212,975		(33,142)
POSCO E&C UZ	2,279	1,789	490	2,046	104

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POSCO Australia GP Limited	(Won)	97,196	5	97,191	(8)
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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
Daewoo International America Corp.	283,653	241,259	42,394	984,378	5,372
Daewoo International Deutschland GmbH	115,256	105,288	9,968	482,585	314
Daewoo International Japan Corp.	245,086	236,533	8,553	804,864	981
Daewoo International Singapore Pte. Ltd.	43,647	38,982	4,665	902,315	481
Daewoo Italia S.r.l.	63,859	60,247	3,612	361,821	145
Daewoo Cement (Shandong) Co., Ltd.	221,807	291,000	(69,193)	133,502	20,361
Daewoo (China) Co., Ltd.	150,079	101,449	48,630	54,521	726
PT. RISMAR Daewoo Apparel	17,767	18,417	(650)	58,182	1,246
Daewoo Textile Fergana LLC	64,437	65,968	(1,531)	132,866	(11,994)
Daewoo Textile Bukhara LLC	51,939	49,630	2,309	51,312	(11,500)
Daewoo International Australia Holdings Pty. Ltd.	151,462	12,964	138,498	1,935	199
Daewoo Paper Manufacturing Co., Ltd.	76,855	72,385	4,470	76,632	(5,210)
Tianjin Daewoo. Paper Co., Ltd	14,589	33,029	(18,440)		
POSCO Mauritius Ltd.	24,648	2,839	21,809		(22)
PT. KRAKATAU STEEL POSCO	819,899	44,918	774,981		(2,385)
MYANMAR Daewoo LTD.	6,030	41	5,989	1,373	152
Daewoo International MEXICO S.A. de C.V.	68,030	64,189	3,841	240,448	299
Daewoo International Guangzhou Corp.	7,666	7,473	193	61,554	(1,265)
Daewoo Energy Central Asia	15,571	322	15,249		
Daewoo STC & Apparel Vietnam Ltd.	3,848	1,313	2,535	9,435	94
MYANMAR Daewoo International Ltd.	7,651	2,240	5,411	11,947	759
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	63,505	51,088	12,417	67,175	15
Daewoo International Corporation (M) SDN BHD	8,831	6,469	2,362	21,190	157
Daewoo International SHANGHAI CO., LTD.	63,694	52,656	11,038	91,541	1,286
PGSF, LLC	3,138	1	3,137		280
Xenesys Inc.	11,804	240	11,564	2,494	(3,865)
Daewoo International INDIA Private Ltd.	3,285	1,277	2,008	3,343	69
TECHREN Solar, LLC	5,184		5,184		(506)
PT. POSCO E&C Indonesia	37,495	34,094	3,401	46,665	2,114
Hume Coal Pty. Ltd.	24,316	2,499	21,817		(9)
POSCO Foundation	213	3	210		3
EPC EQUITIES LLP	11,391	11,283	108	438	(2,743)
SANTOS CMI Construction Trading LLP	13,851	13,742	109	2,750	(1,323)
SANTOS CMI INC. USA	23,418	22,260	1,158	11,604	(155)
SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA	18,771	9,381	9,390	14,823	7,484
SANTOS CMI PERU S.A.	26,074	20,500	5,574	59,091	4,779
SANTOS CMI COSTA RICA S.A.	11,856	11,480	376	1,228	(1,794)
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	122	73	49		(9)
GENTECH International INC.	1,595	1,166	429	1,800	728
EPC INVESTMENTS C.V.	115	18	97		(6)
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	115	2	113		(2)
ASESORIA Y SERVICIOS EPC S.A CHILE	468	285	183	635	88
SANTOS CMI S.A.	42,766	30,495	12,271	34,879	(5,430)
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	8,430	2,669	5,761	13,009	1,703
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	125	14	111	203	(208)
	10,982	8,392	2,590	14,588	923

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COMPANIA DE AUTOMATIZACION & CONTROL,  
GENESYS S.A.

VAUTIDAMERICAS S.A.		2,374	1,620	754	1,765	141
SANTOS CMI Constructions Argentina S.A.		82	46	36		1
POSCO E&C Brazil Ltd.	(Won)	87,817	87,284	533	6,200	(465)
POSCO Electrical Steel Inida Private Limited		26,448	138	26,310		346
Daewoo International Cameroon PLC		1,233		1,233		

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
POSCO ASSAN TST STEEL Industry	59,415	1,897	57,518		1,724
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	171,127	174,814	(3,687)		(3,466)
DAESAN (Cambodia) Co., Ltd.	30,145	35,652	(5,507)		(946)
Brazil Sao Paulo Steel Processing Center Co., Ltd	26,987		26,987		
POSCO (Dalian) IT Center Development Co., Ltd.	152,725	1,271	151,454		(1,464)
PT.POSCO Resources Indonesia	4,048	92	3,956		(415)
PT. POSCO ICT Indonesia	3,480	2,661	819		(80)
PT. POSCO M-Tech Indonesia	2,865	149	2,716	3,329	61
PT. KRAKATAU POSCOPOWER	45,041	42,874	2,167		(134)
POSCO RUS LLC.	3,639	5	3,634		(273)
POSCO Thainox Co., Ltd.	500,214	164,464	335,750	401,257	(22,466)
Daewoo International Shanghai Waigaoqiao Co., Ltd.	13,804	13,256	548	22,354	343
PT. Bio Inti Agrindo	18,900	9,714	9,186		(1,486)
POSCO E&C Australia Pty Ltd.	381	624	(243)		(237)
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	12,587	12	12,575		(375)
Hunchun POSCO Logistics Co., Ltd.	23,725	7	23,718		(229)
USA SRDC Corporation	311		311		
Daewoo International Vietnam Co., Ltd.	4,613		4,613		

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

2) December 31, 2010

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
[Domestic]					
POSCO E&C Co., Ltd.	(Won) 5,374,601	2,890,916	2,483,685	6,248,379	174,483
POSCO P&S Co., Ltd.	954,120	425,125	528,995	2,062,495	4,311
POSCO Coated & Color Steel Co., Ltd.	500,115	250,341	249,774	1,001,774	6,409
POSCO Plant Engineering Co., Ltd.	192,073	104,657	87,416	439,529	11,986
POSCO ICT Co., Ltd.	650,864	439,011	211,853	839,802	17,929
POSCO Research Institute	27,708	4,548	23,160	23,207	319
Seoung Gwang Co., Ltd.	79,894	34,281	45,613	15,567	2,601
POSCO Architects & Consultants Co., Ltd.	88,792	41,247	47,545	128,118	4,431
POSCO Specialty Steel Co., Ltd.	1,307,535	536,934	770,601	1,543,122	101,901
POSTECH Venture Capital Corp.	33,170	877	32,293		274
eNtoB Co., Ltd.	66,039	36,728	29,311	603,684	2,516
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	371,160	128,254	242,906	756,053	57,191
POSCO Terminal Co., Ltd.	68,503	8,494	60,009	78,478	14,475
POSCO ENERGY Co., Ltd. (formerly, POSCO Power Corp.)	2,459,195	1,908,801	550,394	827,534	(35,641)
Postech 2006 Energy Fund	26,869	324	26,545		(964)
PHP Co., Ltd.	66,001	58,545	7,456	2,091	(583)
POSCO TMC Co., Ltd.	139,908	54,785	85,123	189,686	6,138
PNR Co., Ltd.	167,789	151,229	16,560	27,281	(17,813)
Megaasset Co., Ltd.	67,875	58,958	8,917	100,865	4,559
POSCO Engineering Company (formerly Daewoo Engineering Company)	434,122	276,845	157,277	774,791	45,099
Pohang Feul Cell Co. Ltd.	13,091	9,337	3,754	4,049	(276)
Pohang SPFC Co., Ltd.	13,471	8,732	4,739	28,933	(32)
POSWITH Co., Ltd.	4,248	1,731	2,517	12,317	442
BASYS INDUSTRY Co., Ltd.	825	311	514	990	72
POSTECH BD Newundertaking fund	90		90		(1)
POSBRO Co., Ltd.	181		181		(78)
POSCO AST Co., Ltd.	238,881	134,526	104,355	330,425	7,285
DaiMyung TMS Co., Ltd.	22,663	43,097	(20,434)	15,985	(3,059)
POS-HiMETAL Co., Ltd.	86,291	43,532	42,759		(5,771)
POSCO E&E Co., Ltd.	17,777	69	17,708		405
POMIC Co., Ltd.	3,888	2,126	1,762	19,922	403
POSFINE Co., Ltd.	31,541	13,093	18,448		(883)
POS ECO HOUSING Co., Ltd.	6,976	897	6,079	2,231	(738)
Mapo high broad parking Co., Ltd.	1,690	4	1,686		(237)
Dakos Co., Ltd.	3,102	2,582	520	4,314	274
Kwang Yang SPFC Co., Ltd.	10,065	13	10,052		52
POSCALCIUM Company, Ltd.	8,526	5,755	2,771		(226)
Plant Engineering service Technology Co., Ltd.	1,912	440	1,472	3,063	472

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Postech Early Stage Fund	10,000		10,000		
Busan E&E Co., Ltd.	14,193	638	13,555		(140)
POSCO Family Strategy Funds	28,538		28,538		(62)
POREKA Co., Ltd.	3,784	2,684	1,100	6,274	100
Songdo SE Co., Ltd.	1,758	465	1,293	1,021	(7)
Posgreen Co., Ltd.	3,978		3,978		(22)
Daewoo International Corporation	6,249,151	4,921,296	1,327,855	4,094,039	94,359
POSCOLED Co., Ltd.	28,591	638	27,953	138	(1,763)
Gunsan SPFC Co., Ltd.	30,040	15,309	14,731	89	(196)
POSCO NST Co., Ltd.	94,757	57,002	37,755	33,164	55
Pohang Scrap Recycling Center Co., Ltd.	14,841		14,841		(80)

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
[Foreign]					
POSCO America Corporation	(Won) 297,181	139,360	157,821	288,907	9,039
POSCO Australia Pty. Ltd.	1,226,058	619,031	607,027	106,387	50,288
POSCO Canada Ltd.	424,571	65,608	358,963	170,421	65,299
POSCO Asia Co., Ltd.	510,844	481,379	29,465	2,335,842	1,376
Dalian POSCO Steel Co., Ltd.	155,703	155,589	114	68,149	(4,932)
POSCO-CTPC Co., Ltd.	77,281	47,763	29,518	149,810	2,398
POSCO-JKPC Co., Ltd.	86,911	70,353	16,558	75,831	2,391
International Business Center Corporation	95,860	56,088	39,772	28,354	13,884
POSCO E&C Vietnam Co., Ltd.	53,600	72,731	(19,131)	72,865	3,753
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,384,622	838,301	546,321	2,461,020	44,034
Guangdong Pohang Coated Steel Co., Ltd.	183,036	79,330	103,706	251,416	25,547
POSCO (Thailand) Company Ltd.	163,287	118,332	44,955	224,630	10,117
Myanmar POSCO Steel Co., Ltd.	21,556	10,245	11,311	24,321	3,481
POSCO-JOPC Co., Ltd.	71,955	68,233	3,722	76,947	766
POSCO Investment Co., Ltd.	674,018	587,339	86,679		4,451
POSCO-MKPC SDN BHD.	116,837	69,179	47,658	135,852	3,395
Qingdao Pohang Stainless Steel Co., Ltd.	233,241	124,372	108,869	542,446	5,047
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	219,427	149,199	70,228	352,367	13,688
POSCO BioVentures L.P.	20,553	72	20,481		(10,536)
PT. POSNESIA	13,900	21	13,879		(14)
POSCO E&C Hawaii Inc.	1,234	509	725		(793)
POS-Qingdao Coil Center Co., Ltd.	60,395	45,576	14,819	149,653	1,089
POS-Ore Pty. Ltd.	104,226	12,717	91,509	118,687	55,491
POSCO-China Holding Corp.	288,754	55,571	233,183	148,503	459
POSCO-Japan Co., Ltd.	793,265	675,363	117,902	1,490,633	9,850
POS-CD Pty. Ltd.	69,439	65,494	3,945	15,214	(1,771)
POS-GC Pty. Ltd.	34,274	8,686	25,588	12,475	664
POSCO-India Private Ltd.	92,865	181	92,684		(21,612)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	176,716	132,501	44,215	206,138	8,761
POSCO-JNPC Co., Ltd.	153,189	138,864	14,325	179,031	2,499
POSCO-Foshan Steel Processing Center Co., Ltd.	129,474	88,799	40,675	518,268	6,229
POSCO E&C (China) Co., Ltd.	80,201	57,311	22,890	117,558	889
POSCO MPC S.A. de C.V.	178,641	160,551	18,090	240,277	(2,161)
Zhangjiagang Pohang Port Co., Ltd.	26,905	12,502	14,403	5,200	(789)
Qingdao Pujin Steel Material Co., Ltd.	7,092	5,019	2,073	73,408	114
POSCO-Vietnam Co., Ltd.	745,465	619,297	126,168	813,637	(64,111)
POSCO-Mexico Co., Ltd.	425,200	346,865	78,335	302,595	(24,004)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	92,712	70,813	21,899	113,056	8,919
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	49,691	33,788	15,903	53,941	1,929
POS-NP Pty. Ltd.	57,987	13,771	44,216	44,773	5,282

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POSCO-Vietnam Processing Center Co., Ltd.	58,283	36,039	22,244	85,698	4,419
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	73,480	62,378	11,102	84,385	694
Suzhou POS-CORE Technology Co., Ltd.	56,718	32,833	23,885	89,248	1,559
POSCO-JYPC Co., Ltd.	55,319	53,396	1,923	74,565	(1,017)
POSCO-Malaysia SDN. BHD.	78,027	98,183	(20,156)	125,209	(6,022)
POS-Minerals Corporation	113,105		113,105		(1,188)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	50,592	28,674	21,918	124,687	2,872
POSCO E&C India Private Ltd.	2,612	677	1,935	463	(1,508)
POSCO E&C SMART	532		532		(203)
POSCO-Philippine Manila Processing Center Inc.	25,448	15,888	9,560	37,558	1,462
Dalian POSCON Dongbang Automatic Co., Ltd.	7,181	2,647	4,534	4,013	393
SANPU TRADING CO., LTD.	2,424	691	1,733	89	(156)
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	10,274	5,817	4,457	70,923	29
POSCO Mexico Human Tech.	522	269	253	4,206	166
POSCO Mexico East Steel Distribution Center Co., Ltd	13,872	2,370	11,502	5,547	696

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Company	Assets	Liabilities	Equity	Sales	Net income (loss)
	(in millions of Won)				
	(Won)				
POSCO Gulf Logistics LLC.	772	1	771	40	(86)
POSCO ICT-China	1,787	1,476	311	3,884	26
DWEMEX S.A.DE C.V.	370	171	199	2,084	45
POS MPC Servicios de C.V.	747	545	202	4,837	115
EUROTALY S.A.	4,628	107	4,521	32	(846)
POSCO South East Asia Pte. Ltd.	1,816	41	1,775	34,196	121
Europe Steel Distribution Center	6,863	1,217	5,646	11,789	513
VECTUS Ltd.	1,255	1,721	(466)	1,886	(2,352)
POSCO VST Co., Ltd.	195,191	131,450	63,741	210,656	(8,333)
POSCO Maharashtra Steel Pvt. Ltd.	159,641	79,556	80,085		(895)
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	78,906	64,493	14,413	52,221	73
POSCO Turkey Nilufer Processing Center Co., Ltd.	37,285	21,919	15,366	3,032	(2,220)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	42,885	36,710	6,175	39,675	(836)
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	75,444	56,654	18,790	45,933	
POSCO-Indonesia Jakarta Processing Center	34,309	27,026	7,283	42,882	1,023
POSCO E&C Venezuela C.A	137		137		
PT. MRI	15,933	17,380	(1,447)	1,738	(931)
POSCORE-INDIA	6,175	3,264	2,911	2,936	(113)
POSCO America Alabama Processing Center Co., Ltd.	46,133	32,406	13,727	29,350	(1,443)
PT DEC Indonesia	10,439	10,345	94		(208)
POSCO (Yantai) Automotive Processing Center Co., Ltd.	23,072	7,904	15,168		(885)
POSCO India Steel Distribution Center Private Ltd.	3,887	130	3,757	7	(67)
POSCO China Dalian Plate Processing Center Co., Ltd.	55,631	17,056	38,575		(3,631)
POSCO-South Asia Co., Ltd.	14,009	919	13,090	2,954	(479)
POSCO SS-VINA Co., LTD	38,598	(851)	39,449		166
POSCO WA Pty. Ltd.	225,645	808	224,837		(637)
POSCO E&C UZ	168		168		1
POSCO Australia GP Limited	26		26		3
Daewoo International America Corp.	224,042	187,747	36,295	163,615	(769)
Daewoo International Deutschland GmbH	111,603	101,814	9,789	115,421	428
Daewoo International Japan Corp.	172,547	165,486	7,061	184,725	(638)
Daewoo International Singapore Pte. Ltd.	86,642	82,455	4,187	259,530	109
Daewoo Italia S.r.l.	99,538	95,826	3,712	96,203	139
Daewoo Cement (Shandong) Co., Ltd.	210,277	296,165	(85,888)		
Daewoo (China) Co., Ltd.	43,392	6,425	36,967	1,417	(874)
PT. RISMAR Daewoo Apparel	15,757	17,416	(1,659)	12,843	(2,278)
Daewoo Textile Fergana LLC	82,983	71,895	11,088	38,614	3,486
Daewoo Textile Bukhara LLC	64,283	49,522	14,761	15,156	(887)
Daewoo International Australia Holdings Pty. Ltd.	132,221	4,947	127,274	293	139
Daewoo Paper Manufacturing Co., Ltd.	79,383	67,741	11,642	22,311	(18,788)
Tianjin Daewoo. Paper Co., Ltd	13,789	31,217	(17,428)	8,388	(368)
POSCO Mauritius Ltd.	21,548		21,548		
PT. KRAKATAU STEEL POSCO	3,091	1,021	2,070		(198)
MYANMAR Daewoo LTD.	6,242	462	5,780	203	(17)
Dawwoo International MEXICO S.A. de C.V.	50,298	46,319	3,979	50,566	(118)
Daewoo International Guangzhou Corp.	10,549	9,094	1,455	4,702	(30)
Daewoo Energy Central Asia	15,686	627	15,059		

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Daewoo STC & Apparel Vietnam Ltd.	4,057	1,454	2,603	2,262	(27)
MYANMAR Daewoo International Ltd.	6,190	2,020	4,170	2,233	35
POSCO (Zhangjiagang) Stainless Steel Processing Center					
Co., Ltd.	11,841	111	11,730		
Daewoo International Corporation (M) SDN BHD	1,138		1,138		
Daewoo International SHANGHAI CO., LTD.	6,916		6,916		
PGSF, LLC	2,922	1	2,921		(619)
Xenesys Inc.	18,333	2,653	15,680	935	(3,624)
Daewoo International INDIA Private Ltd.	2,273		2,273		
TECHREN Solar, LLC	230		230		
PT. POSCO E&C Indonesia	1,216	29	1,187		(235)
POSCO Foundation	244	2	242		(12)

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(d) Details of associates

Details of associates as of December 31, 2011 and 2010 are as follows:

Investee	Category of Business	Ownership (%)		Region
		December 31, 2011	December 31, 2010	
[Domestic]				
MIDAS Information Technology Co., Ltd.	Engineering	25.46	25.46	Seoul
Metapolis Co., Ltd.	Multiplex development	40.05	40.05	Hwaseong
Songdo New City Development Inc.	Real estate	29.90	29.90	Seoul
POSMATE Co., Ltd.	Services	30.00	30.00	Seoul
POSCO M-TECH Co., Ltd.	Packing materials manufacturing		48.85	Pohang
Gail International Korea Ltd.	Real estate	29.90	29.90	Seoul
SNNC Co., Ltd.	Raw material manufacturing and sale	49.00	49.00	Gwangyang
Chungju enterprise city development Co., Ltd.	Real estate	25.10	25.10	Chungju
Taegisan Wind Power Corporation	Wind power plant construction and management	50.00	50.00	Hoengseong
KOREASOLARPARK Co., Ltd.	Solar power plant construction and management	37.50	37.50	Youngam
Garolim Tidal Power Plant Co., Ltd.	Generation of electricity	32.13	32.13	Seosan
Cheongna IBT Co., Ltd. (*2)	Multiplex development	18.58	18.58	Incheon
PSIB Co., Ltd.	Non-resident building lease	49.00	49.00	Seoul
Universal Studios Resort Development Co., Ltd.	Construction	22.10	22.10	Hwaseong
Universal Studios Resort Asset Management Corp.	Real estate services	26.16	26.16	Seoul
Daewoo National Car Gwangju Selling Co., Ltd.	Real estate	50.00	50.00	Gwangju
Uitrans Co., Ltd.	Transporting	38.19	38.19	Seoul
Suwon Green Environment Co., Ltd.	Construction	27.50	27.50	Hwaseong
Pajoo & Viro Co., Ltd.	Construction	40.00	40.00	Paju
Green Gimpo Co., Ltd.	Construction	31.84	29.90	Gimpo
Busan-Gimhae Light Rail Transit Co., Ltd.	Transporting	25.00	25.00	Gimhae
Incheon-Gimpo Highway Co., Ltd.	Construction	25.82	25.00	Anyang
Green Jangryang Co., Ltd.	Sewerage treatment	25.00	25.00	Pohang
Green Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	20.40	Tongyeong
POSPLATE Co., Ltd.	Services	48.95	48.95	Gwangyang
Pure Gimpo Co., Ltd.	Construction	28.79	29.13	Seoul
Pohang Techno Valley AMC Co., Ltd.	Construction	29.50	29.50	Pohang
Sungjin Geotec Co., Ltd.	Industrial machinery manufacturing	36.69	43.11	Ulsan
Kyobo Life Insurance Co., Ltd.	Life insurance	24.00	24.00	Seoul
Dongbang Special Steel Co., Ltd.	Steel processing and sales	35.82	35.82	Pohang
Pure Iksan Co., Ltd.	Construction	23.50	31.71	Pohang
Chuncheon Clean Water Load CO., Ltd	Sewerage treatment		26.55	Chuncheon
DAERYUN POWER CO., LTD	Gas production and sales		20.85	Yangju
Gyeonggi CES Co., Ltd.	Facility construction	21.84	21.84	Yangju
Sunjin Gonghak Baeumteo Co., Ltd.	Domitories management		22.38	Gwangju



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Inje Autopia Co., Ltd.	Management		27.53	Inje
Innovalley Co., Ltd.	Real estate development	28.77	28.77	Yongin
Applied Science Corp.	Machinery manufacturing	29.30	29.30	Paju
SENTECH KOREA Corp.	Manufacturing	20.25	20.25	Paju
AROMA POSTECH RENEWABLE				
ENERGY Co., Ltd.	Other science research	28.57	28.57	Seoul
Hyundai Investment Network Private Equity Fund (*1)	Mine investment	50.00		Seoul
Pohang Techno Valley PFV Corporation (*1)	Real estate development	28.65		Pohang
BLUE OCEAN Private Equity Fund (*1)	Private equity financial	27.52		Seoul
SUNAM Co., Ltd. (*1)	Power supply manufacturing	23.91		Seoul
Kones Corporation (*1)	Technical service	41.67		Gyeongju

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

Investee	Category of Business	Ownership (%)		Region
		December 31, 2011	December 31, 2010	
<b>[Foreign]</b>				
VSC POSCO Steel Corporation	Steel manufacturing and Sale	50.00	50.00	Vietnam
KOBRASCO	Facility lease	50.00	50.00	Brazil
USS-POSCO Industries	Material manufacturing and sale	50.00	50.00	USA
Poschrome Pty. Ltd.	Raw material manufacturing and sale	50.00	50.00	Republic of South Africa
POS-Hyundai Steel Manufacturing India Private Ltd.	Steel processing and sale	29.50	29.50	India
POSVINA Co., Ltd.	Plating steel sheet manufacturing	50.00	50.00	Vietnam
PT. POSMI Steel Indonesia	Steel processing and sale	36.69	36.69	Indonesia
CAML Resources Pty. Ltd.	Raw material manufacturing and sale	33.34	33.34	Australia
Nickel Mining Company SAS	Raw material manufacturing and sale	49.00	49.00	New Caledonia
Liaoning Rongyuan Posco Refractories Co., Ltd.	Manufacturing and sale	35.00	35.00	China
POSK (PingHu) Processing Center Co., Ltd	Steel processing and sale	20.00	20.00	China
AN KHANH NEW CITY DEVELOPMENT	Highway construction and new town development	50.00	50.00	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd.	Raw material manufacturing and sale	49.00	49.00	China
United Spiral Pipe, LLC	Material manufacturing and sale	35.00	35.00	USA
Zhongyue POSCO (Qinhuangdau) Tinplate Industrial Co., Ltd.	Plating sheet manufacturing	34.00	34.00	China
BX STEEL POSCO Cold RolledSheet Co., Ltd.	Steel processing and sale	25.00	25.00	China
POSCO-SAMSUNG-Slovakia Processing Center	Steel processing and sale	30.00	30.00	Slovakia
Eureka Moly LLC	Raw material manufacturing and sale	20.00	20.00	USA
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	Steel processing and sale	30.00	30.00	China
POSCO SeAH Steel Wire (Nantong) Co., Ltd.	Steel processing and sale	25.00	25.00	China
POS-GSFC LLC	Steel processing and sale	48.98	48.98	UAE
Yingkou Posrec Refractories Co., Ltd.	Refractory manufacturing	25.00	25.00	China
Zhangjiagang Pohang Refractories Co., Ltd.	Refractory manufacturing	50.00	50.00	China
Daewoo Engineering (THAILAND) Co., Ltd.	Development and contract	48.90	48.90	Thailand
Sebang Steel	Scrap sale	49.00	49.00	Japan
NCR LLC	Coal sale	20.00	20.00	Canada
AMCI (WA) Pty Ltd.	Iron ore sale & mine development	49.00	49.00	Australia
POSCO YongXin Rare Earth Metal Co., Ltd.	Energy & Resource development	31.00	31.00	China
Shanghai Lansheng Daewoo Corporation	Trading	49.00	49.00	China
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	Trading	49.00	49.00	China
Hanjung Power Pty., Ltd	Electric power manufacturing and sale	49.00	49.00	Papua New Guinea

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Myanmar Korea Timber International Ltd.	Plating sheet manufacturing	45.00	45.00	Myanmar
General Medicines Company Ltd.	Medicine manufacturing and sale	33.00	33.00	Myanmar
KOREA LNG Ltd.	Gas production and sales	20.00	20.00	England
DMSA, AMSA (*2)	Energy & Resource development	4.00	4.00	Madagascar
KG Power(M) SDN. BHD	Energy & Resource development	20.00	20.00	Malaysia
Daewoo (THAILAND) CO., LTD.	Trading	49.00	49.00	Thailand
N.I.CO., LTD.	Trading	50.00	50.00	North Korea

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Investee	Category of Business	Ownership (%)		Region
		December 31, 2011	December 31, 2010	
South-East Asia Gas Pipeline Company Ltd.	Pipeline construction	25.04	25.04	Myanmar
GLOBAL KOMSCO Daewoo LLC	Mintage	35.00	35.00	Uzbekistan
POSUK TITANIUM B.V	Steel manufacturing	50.00	50.00	Netherland
POSCO-NPS Niobium LLC (*1)	Mine development	50.00		USA
POSCO-POGEN AMP (*1)	Steel manufacturing	26.00		India
Klappan Coal Joint Venture	Coal sale	20.00		Canada
AES-VCM Mong Duong Power Company Ltd.	Coal sale	30.00		Vietnam
CSP(Compania Siderurgica do Pecem)	Steel manufacturing and sale	20.00		Brazil
PT.INDONESIA POS CHOSUN Ref	Refractory manufacturing and sale	30.00		Indonesia
NS-Thainox Auto Co., Ltd.	Steel manufacturing and sale	49.00		Thailand
Korea-Siberia Wood	Forest resources Development	50.00		Russia
PT. Tanggamus Electric Power (*1)	Construction and engineering service	20.00		Indonesia
PT. Wampu Electric Power	Construction and engineering service	20.00		Indonesia

(\*1) These securities are newly established or acquired in 2011.

(\*2) These securities are accounted for under the equity method of accounting even though the controlling company's percentage of ownership is below 20%, because it is able to exercise significant influence on the investees.

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(e) Consolidated subsidiaries acquired during the year ended December 31, 2011 are as follows:

Company	Date of Acquisition	Ownership (%) (in millions of Won)	Reason
PSC energy global Co., Ltd.	2011. 2.	100.00	new investment
Suncheon Ecotrans Co., Ltd.	2011. 2.	100.00	new investment
POSCO M-TECH Co., Ltd.	2011. 5.	48.85	delegation of voting rights
9Digit Co., Ltd.	2011. 5.	86.49	delegation of voting rights
Shinan Energy Co., Ltd.	2011. 4.	100.00	new investment
Reco Metal Co., Ltd.	2011. 6.	88.60	acquisition
NewAltec Co., Ltd.	2011. 7.	60.10	acquisition
PONUtech Co., Ltd.	2011. 8.	100.00	new investment
EPC EQUITIES LLP	2011. 2.	70.00	acquisition
SANTOS CMI Construction Trading LLP	2011. 2.	99.90	acquisition
SANTOS CMI INC. USA	2011. 2.	100.00	acquisition
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	2011. 2.	99.98	acquisition
SANTOS CMI PERU S.A.	2011. 2.	99.99	acquisition
SANTOS CMI COSTA RICA S.A.	2011. 2.	100.00	acquisition
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	2011. 2.	100.00	acquisition
GENTECH International INC.	2011. 2.	90.00	acquisition
EPC INVESTMENTS C.V.	2011. 2.	99.99	acquisition
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	2011. 2.	99.90	acquisition
ASESORIA Y SERVICIOS EPC S.A CHILE	2011. 2.	99.00	acquisition
SANTOS CMI S.A.	2011. 2.	70.00	acquisition
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	2011. 2.	99.00	acquisition
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	2011. 2.	99.00	acquisition
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	2011. 2.	90.00	acquisition
VAUTIDAMERICAS S.A.	2011. 2.	51.00	acquisition
SANTOS CMI Constructions Argentina S.A.	2011. 2.	95.00	acquisition
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	2011. 3.	100.00	new investment
POSCO ASSAN TST STEEL Industry	2011. 3.	70.00	new investment
POSCO E&C Brazil Ltd.	2011. 5.	100.00	new investment
POSCO Electrical Steel Inida Private Limited	2011. 6.	100.00	new investment
Daewoo International Cameroon PLC	2011. 6.	100.00	new investment
POSCO Klappan Coal Ltd.	2011. 7.	100.00	new investment
DAESAN (Cambodia) Co., Ltd.	2011. 7.	100.00	acquisition
Brazil Sao Paulo Steel Processing Center Co., Ltd	2011. 7.	76.00	new investment
POSCO (Dalian) IT Center Development Co., Ltd.	2011. 7.	100.00	new investment
PT.POSCO Resources Indonesia	2011. 7.	99.80	new investment
PT. POSCO ICT Indonesia	2011. 8.	95.00	new investment
PT. POSCO M-Tech Indonesia	2011. 8.	100.00	new investment
PT. KRAKATAU POSCOPOWER	2011. 8.	90.00	new investment
POSCO RUS LLC.	2011. 9.	100.00	new investment
POSCO Thainox Co., Ltd.	2011. 9.	94.93	acquisition
Daewoo International Shanghai Waigaoqiao Co., Ltd.	2011. 9.	100.00	new investment
PT. Bio Inti Agrindo	2011. 9.	85.00	acquisition

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POSCO E&C Australia Pty Ltd.	2011. 9.	100.00	new investment
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	2011. 9.	60.00	new investment
Hunchun POSCO Logistics Co., Ltd.	2011. 10.	80.00	new investment
BLUE O&M Co., Ltd	2011. 12.	100.00	new investment
USA SRDC Corporation	2011. 12.	100.00	new investment
Daewoo International Vietnam Co., Ltd.	2011. 12.	100.00	new investment

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

(f) Cash outflows caused by the acquisitions

	<b>Amounts</b>	
	<b>(in millions of Won)</b>	
Consideration transferred	(Won)	551,732
Less: cash and cash equivalents acquired		(114,268)
<b>Total</b>	<b>(Won)</b>	<b>437,464</b>

**2. Statement of Compliance****Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ( IFRSs ) as issued by the International Accounting Standards Board. These are the Company's first consolidated financial statements prepared in accordance with IFRSs and IFRS No. 1 *First-time adoption of International Financial Reporting Standards* ( IFRS No. 1 ) has been applied.

The Company's date of transition to IFRSs in accordance with IFRS 1 is January 1, 2010. Prior to the adoption of IFRSs, the Company prepared consolidated financial statements in accordance with Korean Generally Accepted Accounting Principles ( K-GAAP ). An explanation of how the transition to IFRSs has affected the Company's reported financial position, financial performance and cash flows is provided in note 38.

**Basis of measurement**

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

- (a) Derivatives instruments are measured at fair value
- (b) Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value
- (c) Available-for-sale financial assets are measured at fair value

(d) The liability for a cash-settled stock appreciation rights is measured at fair value

(e) Defined benefit obligations are measured at the present value of the defined benefit obligation less the fair value of the plan assets

**Functional and presentation currency**

These consolidated financial statements are presented in Korean won, which is POSCO's functional currency and the currency of the primary economic environment in which POSCO operates.

**Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with 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.



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**POSCO**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2011 and 2010**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

Note 11 Investment property

Note 12 Property, plant and equipment, net

Note 13 Impairment losses of goodwill

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

Note 17 Provisions

Note 18 Employee Benefits

Note 25 Construction Contracts

Note 34 Commitments and Contingencies

**3. Summary of Significant Accounting Policies**

The significant accounting policies applied by the Company in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purpose of the transition to IFRSs, unless otherwise indicated.

**Consolidation policy**

(a) Subsidiaries

A subsidiary is an entity that is controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If a member of the Company uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

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**POSCO**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2011 and 2010**

(b) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

(c) Associates

An associate is an entity in which the Company has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Company for like transactions and events in similar circumstances, appropriate adjustments are made to the Company's consolidated financial statements in applying the equity method.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has to make payments on behalf of the investee for further losses.

(d) Joint Ventures

Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions. The Company recognizes its interest in a jointly controlled entity using proportionate consolidation by including separate line items for its share of the assets, liabilities, income and expenses of the jointly controlled entity in the consolidated financial statements.

**Business combination**

(a) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

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Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors

Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized

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**POSCO**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2011 and 2010**

Deferred tax assets or liabilities are recognized and measured in accordance with IAS No. 12 *Income Taxes*

Employee benefit arrangements are recognized and measured in accordance with IAS No. 19 *Employee Benefits*

Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset

Reacquired rights are measured in accordance with special provisions

Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in IFRS No. 2 *Share-based Payment*

Assets held for sale are measured at fair value less costs to sell in accordance with IFRS No. 5 *Non-current Assets Held for Sale*

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with IAS No. 32 *Financial Instruments: Presentation* and IAS No. 39 *Financial Instruments: Recognition and Measurement*.

(b) Goodwill

The Company measures goodwill at the acquisition date as:

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the fair value of the consideration transferred; plus

the recognized amount of any non-controlling interests in the acquiree; plus

if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, bargain purchase gain is recognized immediately in profit or loss.

As part of its transition to IFRS, the Company elected to restate only those business combinations which occurred on or after January 1, 2010 in accordance with IFRS. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, K-GAAP.

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**POSCO**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2011 and 2010**

**Foreign currency transactions and translation**

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

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

**Foreign operations**

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

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

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

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

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

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, investment in highly liquid securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.





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**POSCO**

**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2011 and 2010**

**Non-derivative financial assets**

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

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

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

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

(b) Held-to-maturity financial assets

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

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

(e) De-recognition of non-derivative financial assets

The Company derecognizes non-derivative financial assets when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to

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receive the contractual cash flows from the financial asset as well as substantially all the risks and rewards of ownership of the financial asset. Any interest in a transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

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

(f) Offsetting a financial asset and a financial liability

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

**Inventories**

Inventories are measured at the lower of cost and net realizable value. Costs are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The allocation of fixed production overheads to the costs of finished goods or work in progress are based on the normal capacity of the production facilities.

When inventories are sold, the carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized and the amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

**Investment property**

Property held for the purpose of earning rentals is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

**Property, plant and equipment**

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in the preparation of the opening IFRS consolidated statement of financial position on the date of transition to IFRS, the Company measures certain machinery and equipment at fair value at the date of transition, which is deemed cost, in accordance with IFRS No. 1.



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

(a) it is probable that future economic benefits associated with the item will flow to the Company; and

(b) the cost can be measured reliably.

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

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

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

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

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

Buildings	10-60 years
Structures	4-50 years
Machinery and equipment	2-25 years
Vehicles	3-10 years
Tools	4-10 years
Furniture and fixtures	3-10 years
Lease assets	3-18 years

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

**Borrowing costs**

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

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing

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costs as an expense. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

**Intangible assets**

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

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

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

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

**(a) Research and development**

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

**(b) Subsequent expenditures**

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

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**Exploration for and evaluation of mineral resources**

The Company is engaged in exploration projects for mineral resources through equity ownership in the mines or other contractual arrangements. Expenditures related to the development of mineral resources are recognized as exploration or development intangible assets. The nature of these intangible assets are as follows:

(a) Exploration and evaluation assets

Exploration and evaluation assets consist of expenditures for topographical studies, geophysical studies and trenching. These assets are reclassified as development assets when it is proved that the exploration has identified an economically feasible mine.

(b) Development assets

Development assets consist of expenditures for the evaluation of oil fields, facility construction, drilling for viability and others. These development assets are reclassified as industrial rights (mining rights) at inception of the extraction.

**Impairment for financial assets**

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

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- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

In addition, for an equity instrument classified as available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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If financial assets have objective evidence that they are impaired, impairment losses are measured and recognized.

(a) Financial assets carried at amortized cost

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

**Impairments for non-financial assets**

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

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Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable

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amount of a cash-generating unit ( CGU ). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

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

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

**Non-current assets held for sale**

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

The Company recognizes an impairment loss for any initial or subsequent write-down of disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with IAS No. 36 *Impairment of Assets* .

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

**Non-derivative financial liabilities**

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

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



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Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**Convertible bonds**

The convertible bonds issued by the Company can be converted into equity securities at the option of the bond holders. The number of shares to be issued is adjusted according to the fair value of the common shares. The convertible bonds, which are compound financial instruments of bonds and conversion rights, are designated and measured at fair value through profit or loss.

**Derivative financial instruments and hedges**

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

(a) Embedded derivatives

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

(b) Other derivatives

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

**Leases**

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

(a) Finance leases

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



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

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

(b) Operating leases

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

(c) Determining whether an arrangement contains a lease

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

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

**Construction work in progress**

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade accounts and notes receivable in the consolidated statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as amounts due to customers for contract work in the consolidated statement of financial position.

**Government grants**

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

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

Other government grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which it becomes receivable.

**Employee benefits**

(a) Short-term employee benefits

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

(b) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(c) Retirement benefits: Defined contribution plans

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

(d) Retirement benefits: Defined benefit plans

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

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

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

Past service costs, which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Company recognizes the past service cost immediately.

**Stock appreciation rights**

The Company granted share options to executives as part of the reward for their services and is accounting for the options as cash-settled share-based payment transactions. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability and recognizes the employment benefits and the liability during the vesting period. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period as well.

**Provisions**

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

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

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

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

A provision for product warranties is recognized when the underlying products are sold. Management determines the Company's provision for product warranties based on historical warranty data and a weighting of possible outcomes against their associated probabilities. Regarding the



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

**Share capital**

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

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

**Revenue**

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

(a) Sale of goods

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

(b) Services rendered

Service sales are recognized when services are rendered.

(c) Construction contracts

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





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

(d) Rental income

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

**Finance income and finance costs**

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

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

**Income tax**

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.



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The Company recognizes a deferred tax liability for all taxable temporary differences associated with securities in subsidiaries and associates except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for deductible temporary differences arising from securities in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

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

**Earnings per share**

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

**Operating segments**

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

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

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**New standards and interpretations not yet adopted**

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2011, and the Company has not early adopted them.

(a) Amendments to IFRS No. 7 *Financial Instruments: Disclosures*

The amendments require disclosing the nature of the transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still has their specific risks and rewards, the amendments require additional disclosures on their effect of risks. The amendments will be applied prospectively for the Company's annual periods beginning on or after July 1, 2011.

(b) Amendments to IAS No. 19 *Employee Benefits*

The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation. The standard will be applied retrospectively for the Company's annual periods beginning on or after January 1, 2013. Management is currently analyzing the effects of adopting this standard.

(c) Amendments to IAS No. 32 *Financial Instruments: Presentation* and *Financial Instruments: Disclosures*

On December 16, 2011 the IASB published amendments to IAS No. 32 *Financial Instruments: Presentation* to clarify the application of the offsetting of financial assets and financial liabilities requirement. The IASB also published amendments to IFRS No. 7 *Financial Instruments: Disclosures* including new disclosures requirements regarding the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, and January 1, 2013, respectively. Management believes that there will be no significant impact on the Company's financial upon applying of this new standard.

(d) IFRS No. 9, *Financial instruments*

IFRS No. 9, *Financial instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS No. 9 was issued in November 2009 and October 2010. It replaces the parts of IAS No. 39 that relate to the classification and measurement of financial instruments. IFRS No. 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS No. 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Management is currently analyzing the effects and intends to adopt IFRS No. 9 no later than the accounting period beginning on or after January 1, 2013.



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(e) IFRS No. 10, *Consolidated financial statements*

IFRS No. 10, *Consolidated financial statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Management is currently analyzing the effects and intends to adopt IFRS No. 10 no later than the accounting period beginning on or after January 1, 2013.

(f) IFRS No. 12, *Disclosures of interests in other entities*

IFRS No. 12, *Disclosures of interests in other entities* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company intends to adopt the disclosures required by IFRS No. 12 no later than the accounting period beginning on or after January 1, 2013.

(g) IFRS No. 13 *Fair Value Measurement*

The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Company's annual periods beginning on or after January 1, 2013.

**4. Financial risk management**

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

credit risk

liquidity risk

market risk

operational risk

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

### (a) Risk management policy

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

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

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(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

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

(c) Liquidity risk management

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

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

(d) Market risk management

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

1) Currency risk

Each segment is influenced by a risk factor of changes in foreign currency exchange rates for the different directions due to the difference in structure of each industry regarding the cash inflows and cash outflows in foreign currency. The steel segment generally has a lack of foreign currency cash outflows, while the engineering and construction segments generally have excessive foreign currency inflows due to the nature of their respective business. Therefore, the result of the business is affected by the changes of foreign exchange rates. The trading segment is structured such that the cash inflows and outflows of foreign currencies are to be offset; however, the trading segment is exposed to a risk of changes in foreign currency exchange rates when there are differences in currencies on receiving and paying the foreign currency amount and



time differences.

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The Company's policy in respect of foreign currency risks is a natural hedge whereby foreign currency income is offset with foreign currency expenditures. The remaining net exposures after the natural hedge have been hedged using derivative contracts such as forward exchange contracts. In addition, the Company's derivative transactions are limited to hedging actual foreign currency transactions and speculative hedging is not permitted. Based on this policy, the Company entities have performed currency risk management specific to various characteristics of different segments. The entities in the steel industry, which has a lack of foreign currency cash flows, has foreign currency borrowings from banks and hedges foreign currency risks of the foreign currency borrowings by using foreign currency swaps. The entities in the engineering and construction segments, which have excessive foreign currency cash flows, have hedged foreign currency risks by using forward exchange contracts. Entities in the trading industry have hedged foreign currency risks by using forward exchange contracts when the foreign currencies received and paid are different.

## 2) Interest rate risk

The Company mostly borrows at fixed interest rates. The Company's management monitors interest rate risks regularly.

## (e) Management of capital risk

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

The equity attributable to owners as of December 31, 2011, 2010 and January 1, 2010 is as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Total borrowings	26,811,717	21,140,241	12,199,485
Less: Cash and cash equivalents	4,598,682	3,521,045	2,273,059
Net borrowings	22,213,035	17,619,196	9,926,426
Total equity	40,729,920	38,537,167	33,333,681
Net borrowings-to-equity ratio	54.54%	45.72%	29.78%

**5. Cash and Cash Equivalents**

Cash and cash equivalents as of December 31, 2011, 2010 and January 1, 2010 are as follows:

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	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Cash	(Won) 23,954	4,931	339,240
Demand deposit and checking accounts	1,855,929	1,426,715	735,759
Time deposits	2,664,335	1,816,853	1,166,610
Other financial cash equivalents	54,464	272,546	31,450
	(Won) 4,598,682	3,521,045	2,273,059

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(a) Trade accounts and notes receivable as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
<b>Current</b>			
Unbilled trade accounts and notes receivable	(Won) 10,265,421	8,415,973	4,740,600
Capital lease receivables	117,230	57,374	59,686
Due from customers for contract work	1,361,416	974,631	699,293
Less: Allowance for doubtful accounts	(293,552)	(228,967)	(199,346)
	11,450,515	9,219,011	5,300,233
<b>Non-current</b>			
Unbilled trade accounts and notes receivable	45,061	28,792	24,391
Unbilled capital lease receivables	147,634	258,664	504,633
Less: Allowance for doubtful accounts	(9,634)	(13,834)	(6,249)
	183,061	273,622	522,775
	(Won) 11,633,576	9,492,633	5,823,008

The trade accounts and notes receivable sold to financial institution, for which the derecognition conditions were not met, amounted to (Won)132,908 million, (Won)358,676 million and (Won)30,600 million as of December 31, 2011, 2010 and January 1, 2010, respectively and are included in bank borrowings (note 15).

(b) Capital lease receivables are as follows:

Customer	Contents	December 31, 2011 (in millions of Won)	December 31, 2010	January 1, 2010
Korea Electric Power	Combined thermal power cycle 1~4	(Won) 199,141	253,055	307,191
Tenant of EXPO	Lease contract	65,723	62,983	257,128
		(Won) 264,864	316,038	564,319

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(c) The gross amount and present value of minimum lease payments as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b> <b>(in millions of Won)</b>	<b>January 1, 2010</b>
Less than 1 year	(Won) 141,670	82,927	89,244
1 year - 5 years	169,265	283,566	532,044
Greater than 5 year	24,519	51,534	83,812
Unrealized interest income	(70,590)	(101,989)	(140,781)
<b>Present value of minimum lease payment</b>	<b>(Won) 264,864</b>	<b>316,038</b>	<b>564,319</b>

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(a) Other short-term financial assets as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Financial assets at fair value through profit or loss			
Financial assets held for trading	(Won) 50,861	182,208	795,811
Derivatives assets held for trading	92,055	133,731	26,641
Available-for-sale financial assets			
Short-term available-for-sale securities (bonds)	31,651	42,831	35,643
Held-to-maturity investments			
Current portion of held-to-maturity securities (bonds)	876	3,657	20,717
Loans and other receivables			
Short-term financial instruments (*1,2)	1,739,186	2,803,492	5,491,352
Special purpose deposits (*3)	18,558	42,967	49,809
Short-term loans	367,330	278,029	198,878
Other accounts receivable	1,067,163	744,785	462,529
Accrued income	59,028	47,828	58,119
Deposits	73,343	21,230	21,343
Other receivables	221,125	145,780	106,852
Allowance for bad debt accounts	(64,906)	(63,236)	(56,671)
	(Won) 3,656,270	4,383,302	7,211,023

(\*1) As of December 31, 2011 and 2010, short-term financial instruments of (Won)1,670 million and (Won)830 million are secured related to long-term borrowings of forestry association, respectively.

(\*2) Short-term financial instruments of DaeMyung TMS of (Won)400 million are provided as collateral to Kookmin bank related to a derivative instrument deposit.

(\*3) As of December 31, 2011 and 2010, (Won)17,175 million and (Won)14,101 million, respectively, are restricted for the use in a government project.

(b) Other long-term financial assets as of December 31, 2011, 2010 and January 1, 2010 are as follows:

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	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Financial assets at fair value through profit or loss			
Derivatives assets held for trading	(Won) 16,696	6,300	60,422
Available-for-sale financial assets			
Long-term available-for-sale securities (equity instruments) (*1, 2)	4,509,197	6,022,945	4,786,401
Long-term available-for-sale securities (bonds)	25,847	7,827	120,812
Long-term available-for-sale securities (others)	41,902	53,323	91,381
Held-to-maturity investments			
Held-to-maturity securities (bonds)	34,698	36,156	91,844
Loan and other receivables			
Long-term financial instruments	37,074	4,154	140
Cash deposits (*3)	658	89	340
Long-term loans	298,106	174,982	123,907
Long-term other accounts receivable	86,922	68,652	6,121
Accrued income	956	3,523	2,245
Deposits	112,245	90,113	49,125
Allowance for bad debt accounts	(38,629)	(51,026)	(24,078)
	(Won) 5,125,672	6,417,038	5,308,660

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(\*1) As of December 31, 2011, 2,186,546 shares equivalent to 19,678,919 American depository receipts ( ADRs ) of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued.

(\*2) The Company recorded impairment loss for securities of SK Telecom Co., Ltd. amounting to (Won)503,058 million prior to January 1, 2010. During the year ended December 31, 2011, there was a further significant decline in the fair value of shares of SK Telecom Co., Ltd. for a prolonged period, which was considered as objective evidence of impairment. As a result, an impairment losses of (Won)107,377 million was recognized in profit or loss in 2011.

(\*3) The Company is required to provide deposits to maintain checking accounts and, accordingly, the withdrawal of these deposits is restricted. As of December 31, 2011 and 2010, (Won)40 million are restricted, respectively.

**8. Inventories**

Inventories as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
	(in millions of Won)		
Finished goods	(Won) 1,556,573	1,093,446	616,803
Merchandise	1,185,496	854,624	171,586
Semi-finished goods	2,163,124	1,695,522	1,034,206
Raw materials	2,563,837	2,516,167	1,118,235
Fuel and materials	758,333	670,218	556,545
Construction inventories	1,245,546	478,973	402,361
Materials-in-transit	2,857,434	2,252,136	1,018,461
Others	168,895	86,015	45,263
	12,499,238	9,647,101	4,963,460
Less: allowance for inventories valuation	(215,594)	(87,895)	(45,047)
	(Won) 12,283,644	9,559,206	4,918,413

The amounts of valuation losses of inventories recognized as cost of goods sold during the years ended December 31, 2011 and 2010 are (Won)140,391 million and (Won)38,762 million, respectively.



**9. Non-Current Assets Held for Sale**

Details of non-current assets held for sale and related liabilities as of December 31, 2011 are as follows:

	<b>The Controlling Company (*1)</b>	<b>Subsidiaries (*2) (in millions of Won)</b>	<b>Total</b>
<b>Assets</b>			
Trade accounts and notes receivable and other financial assets	(Won)	63,154	63,154
Inventories		23,186	23,186
Property, plant and equipment	16,887	172,538	189,425
Intangible assets		7,389	7,389
Other assets		45,883	45,883
	16,887	312,150	329,037
<b>Liabilities</b>			
Trade accounts and note payables and other financial liabilities		28,509	28,509
Borrowings		144,920	144,920
Other liabilities		53,178	53,178
		226,607	226,607
Net assets	(Won) 16,887	85,543	102,430

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(\*1) The controlling company plans to dispose of equipments of existing steel manufacturing plants due to the completion and expected use of new plant. Book value of property, plant and equipment which are expected to be sold by the first half of 2012, net of impairment recorded, in the amount of (Won)16,887 million, are reclassified as non-current assets held for sale.

(\*2) Daewoo International Corporation, one of the controlling company's subsidiaries, determined to dispose of Daewoo Cement (Shandong) Co., Ltd. in order to close down its non-core business and collect long-term receivables and securities, with the board of director's resolution on July 28, 2011. Daewoo International Corporation entered into a sales contract with China United Cement Group Co., Ltd. on August 9, 2011 and requested approval from the Ministry of Commerce of the People's Republic of China is in progress as of December 31, 2011.

**10. Investments in Associates and Joint Ventures**

(a) Details of investments in associates as of December 31, 2011, 2010 and January 1, 2010 are as follows:

Company	Number of shares	Ownership (%)	December 31, 2011		Book value (in millions of Won)	December 31, 2010	January 1, 2010	
			Acquisition cost	Book value		Book value	Book value	
[Domestic]								
Kyobo Life Insurance Co., Ltd.	4,920,000	24.00	(Won) 1,266,900	(Won) 1,377,114	(Won) 1,314,808	(Won)		
Sungjin Geotec Co., Ltd.	17,193,510	36.69	239,877	194,942	227,245			
SNNC Co., Ltd.	18,130,000	49.00	90,650	154,131	145,466		94,520	
Busan-Gimhae Light Rail								
Transit Co., Ltd.	9,160,000	25.00	45,800	34,227	42,151		42,715	
Cheongna IBT Co., Ltd.	4,528,384	18.58	45,651	35,564	39,607		2,067	
Blue ocean PEF	333	27.52	33,300	35,971				
METAPOLIS Co., Ltd.	4,229,280	40.05	15,410	15,674	32,666		38,490	
POSMATE Co., Ltd.	214,286	30.00	7,233	22,409	20,989		13,059	
CHUNGJU ENTERPRISE CITY								
DEVELOPMENT Co., Ltd	2,008,000	25.10	10,040	21,026	21,317		13,527	
Others				94,507	156,712		91,442	
				1,985,565	2,000,961		295,820	
[Foreign]								
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	374,868				
AMCI (WA) Pty Ltd.		49.00	213,446	168,212	213,446			

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Nickel Mining Company SAS	3,234,698	49.00	157,585	168,292	180,671	190,149
KOBRASCO	2,010,719,185	50.00	32,950	128,884	141,939	98,943
KOREA LNG Ltd.	2,400	20.00	137,993	127,901	133,793	
Eureka Moly LLC		20.00	121,209	109,772	109,177	113,105
DMSA, AMSA		4.00	100,770	119,556	100,536	
BX STEEL POSCO Cold RolledSheet Co., Ltd.		25.00	61,961	95,577	89,313	63,667
CAML Resources Pty. Ltd.	3,239	33.34	40,388	55,465	67,401	41,496
South-East Asia Gas Pipeline Company Ltd.	118,099,219	25.04	131,531	136,175	56,636	
POSCHROME	43,350	50.00	19,859	24,674	29,201	11,441
USS-POSCO Industries	254,649	50.00	277,715	16,880	40,000	45,961
NCR LLC		20.00	23,744	24,107	23,931	
Others				295,731	119,420	89,867
				1,846,094	1,305,464	654,629
				(Won) 3,831,659	(Won) 3,306,425	(Won) 950,449

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(b) The fair value of investments in associates for which there are published price quotations as of December 31, 2011 are as follows:

Company	Fair value (in millions of Won)
Sungin Geotec Co., Ltd.	(Won) 184,830

(c) The movements of investments in associates for the years ended December 31, 2011 and 2010 are as follows:

1) December 31, 2011

Company	Dec. 31, 2010 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) <sup>(#1)</sup>	Dec. 31, 2011 Book Value
		(in millions of Won)		
<b>[Domestic]</b>				
Kyobo Life Insurance Co., Ltd.	(Won) 1,314,808	(Won) 82,450	(Won) (20,144)	(Won) 1,377,114
Sungjin Geotec Co., Ltd.	227,245	(33,650)	1,347	194,942
SNNC Co., Ltd.	145,466	49,605	(40,940)	154,131
Busan-Gimhae Light Rail Transit Co., Ltd.	42,151	(7,924)		34,227
Cheongna IBT Co., Ltd.	39,607	(4,043)		35,564
Blue ocean PEF		1,478	34,493	35,971
METAPOLIS Co., Ltd.	32,666	(16,992)		15,674
POSMATE Co., Ltd.	20,989	3,141	(1,721)	22,409
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	21,317	(146)	(145)	21,026
Others	156,712	(4,290)	(57,915)	94,507
	2,000,961	69,629	(85,025)	1,985,565
<b>[Foreign]</b>				
POSCO-NPS Niobium LLC		5,658	369,210	374,868
AMCI (WA) Pty Ltd.	213,446	(32,879)	(12,355)	168,212
Nickel Mining Company SAS	180,671	(7,073)	(5,306)	168,292
KOBRASCO	141,939	36,911	(49,966)	128,884
KOREA LNG Ltd.	133,793	8,026	(13,918)	127,901
Eureka Moly LLC	109,177	(754)	1,349	109,772
DMSA, AMSA	100,536	38	18,982	119,556
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	89,313	1,797	4,467	95,577
CAML Resources Pty. Ltd.	67,401	15,517	(27,453)	55,465
South-East Asia Gas Pipeline Company Ltd.	56,636	(25)	79,564	136,175
POSCHROME	29,201	1,422	(5,949)	24,674
USS-POSCO Industries	40,000	(31,585)	8,465	16,880
NCR LLC	23,931	(85)	261	24,107

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Others	119,420	(16,028)	192,339	295,731
	1,305,464	(19,060)	559,690	1,846,094
	(Won) 3,306,425	(Won) 50,569	(Won) 474,665	(Won) 3,831,659

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

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2) December 31, 2010

<b>Company</b>	<b>Jan. 1, 2010 Book Value</b>	<b>Equity method Profits (Losses)</b>	<b>Other Increase (Decrease)</b>	<b>Dec. 31, 2010 Book Value</b>
<b>[Domestic]</b>				
Kyobo Life Insurance Co., Ltd.	(Won)	(Won) 54,168	(Won) 1,260,640	(Won) 1,314,808
Sungjin Geotec Co., Ltd.		(9,108)	236,353	227,245
SNNC Co., Ltd.	94,520	63,680	(12,734)	145,466
Busan-Gimhae Light Rail Transit Co., Ltd.	42,715	(563)	(1)	42,151
Cheongna IBT Co., Ltd.	2,067	(4,201)	41,741	39,607
METAPOLIS Co., Ltd.	38,490	(5,824)		32,666
POSMATE Co., Ltd.	13,059	(558)	8,488	20,989
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	13,527	7,135	655	21,317
Others	91,442	3,349	61,921	156,712
	295,820	108,078	1,597,063	2,000,961
<b>[Foreign]</b>				
AMCI (WA) Pty Ltd.			213,446	213,446
Nickel Mining Company SAS	190,149	9,581	(19,059)	180,671
KOBRASCO	98,943	51,210	(8,214)	141,939
KOREA LNG Ltd.		2,934	130,859	133,793
Eureka Moly LLC	113,105	(1,165)	(2,763)	109,177
DMSA, AMSA		(39)	100,575	100,536
BX STEEL POSCO Cold RolledSheet Co., Ltd.	63,667	24,411	1,235	89,313
CAML Resources Pty. Ltd.	41,496	15,660	10,245	67,401
South-East Asia Gas Pipeline Company Ltd.			56,636	56,636
POSCHROME	11,441	783	16,977	29,201
USS-POSCO Industries	45,961	(9,165)	3,204	40,000
NCR LLC		(40)	23,971	23,931
Others	89,867	(19,591)	49,144	119,420
	654,629	74,579	576,256	1,305,464
	(Won) 950,449	(Won) 182,657	(Won) 2,173,319	(Won) 3,306,425

(\*1)

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Other increase or decrease represents the changes in investment in associates due to acquisitions, disposals, dividends received, change in capital adjustments arising from translations of financial statements of foreign investees and others.

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(d) Summarized financial information of associates as of December 31, 2011, 2010 and January 1, 2010 are as follows:

## 1) December 31, 2011

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
[Domestic]					
Kyobo Life Insurance Co., Ltd.	(Won) 60,828,181	55,786,580	5,041,601	11,610,607	487,785
Sungjin Geotec Co., Ltd.	717,665	611,548	106,117	663,879	(58,894)
SNNC Co., Ltd.	610,059	269,318	340,741	473,173	81,246
Busan-Gimhae Light Rail Transit Co., Ltd.	817,402	680,492	136,910	3,690	(31,696)
Cheongna IBT Co., Ltd.	433,306	263,377	169,929	305	(20,527)
Blue ocean PEF	385,060	254,353	130,707	79,583	5,371
METAPOLIS Co., Ltd.	579,241	534,775	44,466	21,333	(36,861)
POSMATE Co., Ltd.	90,403	15,317	75,086	116,021	8,592
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	302,887	256,485	46,402	67,459	2,099
[Foreign]					
POSCO-NPS Niobium LLC	749,737		749,737	11,433	11,317
Nickel Mining Company SAS	496,518	94,900	401,618	142,456	(12,983)
KOBRASCO	314,458	56,691	257,767	130,725	73,978
KOREA LNG Ltd.	24,169	10,492	13,677	95,385	92,600
DMSA, AMSA	5,807,261	3,979,755	1,827,506	939	939
BX STEEL POSCO Cold RolledSheet Co., Ltd.	1,099,540	745,318	354,222	1,421,784	7,188
CAML Resources Pty. Ltd.	217,677	105,456	112,221	278,778	46,567
South-East Asia Gas Pipeline Company Ltd.	596,972	53,140	543,832		(99)
POSCHROME	61,740	4,129	57,611	96,785	1,028
USS-POSCO Industries	470,963	434,722	36,241	1,062,110	(61,478)

## 2) December 31, 2010

Company	Assets	Liabilities	Equity (in millions of Won)	Sales	Net income (loss)
[Domestic]					
Kyobo Life Insurance Co., Ltd.	(Won) 57,563,928	52,926,182	4,637,746	3,443,403	232,968
Sungjin Geotec Co., Ltd.	600,667	460,621	140,046	401,551	(9,939)
SNNC Co., Ltd.	648,884	305,839	343,045	533,291	149,377
Busan-Gimhae Light Rail Transit Co., Ltd.	677,502	508,896	168,606	105	(2,252)
Cheongna IBT Co., Ltd.	457,438	266,020	191,418	666	(23,413)
METAPOLIS Co., Ltd.	600,290	518,914	81,376	176,511	(14,542)
POSMATE Co., Ltd.	94,030	23,770	70,260	130,418	27,707
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	254,216	212,279	41,937	80,772	20,586



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[Foreign]

Nickel Mining Company SAS	528,637	95,166	433,471	186,149	27,233
KOBRASCO	348,954	65,076	283,878	136,860	87,957
KOREA LNG Ltd.	13,850	87	13,763	17,691	16,925
DMSA, AMSA	5,301,319	3,930,064	1,371,255		(987)
BX STEEL POSCO Cold RolledSheet Co., Ltd.	1,003,494	675,931	327,563	1,421,734	97,645
CAML Resources Pty. Ltd.	210,319	65,298	145,021	265,256	46,969
South-East Asia Gas Pipeline Company Ltd.	227,499	17,966	209,533		
POSCHROME	76,611	7,693	68,918	71,316	6,305
USS-POSCO Industries	459,290	369,082	90,208	1,020,538	(15,710)

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3) January 1, 2010

Company	Assets	Liabilities	Equity
	(in millions of Won)		
[Domestic]			
SNNC Co., Ltd.	(Won) 505,417	285,761	219,656
Busan-Gimhae Light Rail Transit Co., Ltd.	485,887	315,029	170,858
Cheongna IBT Co., Ltd.	328,046	294,946	33,100
METAPOLIS Co., Ltd.	460,073	364,156	95,917
POSMATE Co., Ltd.	59,804	17,372	42,432
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	144,992	123,640	21,352
[Foreign]			
Nickel Mining Company SAS	551,969	102,228	449,741
KOBRASCO	273,311	75,424	197,887
BX STEEL POSCO Cold RolledSheet Co., Ltd.	1,018,978	791,925	227,053
CAML Resources Pty. Ltd.	137,046	52,313	84,733
POSCHROME	64,564	9,494	55,070
USS-POSCO Industries	443,184	338,318	104,866

(e) Details of significant joint ventures as of December 31, 2011 are as follows:

Joint venture	Business	Region	Ownership (%)
Mt.Thorley J/V	Mining	Australia	20.00%
POSMAC J/V	Mining	Australia	20.00%
CD J/V	Mining	Australia	5.00%
RUM J/V	Mining	Australia	10.00%

**11. Investment Property, Net**

(a) Investment property as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
	(in millions of Won)		
Cost	(Won) 766,905	701,005	629,357
Less: Accumulated depreciation and accumulated impairment loss	(239,372)	(207,640)	(71,150)
Carrying value	(Won) 527,533	493,365	558,207

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As of December 31, 2011, the fair value of investment property is (Won)837,511 million, among which the Company evaluated investment property of 7 subsidiaries including International Business Center Corporation as its book value amounted to (Won)82,396 million since it is believed that fair value is approximately same as book value.

(b) Changes in the carrying value of investment property for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

	<b>Beginning</b>	<b>Acquisition</b>	<b>Business combination</b>	<b>Disposal</b>	<b>Depreciation <sup>(*1)</sup></b>	<b>Others <sup>(*2)</sup></b>	<b>Ending</b>
	(in millions of Won)						
Land	(Won) 211,464	41,243	94	(57,905)	(14,010)	38,591	219,477
Buildings	278,361	109,757		(56,953)	(22,783)	(6,649)	301,733
Structures	3,540	6,072			(640)	(2,649)	6,323
<b>Total</b>	(Won) 493,365	157,072	94	(114,858)	(37,433)	29,293	527,533

(\*1) Impairment losses of investment property amounted to (Won)23,048 million are included.

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

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2) For the year ended December 31, 2010

	Beginning	Acquisition	Business combination	Disposal	Depreciation <sup>(*)1</sup>	Others <sup>(*)2</sup>	Ending
	(in millions of Won)						
Land	(Won) 238,682	87,114	7,923	(65,759)	(60,463)	3,967	211,464
Buildings	317,495	47,088	20,548	(47,124)	(84,656)	25,010	278,361
Structures	2,030		1,945		(809)	374	3,540
Total	(Won) 558,207	134,202	30,416	(112,883)	(145,928)	29,351	493,365

(\*)1 Impairment losses of investment property amounted to (Won)127,515 million are included.

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

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

(a) Property, plant and equipment as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	2011	2010	January 1, 2010
	(in millions of Won)		
Cost	(Won) 51,653,789	46,992,804	41,210,602
Less : Accumulated depreciation	(23,134,937)	(21,523,736)	(18,866,625)
Less : Government grants	(65,668)	(31,328)	(1,230)
Book value	(Won) 28,453,184	25,437,740	22,342,747

(b) The changes in carrying value of property, plant and equipment as for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

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	<b>Beginning</b>	<b>Acquisition (*1)</b>	<b>Business combination</b>	<b>Disposal</b>	<b>Depreciation (*2)</b>	<b>Others (*3)</b>	<b>Ending</b>
	<b>(in millions of Won)</b>						
Land	(Won) 2,011,851	450,151	92,806	(55,751)		50,121	2,549,178
Buildings	3,551,163	701,166	38,382	(38,755)	(278,097)	45,970	4,019,829
Structures	2,070,189	289,524	8,961	(10,775)	(163,072)	65,610	2,260,437
Machinery and equipment	13,777,382	2,892,960	204,871	(45,950)	(1,605,342)	955,463	16,179,384
Vehicles	64,173	21,041	1,981	(1,795)	(17,894)	(763)	66,743
Tools	75,437	38,477	2,259	(1,477)	(37,743)	3,924	80,877
Furniture and fixtures	124,677	66,297	1,995	(1,657)	(28,249)	6,626	169,689
Capital Lease Assets	43,106	8,029	20	(145)	(14,081)	1,613	38,542
Construction-in-progress	3,719,762	4,593,524	10,536			(5,235,317)	3,088,505
Total	(Won) 25,437,740	9,061,169	361,811	(156,305)	(2,144,478)	(4,106,753)	28,453,184

(\*1) Acquisition includes assets transferred from construction-in-progress.

(\*2) Impairment losses of property, plant and equipment amounted to (Won)25,852 million are included.

(\*3) Includes reclassification for changing purpose of use, adjustment of foreign currency translation difference and others.

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2) For the year ended December 31, 2010

	Beginning	Acquisition <sup>(*1)</sup>	Business combination	Disposal	Depreciation	Others <sup>(*2)</sup>	Ending
	(in millions of Won)						
Land	(Won) 1,767,579	169,090	94,126	(26,396)		7,452	2,011,851
Buildings	2,754,487	442,607	278,812	(68,791)	(217,835)	361,883	3,551,163
Structures	1,579,212	592,421	12,059	(9,410)	(131,556)	27,463	2,070,189
Machinery and equipment	11,735,492	4,170,812	247,224	(54,912)	(2,480,608)	159,374	13,777,382
Vehicles	52,113	39,444	11,221	(3,524)	(27,359)	(7,722)	64,173
Tools	67,107	43,480	1,520	(26,324)	(20,479)	10,133	75,437
Furniture and fixtures	84,232	67,128	2,559	(7,063)	(52,601)	30,422	124,677
Capital Lease Assets	23,060	20,948	88	(556)	(11,699)	11,265	43,106
Construction-in-progress	4,279,465	5,493,240	72,485	(24,796)		(6,100,632)	3,719,762
Total	(Won) 22,342,747	11,039,170	720,094	(221,772)	(2,942,137)	(5,500,362)	25,437,740

(\*1) Acquisition includes assets transferred from construction-in-progress.

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

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
	(in millions of Won)	
Average expenditure costs	1,433,877	350,000
Capitalized borrowing costs	78,777	12,897
Capitalized interest rate	5.49%	3.68%

(d) Pledged as collateral assets

Collateral right holder

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		December 31, 2011	December 31, 2010	January 1, 2010
		(in millions of Won)		
Land (*1)	Korean Development Bank and others	(Won) 381,096	235,486	220,732
Buildings and structures (*1)	Korean Development Bank and others	139,169	165,251	105,465
Machinery and equipment	The Export-Import Bank of Korea and others	218,816	231,521	387,828
		(Won) 739,081	632,258	714,025

(\*1) Investment property are included.

(e) Based on an asset life study performed in 2011, the Company changed the estimated useful life of certain machinery and equipments in its steel business from 8 years to 15 years. During the year ended December 31, 2011, the depreciation costs decreased by (Won)1,227,169 million as a result of this change in the estimated useful life.

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(a) Goodwill and other intangible assets as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Cost	(Won) 5,457,923	4,697,429	928,520
Less : Accumulated amortization and accumulated impairment loss	(210,923)	(77,634)	(173,895)
Less : Government grants	(2,072)	(626)	(394)
Book value	(Won) 5,244,928	4,619,169	754,231

(b) The changes in carrying value of goodwill and other intangible assets for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

	Beginning	Increase			Decrease			Ending	
		Acquisition	Development	Business combination	Disposal	Amortization	Impairment		Others <sup>(*3)</sup>
	(in millions of Won)								
Goodwill <sup>(*1)</sup>	(Won) 1,447,743			224,032			(14,958)	1,656,817	
Intellectual property rights	119,100	171,402			(7,544)	(16,258)	8,207	274,907	
Premium in rental <sup>(*2)</sup>	159,761	15,355		9	(3,457)	(8,391)	(24,133)	139,144	
Development expense	49,275	13,978	252	688	(44)	(20,092)	1,526	45,583	
Port facilities usage rights	108,161					(13,130)	(285)	94,746	
Exploration and evaluation assets	594,464	10,151			(38,563)		(92,860)	473,192	
Mining development assets	1,058,354	357,681			(96)		(1,624)	1,414,315	
Client relationships	778,080			75,836		(46,848)		807,068	
Other intangible assets	304,231	95,557		8,160	(5,684)	(28,569)	(34,539)	339,156	
	(Won) 4,619,169	664,124	252	308,725	(55,388)	(133,288)	(14,958)	(143,708)	5,244,928



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(\*1) Acquisition amounts include goodwill amounting to (Won)119,260 million related to the acquisition of POSCO Thainox Co., Ltd. in 2011 (note 37).

(\*2) Premium in rental includes memberships with indefinite useful lives.

(\*3) Includes translation differences and other adjustments.

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2) For the year ended December 31, 2010

	Beginning	Acquisition	Increase Development	Business combination (in millions of Won)	Disposal	Decrease Amortization	Others (*3)	Ending
Goodwill (*1)	(Won) 268,080			1,179,663				1,447,743
Intellectual property rights	50,365	7,863		58,245	(12)	(1,142)	3,781	119,100
Premium in rental (*2)	168,701	39,309		34	(6,015)	(788)	(41,480)	159,761
Development expense	47,648	21,417	28	4,338	(7,522)	(14,611)	(2,023)	49,275
Port facilities usage rights	99,552	28,024				(19,415)		108,161
Exploration and evaluation assets		84,807		509,657				594,464
Mining development assets		50,793		1,007,561				1,058,354
Client relationships				789,200		(11,120)		778,080
Other intangible assets	119,885	83,784		148,587	(12,424)	(28,268)	(7,333)	304,231
	(Won) 754,231	315,997	28	3,697,285	(25,973)	(75,344)	(47,055)	4,619,169

(\*1) Acquisition amounts include goodwill amounting to (Won)1,163,922 million related to acquisition of Daewoo International Corporation in 2010 (note 37).

(\*2) Premium in rental includes memberships with indefinite useful lives.

(\*3) Includes translation differences and other adjustments.

(c) For the purpose of impairment testing, goodwill is allocated to individual operating entities determined to be CGUs. The goodwill amount as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
	(Won)	(in millions of Won)	
Daewoo International Corporation (*1)	1,163,922	1,163,922	
POSCO Engineering Company (formerly Daewoo Engineering Company) (*2)	194,637	194,637	194,637
POSCO-Thainox Public Company Limited (*3)	119,259		

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Multiple units without significant goodwill (*4)	178,999	89,184	73,443
<b>Total</b>	<b>(Won) 1,656,817</b>	<b>1,447,743</b>	<b>268,080</b>

(\*1) Recoverable amounts of Daewoo international Corporation were determined based on value-in-use. As of December 31, 2011, value-in-use is estimated by applying 6.90%~7.40% discount rate and 2.65%~3.15% terminal growth rate with 5 years, the period for the estimated future cash flows, based on management's business plan. No impairment loss of goodwill was recognized during the year ended December 31, 2011 as the recoverable amount exceeded the carrying value of the CGU.

(\*2) Recoverable amounts of POSCO Engineering Company were determined based on value-in-use. As of December 31, 201, value-in-use is estimated by applying 11.71%~13.71% discount rate and 1%~3% terminal growth rate with 5 years, the period for the estimated future cash flows based on management's business plan. No impairment loss of goodwill was recognized during the year ended December 31, 2011 as the recoverable amount exceeded the carrying value of the CGU.

(\*3) No impairment loss of goodwill was recognized since there was no objective evidence of impairment noted subsequent to September 30, 2011, the date POSCO Thainox Public Company Limited was acquired.

(\*4) Among multiple units without significant goodwill, goodwill in the amount of (Won)14,958 million related to the CGU of DAESAN (CAMBODIA) Co. Ltd is fully impaired during 2011 due to negative capital.

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010****14. Other Assets**

(a) Other current assets as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Other current assets			
Advance payment	(Won) 1,035,846	899,006	650,496
Prepaid expenses	180,369	72,180	35,408
Others	3,927	973	4,282
	(Won) 1,220,142	972,159	690,186

(b) Other long-term assets as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Other non-current assets			
Long-term advance payment	(Won) 2,895	141,726	79,444
Long-term prepaid expenses	190,741	109,835	115,447
Others <sup>(*)</sup>	436,651	408,253	55,584
	(Won) 630,287	659,814	250,475

(\*1) Includes guarantee deposits of (Won)257,878 million as of December 31, 2011 and 2010 in relation to exploration of Australia Roy Hill iron ore mine.

**15. Borrowings**

(a) Short-term borrowings and current portion of long-term borrowings as of December 31, 2011, 2010 and January 1, 2010 are as follows:

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	Bank	Borrowing date	Maturity date	Interest Rate (%)		December 31, 2011	December 31, 2010	January 1, 2010
(in millions of Won)								
<b>Short-term borrowings</b>								
Bank overdrafts	BOA, others	March 2011~	March 2012~					
		December 2011	December 2012	0.4~6.1	(Won)	233,804	200,389	106,069
Bank borrowings (*1)	HSBC, others	January 2011~	January 2012~					
		December 2011	December 2012	0.3~11.4		9,339,182	6,888,796	3,067,103
						9,572,986	7,089,185	3,173,172
<b>Current portion of long-term borrowings</b>								
Current portion of long-term bank borrowings (*1)		December 2000~	February 2012~					
	NH Bank, others	September 2011	December 2012	0.7~11.0		428,409	394,227	468,996
Current portion of foreign loan	NATIXIS	June 1984	December 2012	2.0		951	963	1,065
Current portion of debentures (*1)	KB Investment & Securities, others	May 2007~	February 2012~					
		November 2009	November 2012	5.2~7.3		790,050	2,995,726	315,085
Less : Current portion of discount on debentures issued						(886)	(3,801)	(219)
						1,218,524	3,387,115	784,927
					(Won)	10,791,510	10,476,300	3,958,099

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

(\*1) Property, plant and equipment, investment in associates and long-term prepaid expenses amounting to (Won)706,560 million, (Won)103,169 million and (Won)391 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

(b) Long-term borrowings, excluding current portion as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	Bank	Borrowing date	Maturity date	Interest Rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
(in millions of Won)							
Long-term bank borrowings (*1)	Korean Development Bank, others	December 2000~ September 2011	January 2013~ August 2039	0.1~13.0	(Won) 4,614,391	3,431,521	1,381,648
Less : Present value discount					(302,118)	(81,610)	(746)
Foreign loan (*2)	NATIXIS	June 1984	March 2017	2.0	3,071	4,074	5,572
Debentures (*1,3,4)	Korean Development Bank, others	June 2006~ December 2011	May 2013~ December 2021	1.6~8.8	11,776,893	7,357,310	6,915,294
Less : Discount on debentures issued					(94,356)	(64,649)	(70,449)
Add : Premium on debentures redemption					21,493	11,138	10,067
Add : Premium on debentures issued					833	6,157	
					(Won) 16,020,207	10,663,941	8,241,386

(\*1) Property, plant and equipment, investment in associates and long-term prepaid expenses amounting to (Won)706,560 million, (Won)103,169 million and (Won)391 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

(\*2) Korea Development Bank has provided guarantees related to this foreign loan.

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(\*3) In 2009, one of the controlling company's subsidiaries, Daewoo International Corporation, issued convertible bonds with a face value of USD 300 million and a 5 year maturity. They are classified as fair value through profit or loss and measured at fair value ((Won)333,004 million) as of December 31, 2011.

(\*4) The Company redeemed JPY 39,970,000,000 (75.7% of total face value) exchangeable bonds in August 2011. The Company issued exchangeable bonds with SK Telecom Co., Ltd. ADRs in August 2011. The Company accounted for these exchangeable bonds as long-term debts under IFRS. The exchangeable bonds may be redeemed prior to maturity at 105.11% of their face value for three years from the issuance date at the option of the bondholders.

(c) Certain borrowing agreements require the Company to maintain certain financial covenants. Management believes the Company has been in compliance with these financial covenants for all periods presented.

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(a) Other short-term financial liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Short-term financial liabilities			
Accounts payable	(Won) 1,048,895	874,629	650,767
Accrued expenses	457,070	415,657	352,060
Dividends payable	5,822	6,176	10,194
Derivatives liabilities	146,903	90,384	34,880
Finance lease liabilities	15,295	14,073	6,813
Financial guarantee liabilities	7,510	8,919	
Withholding	129,695	111,039	
	(Won) 1,811,190	1,520,877	1,054,714

(b) Other long-term financial liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Long-term financial liabilities			
Accounts payable	(Won) 149,308	2,438	4,027
Accrued expenses	20,068	22,348	74,482
Derivatives liabilities	48,934	11,925	8,831
Finance lease liabilities	29,504	27,039	17,074
Financial guarantee liabilities	24,732	19,046	6,295
Long-term withholding	78,014	92,978	94,387
	(Won) 350,560	175,774	205,096

**17. Provisions**

(a) Provisions as of December 31, 2011, 2010 and January 1, 2010 are as follows:



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	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
Provision for bonus payments	(Won) 47,682		37,978		20,861	
Provision for construction warranties	19,656	30,967	25,804	23,264	38,594	9,035
Provision for legal contingencies and claims <sup>(*1)</sup>		38,847		126,626		
Others	2,094	39,529	27	2,259	3,850	2,970
	(Won) 69,432	109,343	63,809	152,149	63,305	12,005

(\*1) As of December 31, 2011 and 2010, includes provision of (Won)38,847 million and (Won)75,817 million, respectively, for a potential claim in connection to the spin-off of the trading division of Daewoo International Corporation in 2000 (note 34).

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(b) Changes in provisions for the year ended December 31, 2011 are as follows:

	Beginning	Increase	Decrease	Others <sup>(*)1</sup>	Ending
	(in millions of Won)				
Provision for bonus payments	(Won) 37,978	30,592	(20,888)		47,682
Provision for construction warranties	49,068	30,724	(12,958)	(16,211)	50,623
Provision for legal contingencies and claims	126,626			(87,779)	38,847
Others	2,286	34,820	(272)	4,789	41,623
	(Won) 215,958	96,136	(34,118)	(99,201)	178,775

(\*1) Include adjustments of foreign currency translation difference and transfer to non-current liability held for sale.

(c) Changes in provisions for the year ended December 31, 2010 are as follows:

	Beginning	Increase	Decrease	Others <sup>(*)1</sup>	Ending
	(in millions of Won)				
Provision for bonus payments	(Won) 20,861	373,335	(356,134)	(84)	37,978
Provision for construction warranties	47,629	17,216	(15,705)	(72)	49,068
Provision for legal contingencies and claims				126,626	126,626
Others	6,820	6,486	(14,843)	3,823	2,286
	(Won) 75,310	397,037	(386,682)	130,293	215,958

(\*1) Include adjustments of foreign currency translation difference and increase due to acquisition of Daewoo International Corporation.

**18. Employee Benefits**

(a) Defined Contribution Plans

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The Company partially operates a defined contribution plan for participating employees. Though the Company pays fixed contributions into a separate fund, employee benefits relating to employee service in the future is based on the contributions to the funds and the investment earnings on it. Plan assets are managed by a trustee as a separate fund from the Company's assets. The expense related to post-employment benefit plans under defined contribution plans during the year ended December 31, 2011 is (Won)8,874 million, which is included in profit or loss based on the function of the related employees.

### (b) Defined Benefit Plan

The Company partially operates a defined benefit pension plan for employees and uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation.

(c) The amounts recognized in relation to defined benefit obligations in the statements of financial position as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
	<b>(in millions of Won)</b>		
Present value of funded obligations	(Won) 1,158,329	1,443,954	1,098,475
Fair value of plan assets	(832,771)	(964,727)	(790,509)
Present value of non-funded obligations	14,909	23,899	7,452
Net defined benefit obligations	(Won) 340,467	503,126	315,418

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(d) The changes in present value of defined benefit obligations for the years ended December 31, 2011 and 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
Defined benefit obligation at the beginning of year	(Won) 1,467,853	1,105,927
Current service costs (*1)	207,871	156,308
Interest costs	67,372	57,473
Actuarial losses	43,166	189,501
Business combinations	221	52,641
Benefits paid	(593,369)	(102,837)
Others	(19,876)	8,840
Defined benefit obligation at the end of year	(Won) 1,173,238	1,467,853

(\*1) This amount includes loss from a plan settlement in the amount of (Won)3,704 million for the year ended December 31, 2011.

(e) The changes in fair value of plan assets for the years ended December 31, 2011 and 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
Fair value of plan assets at the beginning of period	(Won) 964,727	790,509
Expected return on plan assets	38,244	39,810
Actuarial gains and losses	3,073	22,390
Contributions of participants	190,909	148,354
Business combination	354	38,805
Others	14,059	3,473
Benefits paid	(378,595)	(78,614)
Fair value of plan assets at the end of period	(Won) 832,771	964,727

(f) The fair value of plan assets as of December 31, 2011, 2010 and January 1, 2010 are as follows:

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	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Equity instruments	(Won) 7,703	512,850	455,563
Debt instruments	103,074	289,907	288,282
Deposits	538,260		
Others	183,734	161,970	46,664
	(Won) 832,771	964,727	790,509

(g) The amounts recognized in profit or loss for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011 (in millions of Won)	December 31, 2010
Current service costs	(Won) 207,871	156,308
Interest costs	67,372	57,473
Expected return on plan assets	(38,244)	(39,810)
	(Won) 236,999	173,971

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(h) The above expenses recognized in profit or loss are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	(in millions of Won)	
Cost of goods sold	(Won) 177,020	137,263
Selling and administrative expenses	59,979	36,708
	(Won) 236,999	173,971

(i) Accumulated actuarial gains and losses, net of tax, recognized in other comprehensive income as of and for the years ended December 31, 2011 and 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	(in millions of Won)	
Beginning balance	(Won) (152,125)	
Current actuarial gains and losses	(30,577)	(152,125)
Ending balance	(Won) (182,702)	(152,125)

(j) The principal actuarial assumptions as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
		(%)	
Discount rate	3.86~5.42	3.22~5.66	3.22~5.66
Expected return on plan assets	2.00~5.29	3.38~6.19	3.38~6.19
Expected future salary increases	1.03~7.35	1.00~5.90	1.00~5.90

**19. Other Liabilities**

(a) Other current liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
		(in millions of Won)	

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Due to customers for contract work	(Won)	449,470	703,900	516,611
Advances received		973,427	484,155	320,825
Unearned revenue		36,935	26,338	8,497
Withholding accounts		114,941	105,079	194,856
Deferred revenue		362	378	225
Others <sup>(*1)</sup>		224,496	136,221	114,428
	(Won)	1,799,631	1,456,071	1,155,442

(\*1) Includes other current liabilities amounting to (Won)204,653 million, (Won)129,318 million and (Won)94,749 million as of December 31, 2011, 2010 and January 1, 2010, respectively, due to proportionate consolidation of joint ventures which are owned by POSCO's subsidiaries.

(b) Other long-term liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Advances received	(Won) 1,547	3,583	40
Unearned revenue	1,200	1,539	2,364
Others <sup>(*1)</sup>	81,756	75,264	25,987
	(Won) 84,503	80,386	28,391

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(\*1) Includes other long-term liabilities amounting to (Won)14,857 million, (Won)12,254 million and (Won)10,957 million as of December 31, 2011, 2010 and January 1, 2010, respectively, due to proportionate consolidation of joint ventures which are owned by POSCO's subsidiaries.

**20. Financial Instruments**

## (a) Classification of financial instruments

1) Financial assets as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Financial assets at fair value through profit or loss			
Financial assets held for trading	(Won) 50,861	182,208	795,811
Derivatives assets held for trading	108,751	140,031	87,063
	159,612	322,239	882,874
Available-for-sale financial assets	4,608,597	6,126,926	5,034,237
Held-to-maturity securities	35,574	39,813	112,561
Loans and receivables	20,210,417	17,325,040	14,586,078
	(Won) 25,014,200	23,814,018	20,615,750

2) Financial liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Financial liabilities at fair value through profit or loss			
Derivatives liabilities held for trading	(Won) 195,837	102,309	43,711
Designated as financial liabilities at fair value through profit or loss	333,004	447,308	
	528,841	549,617	43,711



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Financial liabilities evaluated as amortized cost			
Trade accounts and notes payable	4,397,662	3,981,079	2,392,317
Borrowings	26,478,713	20,692,933	12,199,485
Financial guarantee liabilities	32,242	27,965	6,295
Others	1,933,671	1,566,377	1,209,803
	32,842,288	26,268,354	15,807,900
	(Won) 33,371,129	26,817,971	15,851,611

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3) Financial profit and loss by category of financial instrument for the years ended December 31, 2011 and 2010 is as follows:

December 31, 2011

	Interest income (cost)	Dividend income	Financial income and costs loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	Total	Other comprehensive loss
	(in millions of Won)							
Financial assets at fair value through profit or loss	(Won) 3				544,913	70,656	615,572	
Available-for-sale financial assets	768	143,880			453,540	(152,804)	445,384	(1,231,758)
Held-to-maturity securities	1,749					(311)	1,438	
Loans and receivables	213,714		(26,239)	46,971	(41,171)	(95)	193,180	
Financial liabilities at fair value through profit or loss					(506,664)	(150,963)	(657,627)	
Financial liabilities are evaluated as amortized cost	(788,348)		(140,052)	(317,867)		(27,956)	(1,274,223)	
	(Won) (572,114)	143,880	(166,291)	(270,896)	450,618	(261,473)	(676,276)	(1,231,758)

December 31, 2010

	Interest income (cost)	Dividend income	Financial income and costs loss on foreign currency translations	Gain and loss on foreign currency transactions	Gain and loss on disposal	Others	Total	Other comprehensive income
	(in millions of Won)							
Financial assets at fair value through profit or loss	(Won) 196				195,543	63,568	259,307	
Available-for-sale financial assets	9,822	102,161			624	(57,133)	55,474	589,601
Held-to-maturity securities	64				465		529	
Loans and receivables	282,846		(18,628)	20,483	(2,827)	(430)	281,444	
Financial liabilities at fair value through profit or loss					(174,943)	7,319	(167,624)	
	(586,883)		54,231	(239,375)		(6,157)	(778,184)	

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Financial liabilities are evaluated as  
amortized cost

(Won)	(293,955)	102,161	35,603	(218,892)	18,862	7,167	(349,054)	589,601
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## (b) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets is the Company's maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2011, 2010 and January 1, 2010 is as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b> (in millions of Won)	<b>January 1, 2010</b>
Cash and cash equivalents	(Won) 4,598,682	3,521,045	2,273,059
Financial assets at fair value through profit or loss	159,612	322,239	882,874
Available-for-sale financial assets	4,608,597	6,126,926	5,034,237
Held-to-maturity investments	35,574	39,813	112,561
Loans and other receivables	3,978,159	4,311,362	6,490,011
Trade accounts and notes receivable	11,450,515	9,219,011	5,300,233
Long-term trade accounts and notes receivable	183,061	273,622	522,775
	(Won) 25,014,200	23,814,018	20,615,750

The Company provides financial guarantees to subsidiaries and has exposure to credit risk. The maximum credit exposures as December 31, 2011, 2010 and January 1, 2010 are (Won)4,542,734 million, (Won)3,468,336 million and (Won)3,993,115 million, respectively.

## 2) Impairment losses on financial assets

Allowance for doubtful accounts as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b> (in millions of Won)	<b>January 1, 2010</b>
Trade accounts and notes receivable	(Won) 303,186	242,801	205,595
Other accounts receivable	36,453	58,934	25,443
Long-term loans	61,222	51,244	23,595
Other assets	5,860	4,084	31,711
	(Won) 406,721	357,063	286,344

Impairment losses on financial assets for the years ended December 31, 2011 and 2010 are as follows:

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	December 31, 2011	December 31, 2010
	(in millions of Won)	
Bad debt expenses on trade receivables	(Won) 103,848	51,185
Impairment of available-for-sale financial assets	152,804	57,172
Impairment of held to maturity financial assets	579	
Other bad debt expenses (*1)	28,081	12,877
Less: Reversal of allowance for doubtful accounts	(86,452)	(3,796)
Less: Impairment of available-for-sale financial assets		(38)
Less: Impairment of held to maturity financial assets	(268)	
	(Won) 198,592	117,400

(\*1) Other bad debt expenses are mainly related to other receivables and long-term loans.

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The aging schedule and the impaired losses of trade accounts and notes receivables as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable (in millions of Won)	Impairment	Trade accounts and notes receivable	Impairment
Not due	(Won) 6,154,045	8,137	5,105,514		4,754,288	
Over due less than 1 month	4,868,928	233	3,749,035	5,964	445,823	129
1 month 3 months	256,022	1,506	191,386	2,018	75,132	497
3 months 12 months	301,875	37,032	465,134	15,597	292,699	25,291
over 12 months	355,892	256,278	224,365	219,222	460,661	179,678
	(Won) 11,936,762	303,186	9,735,434	242,801	6,028,603	205,595

Changes in the allowance for doubtful accounts for the years ended December 31, 2011 and 2010 were as follows:

	December 31, 2011		December 31, 2010
	(in millions of Won)		
Beginning	(Won) 357,063		286,344
Bad debt expenses	103,848		51,185
Other bad debt expenses	28,081		12,877
Reversal of bad debt expenses	(86,452)		(3,796)
Other increase (decrease)	4,181		10,453
Ending	(Won) 406,721		357,063

**(c) Liquidity risk**

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

	Book value	Cash flow for contracts	Due within 1 year (in millions of Won)	1 year - 5 years	later than 5 years	Total
Non-derivative financial liabilities						
Trade accounts payable	(Won) 4,397,662	4,397,662	4,397,279	383		4,397,662

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Financial guarantee liabilities <sup>(*1)</sup>	32,242	4,547,734	4,547,732			4,547,734
Other financial liabilities	1,933,671	1,933,671	1,656,778	266,837	10,056	1,933,671
Borrowings <sup>(*2)</sup>	26,811,717	29,673,269	11,991,293	13,463,085	4,218,891	29,673,269
	(Won)	33,175,292	40,552,336	22,593,082	13,730,305	4,228,947
						40,552,336

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

(\*2) Includes cash flows of embedded derivative instruments in relation to exchangeable bonds (exchange right).

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

	Over due less than 1 year	1 year - 5 years (in millions of Won)	later than 5 years	Total
Derivative financial liabilities				
Currency forward	(Won) 135,813	20,986		156,799
Currency futures	141			141
Currency swaps		14,885	149	15,034
Others	10,949	12,914		23,863
	(Won) 146,903	48,785	149	195,837

(d) Currency risk

1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The exposure to currency risk as of December 31, 2011, 2010 and January 1, 2010 is as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	(in millions of Won)					
USD	(Won) 3,852,909	10,912,882	3,485,974	8,440,832	1,114,116	2,911,218
EUR	275,012	610,454	382,573	518,244	61,989	90,200
JPY	236,046	2,353,794	188,060	2,642,725	67,496	2,268,593
Others	130,753	136,294	60,066	41,011	59,923	30,754

2) As of December 31, 2011 and 2010, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss during the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	10% increase	10% decrease	10% increase	10% decrease
	(in millions of Won)			
USD	(Won) (705,997)	705,997	(495,486)	495,486
EUR	(33,544)	33,544	(13,567)	13,567
JPY	(211,775)	211,775	(245,467)	245,467

(e) Interest rate risk

1) The carrying amount of interest-bearing financial instruments as of December 31, 2011, 2010 and January 1, 2010 are as follows:



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	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
<b>Fixed rate</b>			
Financial assets	(Won) 7,086,835	7,008,969	8,839,475
Financial liabilities	(24,169,245)	(19,495,665)	(11,475,986)
	(17,082,410)	(12,486,696)	(2,636,511)
<b>Variable rate</b>			
Financial liabilities	(Won) (2,642,472)	(1,644,576)	(723,499)

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## 2) Sensitivity analysis on the fair value of financial instruments with variable interest rate

As of December 31, 2011 and 2010, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in gain or loss during the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	1% increase	1% decrease	1% increase	1% decrease
Variable rate financial instruments	(Won) (26,425)	26,425	(16,446)	16,446
(f) Fair value				

## 1) Fair value and book value

The carrying amount and the fair value of financial instruments as of December 31, 2011, 2010 and January 1, 2010 are as follows

	December 31, 2011		December 31, 2010		January 1, 2010	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
(in millions of Won)						
Assets measured fair value						
Financial assets held for trading	(Won) 50,861	50,861	182,208	182,208	795,811	795,811
Available-for-sale financial assets	4,390,224	4,390,224	5,766,998	5,766,998	4,612,580	4,612,580
Derivatives assets held for trading	108,751	108,751	140,031	140,031	87,063	87,063
	4,549,836	4,549,836	6,089,237	6,089,237	5,495,454	5,495,454
Assets measured amortized cost						
Cash and cash equivalents	4,598,682	4,598,682	3,521,045	3,521,045	2,273,059	2,273,059
Trade accounts and notes receivable	11,633,576	11,633,576	9,492,633	9,492,633	5,823,008	5,823,008
Loans and other receivables	3,978,159	3,978,159	4,311,362	4,311,362	6,490,011	6,490,011
Held-to-maturity investments	35,574	35,574	39,813	39,813	112,561	112,561
	20,245,991	20,245,991	17,364,853	17,364,853	14,698,639	14,698,639
Liabilities measured fair value						
Derivatives liabilities held for trading	195,837	195,837	102,309	102,309	43,711	43,711
Convertible bonds	333,004	333,004	447,308	447,308		
	528,841	528,841	549,617	549,617	43,711	43,711

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Liabilities measured amortized cost						
Trade accounts and notes payable	4,397,662	4,397,662	3,981,079	3,981,079	2,392,317	2,392,317
Borrowings	26,478,713	26,793,230	20,692,933	20,549,483	12,199,485	12,210,969
Financial guarantee liabilities	32,242	32,242	27,965	27,965	6,295	6,295
Others	1,933,671	1,933,671	1,566,377	1,566,377	1,209,803	1,209,804
	(Won) 32,842,288	33,156,805	26,268,354	26,124,904	15,807,900	15,819,385

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## 2) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Interest rate of Borrowings (%)	1.8 ~ 4.62	1.19 ~ 5.14	1.28 ~ 5.38

## 3) The fair value hierarchy

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

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

The fair values of financial instruments, by valuation method as of December 31, 2011, 2010 and January 1, 2010 are as follows:

## a. December 31, 2011

	Level 1	Level 2 (in millions of Won)	Level 3	Total
<b>Financial Assets</b>				
Financial assets held for trading		50,861		50,861
Available-for-sale financial assets	3,419,961	31,022	939,241	4,390,224
Derivatives assets held for trading		108,751		108,751
	3,419,961	190,634	939,241	4,549,836
<b>Financial Liabilities</b>				
Derivatives liabilities held for trading		195,837		195,837
Convertible bonds	333,004			333,004
	333,004	195,837		528,841

b. December 31, 2010

	Level 1	Level 2 (in millions of Won)	Level 3	Total
<b>Financial Assets</b>				
Financial assets held for trading		182,208		182,208
Available-for-sale financial assets	4,944,644	17,194	805,160	5,766,998
Derivatives assets held for trading		140,031		140,031
	4,944,644	339,433	805,160	6,089,237
<b>Financial Liabilities</b>				
Derivatives liabilities held for trading		102,309		102,309
Convertible bonds	447,308			447,308
	447,308	102,309		549,617

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c. January 1, 2010

	Level 1	Level 2	Level 3	Total
	(in millions of Won)			
<b>Financial Assets</b>				
Financial assets held for trading	(Won)	795,811		795,811
Available-for-sale financial assets	3,967,463	6,714	638,403	4,612,580
Derivatives assets held for trading		87,063		87,063
	3,967,463	599,588	638,403	5,205,454
<b>Financial Liabilities</b>				
Derivatives liabilities held for trading	(Won)	43,711		43,711

Changes in fair value of financial instruments measured by Level 3 for the years ended December 31, 2011 and 2010 are as follows:

a. December 31, 2011

	Beginning	Valuation	Acquisition, others (*1)	Disposal, others (*1)	Ending
	(in millions of Won)				
Available-for-sale financial assets	(Won) 805,160	157,329	98,242	(121,490)	939,241

(\*1) Included change in amounts due to change of fair value level.

b. December 31, 2010

	Beginning	Valuation	Acquisition, others (*1)	Disposal, others (*1)	Ending
	(in millions of Won)				
Available-for-sale financial assets	(Won) 638,403	11,568	164,382	(9,193)	805,160

(\*1) Included change in amounts due to change of fair value level.

## **21. Share Capital and Contributed Surplus**

### **(a) Share capital**

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with par value of (Won)5,000 per share. As of December 31, 2011, exclusive of retired stock, 87,186,835 shares of common stock have been issued.

The Company is authorized, with the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. The 9,293,790 shares of common stock were retired with the Board of Directors' approval.

As of December 31, 2011, total shares of ADRs are 52,974,264 equivalents to 13,243,566 of common shares.

As of December 31, 2011, ending balance of capital stock amounts to (Won)482,403 million; however, it is different from par value of issued common stock, which amounted to (Won)435,934 million, due to retirement of treasury stock.

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## (b) Capital surplus

Capital surplus as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Share premium	(Won) 463,825	463,825	463,825
Gains on sale of treasury stock	763,867	694,714	694,714
Capital surplus	(77,240)	(56,978)	41,127
	(Won) 1,150,452	1,101,561	1,199,666

**22. Reserves**

(a) Reserves as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Accumulated comprehensive income (loss) of investments in associates	(Won) (16,186)	(3,909)	33,747
Fair value of available-for-sale financial investments	154,617	1,381,667	804,716
Currency translation differences	283,516	136,669	
Others	(16,521)	(7,139)	(4,657)
	(Won) 405,426	1,507,288	833,806

(b) Changes in fair value of available-for-sale securities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011 (in millions of Won)	December 31, 2010
Beginning balance	(Won) 1,381,667	804,716
Changes in fair-value of available-for-sale securities	(974,031)	593,946
Reclassification to profit or loss upon disposal	(252,102)	(1,665)
Others	(917)	(15,330)



Ending balance	(Won)	154,617	1,381,667
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**23. Treasury Shares**

In January 2011, the Company sold 342,955 shares of treasury stock for (Won)164,384 million and recognized (Won)69,153 million, net of tax, as a gain on sale of treasury stock in capital surplus. Also, the Company acquired 131,389 shares of treasury stock for (Won)61,296 million in 2011. As of December 31, 2011, the Company holds 9,942,391 shares of treasury stock for price stabilization in accordance with the Board of Director s resolution.

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(a) The Company granted stock appreciation rights to its executive officers in accordance with the stock appreciation rights plan approved by the Board of Directors. The details of the stock appreciation rights granted are as follows:

- 1) Class of shares: registered common stock
- 2) The number of shares, Exercise price per share, Exercise period

	<b>6th Grant</b> <b>(per share, won)</b>
Granted	90,000
Exercised	64,000
Unexercised	26,000
Exercise price	(Won) 194,900
Exercise period	2007.4.29~2012.4.28

(b) Reversal of stock compensation expenses for the years ended December 31, 2011 and 2010 are (Won)4,223 million and (Won)13,227 million. Also, the Company's liabilities arising from stock appreciation rights as of December 31, 2011, 2010 and January 1, 2010 are (Won)4,788 million, (Won)22,286 million and (Won)58,356 million, respectively.

(c) The Company uses a fair value approach for calculating remuneration cost. The method and assumption for computing fair value of stock appreciation rights are as follows:

	<b>6th Grant</b>
Risk-free interest rate	3.43%
Option life	104
Expected volatility	0.1659
Rate of expected dividends	2.63%
Stock price	(Won) 380,000
Fair value of share options	(Won) 184,157

**25. Construction Contracts**

(a) Construction contracts in progress as of December 31, 2011, 2010 and January 1, 2010 are as follows:

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	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Aggregate amount of costs incurred	(Won) 14,457,692	12,778,567	8,846,030
Add : Recognized profits	1,345,850	1,202,835	948,616
Less : Recognized losses	(305,287)	(197,818)	(202,275)
Cumulative construction revenue	15,498,255	13,783,584	9,592,371
Less : Progress billing	(14,577,258)	(13,505,203)	(9,388,120)
Foreign currency gains and losses	(1,957)	(1,744)	1
Others	(7,094)	(5,906)	(21,570)
	(Won) 911,946	270,731	182,682

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(b) Amount due from and due to customers for contract work as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Due from customers for contract work	(Won) 1,361,416	974,631	699,293
Due to customers for contract work	(449,470)	(703,900)	(516,611)
	(Won) 911,946	270,731	182,682

**26. Revenue**

Details of revenue for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011 (in millions of Won)	December 31, 2010
Revenues		
Goods sales	(Won) 61,001,789	41,848,201
Services sales	2,440,639	1,604,524
Construction sales	5,297,892	4,130,984
Rental income	39,862	42,898
Others	158,543	260,648
	(Won) 68,938,725	47,887,255

**27. Selling and Administrative Expenses**

(a) Administrative expenses

Administrative expenses for years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011 (in millions of Won)	December 31, 2010
Wages and salaries	(Won) 606,819	446,023

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Expenses related to defined benefit plan	60,271	36,708
Other employee benefits	164,508	116,293
Travel	56,635	43,592
Depreciation	172,807	110,093
Communication	13,061	9,195
Electric power	7,529	5,269
Taxes and public dues	50,617	34,869
Rental	65,559	54,739
Repairs	14,919	9,660
Insurance premium	18,239	10,252
Entertainment	17,905	17,050
Advertising	70,939	96,305
Research & development	212,472	141,314
Service fees	286,635	192,979
Supplies	14,357	17,012
Vehicles maintenance	21,491	15,851
Industry association Fee	10,200	10,403
Training	24,375	24,762
Conference	21,739	17,659
Warranty expense	14,166	19,733
Bad debt expense	103,848	51,186
Others	19,173	19,423
	(Won) 2,048,264	1,500,370

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

## (b) Selling expenses

Selling expenses for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
	(in millions of Won)	
Freight	(Won) 1,406,269	948,891
Operating expenses for distribution center	8,115	8,694
Sales commissions	85,410	69,823
Sales advertising	1,204	1,483
Sales promotion	16,179	12,096
Sample	7,321	3,478
Sales insurance premium	19,915	14,579
Contract cost	62,986	58,340
Others	4,729	2,956
	(Won) 1,612,128	1,120,340

**28. Other Operating Income and Expenses**

## (a) Other operating income

Details of other operating income for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
	(in millions of Won)	
Gain on disposal of property, plant and equipment	(Won) 13,812	26,366
Gain on disposal of investment of equity-accounted investees	2,247	2,942
Reversal of allowance for doubtful accounts	86,451	3,796
Outsourcing income	42,136	11,055
Gain on disposal of wastes	9,641	2,997
Gain from claim compensation	33,103	58,200
Penalty income from early termination of contracts	38,570	14,081
Others	111,118	111,950
	(Won) 337,078	231,387

## (b) Other operating expenses

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Details of other operating expenses for the years ended December 31, 2011 and 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
Loss on disposal of property, plant and equipment	(Won) 60,550	83,494
Loss on disposal of investment property	8,826	11,896
Cost of idle assets	16,881	795
Other bad debt expenses	28,081	12,877
Contributions	66,558	74,343
Loss on disposal of wastes	17,648	15,245
Impairment loss of property, plant and equipment and others	99,072	128,083
Others	85,843	15,218
	(Won) 383,459	341,951

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010****29. Expenses by Nature**

Expenses by nature in the statements of comprehensive income for the years ended December 31, 2011 and 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
Changes in inventories	(Won) 40,166,313	19,496,278
Employee benefits expenses	2,639,966	2,363,727
Depreciation <sup>(*1)</sup>	2,133,011	2,960,550
Amortization	133,288	75,344
Outsourcing fee	7,823,815	7,270,872
Electricity and water expenses	692,544	504,308
Research and development expenses	592,649	537,025
Freight and custody expenses	1,406,268	948,891
Losses on disposition	60,550	83,494
Donation	66,559	74,344
Other operating expenses	256,350	184,114
Other expenses	7,896,389	8,186,175
	(Won) 63,867,702	42,685,122

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

**30. Finance Income and Costs**

Details of finance income and costs for the years ended December 31, 2011 and 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
Finance income		
Interest income	(Won) 216,234	292,928
Dividend income	143,880	102,161



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Gain on foreign currency transaction	1,454,103	844,321
Gain on foreign currency translation	259,014	204,568
Gain on derivatives transactions	549,439	180,933
Gain on valuation of derivatives	111,637	86,823
Gain on disposal of available-for-sale financial assets	454,543	2,590
Others	1,569	24,480
	3,190,419	1,738,804
<b>Finance costs</b>		
Interest expenses	788,348	586,883
Loss on foreign currency transaction	1,620,394	808,718
Loss on foreign currency translation	529,910	423,460
Loss on derivatives transactions	512,882	175,196
Loss on valuation of derivatives	188,742	17,784
Impairment of available-for-sale financial assets	152,804	57,172
Others	73,615	18,645
	(Won) 3,866,695	2,087,858

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010****31. Income Taxes**

(a) The Company was subject to income taxes on taxable income at the following normal tax rates.

	2010	2011	Thereafter
		<b>Taxable income</b>	
Up to (Won)200 million	11.00%	11.00%	11.00%
Over (Won)200 million up to (Won)20 billion	24.20%	24.20%	22.00%
Over (Won)20 billion	24.20%	24.20%	24.20%

In December 2011, the Korean government changed the corporate income tax rate (including resident tax) for taxable income exceeding (Won)20 billion from 22.0% to 24.2% prospectively from 2012.

(b) Income tax expense for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
	(in millions of Won)	
Current income taxes	(Won) 1,069,240	1,111,427
Deferred income tax due to temporary differences	(318,722)	103,054
Less: Items recorded directly to equity	317,591	(133,009)
Income tax expense	(Won) 1,068,109	1,081,472

(c) The following table reconciles the expected amount of income tax expense based on statutory rates (24.2%) to the actual amount of taxes recorded by the Company for the years ended December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
	(in millions of Won)	
Net income before income tax expense	(Won) 4,782,395	5,267,123
Income tax expense computed at statutory rate	1,157,340	1,274,644
Adjustments:	(89,231)	(193,172)
Tax effects due to permanent differences	(13,798)	(28,973)
Tax credit	(193,633)	(268,873)
Unrecognised deferred tax assets	68,905	49,196
Tax rate change effect	17,661	

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Foreign tax rate differential	56,010	24,693
Difference in tax rate of equity method accounted for investments	(27,669)	(12,753)
Over (under) provision from prior years	(15,739)	40,315
Others	19,032	3,223

Income tax expense (Won) 1,068,109 1,081,472

Effective rate (%) 22.33 20.53

(d) The income taxes (charged) credited directly in equity for the years ended December 31, 2011 and 2010 are as follows:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
(Loss) gain on valuation of available-for-sale investments	(Won) (306,827)	122,651
Gains on sale of treasury stock	22,078	
Others	(31,628)	(27,199)
	(Won) (316,377)	95,452

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(e) The movements in deferred tax assets (liabilities) for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010			
	Dec. 31, 2010	Inc (Dec)	Dec. 31, 2011	Dec. 31, 2009	Inc (Dec)	Dec. 31, 2010
	(in millions of Won)					
Deferred income tax due to temporary differences						
Reserve for special repairs	(Won) (27,776)	(1,883)	(29,659)	(39,500)	11,724	(27,776)
Allowance for doubtful accounts	80,349	24,272	104,621	38,283	42,066	80,349
Reserve for technology developments	(269,892)	(96,340)	(366,232)	(179,828)	(90,064)	(269,892)
Depreciation expense	(61,129)	2,841	(58,288)	(78,485)	17,356	(61,129)
Share of profit or loss of equity-accounted investees	(170,016)	(54,120)	(224,136)	(52,151)	(117,865)	(170,016)
Reserve for inventory valuation	1,484	(2,998)	(1,514)	987	497	1,484
Revaluation of assets	(362,949)	(207,454)	(570,403)	(436,051)	73,102	(362,949)
Prepaid expenses	18,733	2,704	21,437	17,669	1,064	18,733
Impairment loss on property, plant and equipment	24,858	634	25,492	11,080	13,778	24,858
Loss on foreign currency translation	90,656	5,131	95,787	45,306	45,350	90,656
Accrued severance benefits	40,710	14,343	55,053	53,374	(12,664)	40,710
Group severance insurance deposits	(36,232)	(6,859)	(43,091)	(30,199)	(6,033)	(36,232)
Provision for construction losses	1,697	1,155	2,852	263	1,434	1,697
Provision for construction warranty	13,056	2,846	15,902	13,040	16	13,056
Appropriated retained earnings for technological development	(246)	81	(165)	(242)	(4)	(246)
Accrued income	(1,061)	(888)	(1,949)	(570)	(491)	(1,061)
Others	317,876	58,231	376,107	318,235	(359)	317,876
	(339,882)	(258,304)	(598,186)	(318,789)	(21,093)	(339,882)
Deferred income taxes recognized directly to equity						
Gain (loss) on valuation of available-for-sale securities	(305,406)	306,827	1,421	(182,755)	(122,651)	(305,406)
Others	4,141	31,628	35,769	(23,058)	27,199	4,141
	(301,265)	338,455	37,190	(205,813)	(95,452)	(301,265)
Deferred tax from tax credit						
Tax credit carryforward and others	280,295	(23,418)	256,877	322,085	(41,790)	280,295
Deferred tax effect due to unrealized gains (losses) and others	(129,000)	120,625	(8,375)	234,726	(363,726)	(129,000)
	(Won) (489,852)	177,358	(312,494)	32,209	(522,061)	(489,852)

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(f) Deferred tax assets and liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

1) December 31, 2011

	Assets	December 31, 2011 Liabilities (in millions of Won)	Net
Deferred income tax due to temporary differences			
Reserve for special repairs	(Won)	(29,659)	(29,659)
Allowance for doubtful accounts	104,672	(51)	104,621
Reserve for technology developments		(366,232)	(366,232)
Depreciation expense	12,319	(70,607)	(58,288)
Share of profit or loss of equity-accounted investees		(224,136)	(224,136)
Reserve for inventory valuation	4,319	(5,833)	(1,514)
Revaluation of assets		(570,403)	(570,403)
Prepaid expenses	23,045	(1,608)	21,437
Impairment loss on property, plant and equipment	25,492		25,492
Loss on foreign currency translation	176,621	(80,834)	95,787
Accrued severance benefits	75,912	(20,859)	55,053
Group severance insurance deposits		(43,091)	(43,091)
Provision for construction losses	2,852		2,852
Provision for construction warranty	15,902		15,902
Appropriated retained earnings for technological development		(165)	(165)
Accrued income		(1,949)	(1,949)
Others	382,735	(6,628)	376,107
	823,869	(1,422,055)	(598,186)
Deferred income taxes recognized directly to equity			
Gain (loss) on valuation of available-for-sale investments	199,317	(197,896)	1,421
Others	49,898	(14,129)	35,769
	249,215	(212,025)	37,190
Deferred tax from tax credit			
Tax credit carryforward and others	292,255	(35,378)	256,877
Deferred tax effect due to unrealized gains (losses) and others	494,450	(502,825)	(8,375)
	(Won) 1,859,789	(2,172,283)	(312,494)

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## 2) December 31, 2010

	Assets	December 31, 2010 Liabilities (in millions of Won)	Net
Deferred income tax due to temporary differences			
Reserve for special repairs	(Won)	(27,776)	(27,776)
Allowance for doubtful accounts	80,349		80,349
Reserve for technology developments		(269,892)	(269,892)
Depreciation expense	7,555	(68,684)	(61,129)
Share of profit or loss of equity-accounted investees		(170,016)	(170,016)
Reserve for inventory valuation	1,484		1,484
Revaluation of assets		(362,949)	(362,949)
Prepaid expenses	18,852	(119)	18,733
Impairment loss on property, plant and equipment	24,858		24,858
Loss on foreign currency translation	193,582	(102,926)	90,656
Accrued severance benefits	61,414	(20,704)	40,710
Group severance insurance deposits		(36,232)	(36,232)
Provision for construction losses	1,697		1,697
Provision for construction warranty	13,056		13,056
Appropriated retained earnings for technological development		(246)	(246)
Accrued income		(1,061)	(1,061)
Others	345,109	(27,233)	317,876
	747,956	(1,087,838)	(339,882)
Deferred income taxes recognized directly to equity			
Gain (loss) on valuation of available-for-sale securities	266	(305,672)	(305,406)
Others	30,112	(25,971)	4,141
	30,378	(331,643)	(301,265)
Deferred tax from tax credit			
Tax credit carryforward and others	315,140	(34,845)	280,295
Deferred tax effect due to unrealized gains (losses) and others	341,471	(470,471)	(129,000)
	(Won) 1,434,945	(1,924,797)	(489,852)

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3) January 1, 2010

	Assets	December 31, 2010 Liabilities (in millions of Won)	Net
Deferred income tax due to temporary differences			
Reserve for special repairs	(Won)	(39,500)	(39,500)
Allowance for doubtful accounts	38,283		38,283
Reserve for technology developments		(179,828)	(179,828)
Depreciation expense	3,103	(81,588)	(78,485)
Share of profit or loss of equity-accounted investees		(52,151)	(52,151)
Reserve for inventory valuation	987		987
Revaluation of assets		(436,051)	(436,051)
Prepaid expenses	17,756	(87)	17,669
Impairment loss on property, plant and equipment	11,080		11,080
Loss on foreign currency translation	132,071	(86,765)	45,306
Accrued severance benefits	53,374		53,374
Group severance insurance deposits		(30,199)	(30,199)
Provision for construction losses	263		263
Provision for construction warranty	13,040		13,040
Appropriated retained earnings for technological development		(242)	(242)
Accrued income		(570)	(570)
Others	263,171	55,064	318,235
	533,128	(851,917)	(318,789)
Deferred income taxes recognized directly to equity			
Gain (loss) on valuation of available-for-sale investments	9,821	(192,576)	(182,755)
Others	4,874	(27,932)	(23,058)
	14,695	(220,508)	(205,813)
Deferred tax from tax credit			
Tax credit carryforward and others	362,608	(40,523)	322,085
Deferred tax effect due to unrealized gains (losses) and others	338,150	(103,424)	234,726
	(Won) 1,248,581	(1,216,372)	32,209

(f) As of December 31, 2011, the Company did not recognize income tax effects associated with taxable temporary differences of (Won)3,121,101 million (deferred tax liability (Won)777,328 million) mainly relating to increase in retained earnings of subsidiaries since it is probable that the temporary difference will not reverse in the foreseeable future. As of December 31, 2011, the Company did not recognize income tax effect associated with deductible temporary differences of (Won)1,352,764 million (deferred tax assets (Won)327,369 million) mainly relating to loss of subsidiaries and affiliates due to remote possibility of realization.

**32. Earnings per Share**

(a) Basic and diluted earnings per share for the years ended December 31, 2011 and 2010 are as follows:

	<b>2011</b>	<b>2010</b>
	<b>(in millions of Won, except per share information)</b>	
Profit attribute to controlling interest	(Won) 3,648,136	4,105,623
Weighted-average number of common shares outstanding <sup>(*)</sup>	77,251,818	77,032,878
Basic and diluted earnings per share	47,224	53,297

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010**

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

	<b>2011</b>	<b>2010</b>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,935,017)	(10,153,957)
Weighted-average number of common shares outstanding	77,251,818	77,032,878

**33. Related Party Transactions**

(a) Significant transactions with related companies for the year ended December 31, 2011 and 2010 are as follows:

	Sales and others <sup>(*1)</sup>		Purchases and others <sup>(*2)</sup>	
	2011	2010	2011	2010
	(in millions of Won)			
<b>Subsidiaries <sup>(*3)</sup></b>				
POSCO E&C Co., Ltd.	(Won) 26,536	7,441	(Won) 1,687,665	2,292,524
POSCO Processing & Service Co., Ltd.	1,181,088	1,082,903	1,406,245	478,030
POSCO Coated & Color Steel Co., Ltd.	593,656	685,698	1,890	3,178
POSCO ICT Co., Ltd.	1,537	1,212	507,883	485,525
POSCO Chemtech Company Ltd.	423,643	142,677	755,515	573,973
POSCO TMC Co., Ltd.	168,314	151,323	884	91
POSCO AST Co., Ltd.	319,258	267,323	58,475	57,180
Daewoo International Corp.	3,896,857	867,916	5,599	3,799
POSCO NST Co., Ltd.	186,809	9,256	4,734	
POSCO America Corporation	353,904	233,594	1	
POSCO Canada Ltd.			289,047	170,842
POSCO Asia Co., Ltd.	2,029,781	1,377,802	178,395	148,706
POSCO-Japan Co., Ltd.	1,628,069	1,161,919	34,860	272,282
POSCO-IPPC Pvt. Ltd.	148,343	164,628		
POSCO-Mexico Co., Ltd.	347,915	273,241	176	
Daewoo International Singapore Pte. Ltd.			149,029	12,447
Others	927,595	1,432,296	1,198,091	750,526
	(Won) 12,233,305	7,859,229	(Won) 6,278,489	5,249,103

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### Associates (\*3)

SNNC Co., Ltd.	4,787	1,763	447,130	519,871
USS-POSCO Industries	342,594	308,998	29	264
Poschrome(Proprietary) Ltd.			72,502	80,282
Others	213,232	31,528	59,444	303,446
	(Won) 560,613	342,289	(Won) 579,105	903,863
	(Won) 12,793,918	8,201,518	(Won) 6,857,594	6,152,966

(\*1) Sales and others include sales and insignificant other operating income. Sales are mainly sales of steel products and these are priced on an arm's length basis.

(\*2) Purchases and others includes purchases and overhead costs. Purchases and others are mainly related to purchases of construction services and purchases of raw materials to manufacture steel products. These are priced on an arm's length basis.

(\*3) As of December 31, 2011, the Company provided guarantees to related parties (note 34).

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(b) Significant transactions with related companies the related account balances as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	Receivables (*1)			Payables (*1)		
	2011	2010	January 1, 2010	2011	2010	January 1, 2010
	(in millions of Won)					
<b>Subsidiaries</b>						
POSCO E&C Co., Ltd.	(Won) 647	293	480	(Won) 241,918	190,081	437,819
POSCO Processing & Service Co., Ltd.	88,838	129,133	114,783	1,512	6,842	2,696
POSCO Plantec Co., Ltd.	65		9	42,534	48,058	2,839
POSCO ICT Co., Ltd.	30		1	62,583	63,627	54,529
POSCO Coated & Color Steel						
Co., Ltd.	116,252	104,755	109,616	335	437	199
POSCO Chemtech Company Ltd.	37,808	33,743	6,880	82,048	62,669	66,008
POSCO TMC Co., Ltd.	21,601	11,823	11,678	134	15	24
POSCO AST Co., Ltd.	33,266	19,065	17,492	7,090	8,255	7,572
Daewoo International Corp.	284,125	139,756		1,589		
POSCO NST Co., Ltd.	64,012			676		
POSCO America Corporation	32,346	12,211	6,163			
POSCO Asia Co., Ltd.	227,476	122,626	40,548	1,407	3,767	1,170
POSCO-TBPC Co., Ltd.	27,381	18,376				
Qingdao Pohang Stainless Steel Co., Ltd.	6,713	13,805	24,404			
POSCO-Vietnam Co., Ltd.	422	683	95,781			
POSCO-Japan Co., Ltd.	52,362	28,515	25,972	1,546	4,958	6,701
POSCO-IPPC Pvt. Ltd.	3,484	10,412	12,356			
POSCO-Mexico Co., Ltd.	171,908	80,443	16,247			
Others	81,255	15,167	26,073	83,201	32,209	17,840
	(Won) 1,249,991	748,349	526,859	(Won) 526,573	420,918	617,397
<b>Associates</b>						
Posmate Co., Ltd.	(Won) 1,396		48	(Won) 7,198	6,391	5,222
SNNC Co., Ltd.	223	182	1,974	23,187	57,512	26,963
USS-POSCO Industries		58,347	39,100			
Others	21,160	7,231	176	809	29,714	78
	(Won) 21,383	67,156	41,298	(Won) 31,194	93,617	32,263
	(Won) 1,271,374	815,505	568,157	(Won) 557,767	514,535	649,660

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(\*1) Receivables include trade accounts and notes receivable and other receivables. Payables include trade accounts payables and other payables.

(c) Compensation to key management, which consists of normal wages and salaries, bonus and employee benefits for the years ended December 31, 2011 and 2010, details of compensation to key management officers are as follows:

	<b>2011</b>	<b>2010</b>
	<b>(in millions of Won)</b>	
Short-term benefits	(Won) 93,231	72,753
Other long-term benefits	23,407	16,757
Retirement benefits	26,971	21,110
	(Won) 143,609	110,620

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Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. In addition to compensation described above, the Company provided stock appreciation rights to its executive officers and recorded reversal of stock compensation expenses amounted to (Won)4,223 million and (Won)13,227 million, respectively, for the years ended December 31, 2011 and 2010 (note 24).

**34. Commitments and Contingencies**

## (a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of December 31, 2011, are as follows:

Guarantors [The Company]	Guarantee beneficiary	Financial institution	Foreign Currency	Won Equivalent	
POSCO	Guangdong Pohang Coated Steel Co., Ltd.	SMBC and others	USD	122,600,000	141,395
	POSCO Investment Co., Ltd.	BOC and others	CNY	630,000,000	114,981
		HSBC	MYR	240,000,000	87,110
		HSBC and others	USD	255,000,000	294,092
	POSCO Maharashtra Steel Pvt. Ltd.	Export-Import Bank of Korea and others	USD	143,000,000	164,922
	POSCO VST Co., Ltd.	ANZ(Tapei) and others	USD	65,000,000	74,965
	POSCO-Mexico Co., Ltd.	HSBC and others	USD	60,000,000	69,198
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea and others	USD	230,000,000	265,259
		Mizuho and others	JPY	4,806,760,000	71,388
	Zhangjiagang Pohang Stainless Steel Co., Ltd	Mizuho and others	USD	160,000,000	184,528
	Zeus (Cayman) Ltd.	Creditor	JPY	12,825,000,000	190,472
	Zeus (Cayman) II Ltd.	Creditor	JPY	24,526,000,000	364,250
Daewoo International Corporation	Daewoo (China) Co., Ltd.	Hana Bank	USD	15,000,000	17,300
	Daewoo Cement (Shandong) Co., Ltd.	Other oversea financial institution	EUR	24,565,296	36,703
		Korea Exchange Bank	CNY	43,000,000	7,848
		Export-Import Bank of Korea and others	USD	29,832,409	34,406
	Daewoo International America Corp.	Shinhan Bank	USD	500,000	577
	Daewoo International Australia Holdings Pty. Ltd.	Korea Exchange Bank	USD	7,198,000	8,301
	Daewoo International Japan Corp.	Shinhan Bank	JPY	1,000,000,000	14,852

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ANZ_KOREA	JPY	1,000,000,000	14,852
MIZUHO	JPY	1,500,000,000	22,277
SMBC	JPY	1,500,000,000	22,277

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Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency		Won Equivalent
	Daewoo International Shanghai Pty. Ltd.	MIZUHO	USD	10,000,000	11,533
	Daewoo Paper Manufacturing Co., Ltd.	HSBC	USD	12,500,000	14,416
	Daewoo Textile Bukhara LLC	Export-Import Bank of Korea and others	USD	29,100,000	33,561
	Daewoo International MEXICO S.A. de C.V.	SMBC	USD	25,000,000	28,833
	PT. Bio Inti Agrindo	Export-Import Bank of Korea	USD	7,000,000	8,073
	POSCO E&C Vietnam Co., Ltd.	Korea Exchange Bank	USD	5,000,000	5,767
		Export-Import Bank of Korea and others	USD	18,000,000	20,759
POSCO E&C Co., Ltd.		POSCO Investment Co., Ltd.	USD	9,500,000	10,956
	HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Woori Bank	USD	30,000,000	34,599
	International Business Center Corporation	Export-Import Bank of Korea and others	USD	20,000,000	23,066
POSCO P&S Co., Ltd.	POSCO Canada Pty., Ltd.	Hana Bank	USD	12,484,500	14,398
POSCO ICT Co., Ltd.	VECTUS Ltd.	POSCO Investment Co., Ltd.	USD	2,000,000	2,307
	POSCO ICT Indonesia	POSCO Investment Co., Ltd.	USD	1,500,000	1,730
POSCO Energy Co., Ltd	PSC Energy Global Co., Ltd	Other foreign banks	USD	129,879,356	149,790
	TECHREN Solar, LLC	Woori Bank	USD	9,571,600	11,039
Pos Calcium CO., Ltd	Pos Calcium CO., Ltd	Seoul Guarantee Insurance Co., Ltd.	KRW	48,982,500	49
	POSCO-JKPC Co., Ltd.	Higo bank and others	JPY	1,867,200,000	27,731
	POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY	2,110,000,000	31,337
POSCO JAPAN Co., Ltd.	POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY	1,847,500,000	27,438
	POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY	1,333,780,580	19,809
Daewoo Textile Fergana LLC	Daewoo Textile Bukhara LLC	NBU	UZS	6,519,920,000	4,213
POSCO E&C (CHINA) Co., Ltd.	HONG KONG POSCO E&C (China) Investment Co., Ltd.	KB Bank(Seoul)	KRW	102,000,000,000	102,000
		Woori Bank(Beijing branch)	USD	33,000,000	38,059
[Associates]					
POSCO	BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	BOC and others	CNY	316,860,000	57,830
	United Spiral Pipe, LLC	Shinhan Bank	USD	8,220,000	9,480
Daewoo International Corporation	DMSA, AMSA	Other Bank	USD	24,500,000	28,256
institution		Other overseas financial	USD	123,866,667	142,855
	GLOBAL KOMSCO Daewoo LLC	Export-Import Bank of Korea and others	USD	16,133,333	18,607
			USD	5,950,000	6,862

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<b>Guarantors</b>	<b>Guarantee beneficiary</b>	<b>Financial institution</b>	<b>Foreign Currency</b>		<b>Won Equivalent</b>
POSCO E&C Co., Ltd.	PSIB Co., Ltd. Taegisan Wind Power Corporation	Hana Bank	KRW	356,600,000,000	356,600
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	Korea Development Bank	KRW	7,500,000,000	7,500
	Pohang Technovalley Pvf Co., Ltd.	NH Bank	KRW	22,458,760,000	22,459
POSCO P&S Co., Ltd.	Sebang Steel	Shinhan Bank	KRW	7,140,000,000	7,140
POSCO ICT Co., Ltd.	Uitrans LRT Co., Ltd.	Fukuoka Bank	JPY	245,000,000	3,639
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	Construction Guarantee Cooperative	KRW	64,637,717,095	64,638
	POSCO SeAH Steel Wire (Nantong) Co., Ltd.	NH Bank	KRW	2,530,000,000	2,530
Daewoo(China) Co., Ltd.	Shanghai Lansheng Daewoo Corporation	POSCO Investment Co., Ltd.	USD	7,500,000	8,650
[Others]	Ambatovy Project Investments Limited	China Construction Bank	CNY	100,000,000	18,251
Daewoo International Corporation	Sherritt International Corporation	Export-Import Bank of Korea and others	USD	46,653,812	53,806
POSCO E&C Co., Ltd.	Cooperative	Export-Import Bank of Korea and others	USD	6,090,268	7,024
	Other cooperatives	NH Bank and others	KRW	3,000,000,000	3,000
	1st ALDJ PFV, Ltd	ABCP and others	KRW	935,687,702,025	935,688
	THE GALE INVESTMENTS COMPANY, L.L.C. and others	Hana Bank and others	KRW	277,212,000,000	277,212
POSCO P&S Co., Ltd.	Asia Speciality Steel Co., Ltd.	Woori Bank	USD	50,000,000	57,665
	GIPI	Yamaguchi Bank	JPY	2,700,000,000	40,099
POSCO Plant Engineering Co., Ltd.	Gyeongpo wind power generation and others	Bank Muscat, Bank Sohar	USD	12,000,000	13,840
	GS CALTEX HOU and others	KB Bank	KRW	235,638,897,793	235,639
POSCO ICT Co., Ltd.	BTL business and others	Korea Exchange Bank and others	USD	14,025,043	16,175
	PYUNGSAN SI Co., Ltd	Kyobo Life Insurance Co.,Ltd and ot	KRW	1,604,990,406,464	1,604,990
POSCO M-TECH Co., Ltd.	Hyundai Hysco Co., Ltd.	Seoul Guarantee Insurance Co., Ltd.	KRW	441,611,863	442
	Kwanma Solar Co., Ltd. and others	Seoul Guarantee Insurance Co., Ltd.	KRW	2,194,500,000	2,195
Daewoo Engineering Co., Ltd	Hyundai ENG Co., Ltd.	Hana Bank	KRW	50,509,662,000	50,510
	Expo apt	Engineering Financial Cooperative	KRW	65,937,188,179	65,937
PHP Co., Ltd		KB Bank	KRW	387,849,000,000	387,849



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Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency		Won Equivalent
Daewoo Cement (Shandong) Co., Ltd.	SDAC	Bank of China	USD	35,000,000	40,366
			CNY	1,089,860,000	198,910
			EUR	24,565,296	36,703
			JPY	57,261,240,580	850,421
			KRW	4,126,376,427,919	4,126,376
			MYR	240,000,000	87,110
			USD	1,792,604,988	2,067,411
			UZS	6,519,920,000	4,213

(b) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation and Namkwang Engineering & Construction Co., Ltd. amounting to (Won)2,748,647 million. POSCO E&C Co., Ltd. provides payment guarantees on borrowings of customers such as Asset Backed Commercial Paper amounted to (Won)695,343 million and Project Financing loan amounted to (Won)444,836 million as of December 31, 2011.

## (c) Other commitments

## POSCO

POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of December 31, 2011, 261 million tons of iron ore and 38 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 regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. Purchase price is subject to change, following the change of the monthly standard oil price (JCC) and also price ceiling is applicable.

As of December 31, 2011, POSCO entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 6.86 million, USD 3.54 million and USD 4.12 million, respectively. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Chinabad, west-Fergana, respectively. The repayment of borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the money borrowed if the respective project fails. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by borrowing agreements.

## POSCO E&amp;C Co., Ltd

To contractors involved in some of the construction contracts operator and financial institutions by agreement with the work of the operating funds operator 81,254 million deposit. POSCO E&C Co., Ltd manage the deposit accounts as a memorandum account without separate accounting treatment reflecting the economic substance because the operator is the owner of above-mentioned account.

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POSCO E&C Co., Ltd has bank overdraft agreements of up to 20,000 million with Woori Bank which is included in the limit of comprehensive loan agreements and 3,000 million with Korea Exchange Bank. Also POSCO E&C Co., Ltd. has comprehensive loan agreements of up to 260,000 million and USD 308 million with Woori Bank and 53,000 million with Korea Exchange Bank.

POSCO ICT Co., Ltd.

POSCO ICT Co., Ltd. has entered into the repayment agreement with SMS Energy Co.,Ltd., which borrowed money from several lenders including Hana Bank, for its new and renewable energy business. According to the agreement, if the borrower cannot redeem the loan, POSCO ICT Co., Ltd. should repay or undertake it amounting to 300,126 million and should take charge of revenues from selling electric power after the repayment. Also, if the borrower cannot run the new and renewable energy business due to default and bankruptcy, POSCO ICT Co., Ltd. may acquire the business unit from the borrower.

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POSCO Specialty Steel Co., Ltd. POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to 280,000 million with Woori Bank and others. POSCO Specialty Steel Co., Ltd. has used 147,547 million of this loan agreement.

POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and nine other banks for opening letters of credit of up to USD 98 million, and for a loan of up to 102,255 million. POSCO Specialty Steel Co., Ltd. has used USD 0.6 million, CHF 1.6 million, JPY 95 million and EUR 0.6 million for opening letters of credit and 9,737 million for a loan.

**(d) Litigation in progress**

As of December 2011, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details of amount claimed are as follows:

Company	Legal actions	Amount	Legal equivalent amount		Description
			(in millions of Won, in thousand of foreign currencies)		
POSCO	12	KRW	8,806	8,806	Lawsuit on the claim for damages
POSCO E&C Co., Ltd.	44	KRW	31,067	31,067	Lawsuit on the claim for payment
POSCO P&S Co., Ltd.	1	KRW	931	931	Lawsuit on the claim for damages
POSCO Plant Engineering Co., Ltd.	4	KRW	3,088	3,088	Lawsuit on the claim for payment
POSCO ICT Co., Ltd.	8	KRW	2,211	2,211	Lawsuit on the claim for payment
Seoung Gwang Co., Ltd.	2	KRW	2,277	2,277	Imposed high tax rate
POSCO E&C (China) Co., Ltd.	1	CNY	3,790	692	Lawsuit on the claim for payment of work completed related with the subcontractor and second
POSCO Engineering Co., Ltd. (formerly Daewoo Engineering Co.,	8	KRW	20,774	20,774	Lawsuit on the claim for damages
POSBRO Co., Ltd.	1	KRW	435	435	Lawsuit on the claim for payment
Daewoo International Corporation	1	CNY	30,000	5,475	Lawsuit on the claim for damages
	1	EUR	5,000	7,471	
	1	INR	4,458,849	97,025	
	3	KRW	711	711	
	3	USD	824	951	
	1	UYU	1,103	66	

The Company believes that although the outcome of these matters is uncertain, the impacts of these matters are not expected to be material to the Company.

**(e) Other contingencies**

POSCO has provided five blank promissory notes to Korea Resources Corporation and six blank promissory notes to Korea National Oil Corporation as collateral for outstanding loans.

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As of September 30, 2011, POSCO E&C Co., Ltd. has provided ten blank promissory notes, eleven blank checks and six other notes, amounting to (Won)61,704 million approximately, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans.

Daewoo International Co., Ltd has provided fifty-one blank promissory notes to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.

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**Table of Contents****POSCO****Notes to Consolidated Financial Statements****For the years ended December 31, 2011 and 2010****35. Cash Flows from Operating Activities**

Changes in operating assets and liabilities for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
	(in millions of Won)	
Trade accounts and notes receivable	(Won) (2,402,346)	(538,949)
Other financial assets	(187,607)	226,211
Inventories	(2,538,178)	(3,518,927)
Other current assets	(310,397)	(137,246)
Other long-term assets	47,929	(77,912)
Accounts payable	265,993	(342,177)
Other financial liabilities	260,306	35,008
Other current liabilities	384,943	185,226
Provisions	(36,511)	9,157
Payment of severance benefits	(574,759)	(90,951)
Plan assets	252,671	(140,173)
Other long-term liabilities	(12,791)	(62,737)
	(Won) (4,850,747)	(4,453,470)

**36. Operating Segments**

(a) Our operating businesses are organized based on the nature of markets and customers. We have four reportable operating segments – steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The engineering and construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics.

(b) Segment profit and loss is determined the same way that consolidated net after tax profit for the period is determined under IFRS without any adjustment for corporate allocations. The accounting policies used by each segment are consistent with the accounting policies used in the preparation of the consolidated financial statements. Segment assets and liabilities are measured based on total assets and liabilities in accordance with IFRS without any adjustment for corporate allocations. Also, segment assets and liabilities are based on the separate financial statements of the entities instead of on consolidated basis. In addition, there are varying levels of transactions amongst the reportable segments. These transactions include sales of property, plant and assets, and rendering of construction service and so on. Inter-segment transactions are accounted for on an arm's length basis.



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(c) Information about reportable segments as December 31, 2011, 2010 and January 1, 2010 are as follow:

1) For the year ended December 31, 2011

	Steel	Trading	Construction	Others	Total
	(in millions of Won)				
External revenues	(Won) 39,151,930	21,097,356	5,476,209	3,213,230	68,938,725
Internal revenues	17,138,610	7,525,555	2,996,933	2,446,417	30,107,515
Total revenues	56,290,540	28,622,911	8,473,142	5,659,647	99,046,240
Interest income	154,671	43,842	22,744	22,025	243,282
Interest expenses	551,478	93,532	69,050	110,615	824,675
Depreciation and amortization	2,128,182	37,320	31,238	178,429	2,375,169
Impairment loss of property, plant and equipment and others	25,177	34,544	23,397	995	84,113
Impairment of available-for-sale financial assets	136,638			16,166	152,804
Share of profit or loss of investment in subsidiaries and associates (*1)	(33,361)			(6,888)	(40,249)
Income tax expense	1,111,709	35,322	22,536	16,454	1,186,021
Segments profit	3,689,461	195,298	154,618	155,277	4,194,654
Segments assets	67,961,383	12,120,560	8,764,698	6,663,297	95,509,938
Investment in associates	14,226,687	1,899,762	918,079	186,490	17,231,018
Acquisition of non-current assets	9,385,381	607,076	207,619	594,514	10,794,590
Segments liabilities	(Won) 23,169,910	9,706,622	5,554,097	4,528,283	42,958,912

2) For the year ended December 31, 2010

	Steel	Trading	Construction	Others	Total
	(in millions of Won)				
External revenues	(Won) 35,527,373	6,236,030	4,348,796	1,775,056	47,887,255
Internal revenues	10,725,583	3,174,342	3,574,669	1,104,332	18,578,926
Total revenues	46,252,956	9,410,372	7,923,465	2,879,388	66,466,181
Interest income	243,306	5,829	25,312	23,986	298,433
Interest expenses	425,024	27,859	60,292	91,799	604,974
Depreciation and amortization	2,949,227	16,613	30,545	74,079	3,070,464
Impairment loss of property, plant and equipment and others	730		127,516	2,636	130,882
Impairment of available-for-sale financial assets	11,627		1,754	43,791	57,172
Share of profit or loss of investment in subsidiaries and associates (*1)	(1,324)	(852)		(9,516)	(11,692)
Income tax expense	1,025,156	(47,967)	69,780	5,080	1,052,049
Segments profit	4,088,737	94,014	256,183	12,913	4,451,847
Segments assets	60,773,736	9,605,706	6,477,360	4,978,137	81,834,939
Investment in associate	11,694,102	1,664,760	601,559	39,845	14,000,266

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Acquisition of non-current assets		10,500,517	669,485	169,591	1,480,715	12,820,308
Segments liabilities	(Won)	19,570,113	7,519,031	3,632,366	3,407,866	34,129,376

3) For the year ended January 1, 2010

		Steel	Trading	Construction	Others	Total
		(in millions of Won)				
Segments assets	(Won)	50,413,387	1,353,462	5,916,985	3,618,611	61,302,445
Segments liabilities		13,795,461	839,222	3,766,113	2,233,248	20,634,044

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(d) Reconciliations of total segment revenues, profit or loss, assets and liabilities, and other significant items to their respective consolidated financial statement line items are as follows:

## 1) Revenues

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
Total revenue for reportable segments	(Won) 99,046,240	66,466,181
Elimination of inter-segment revenue	(30,107,515)	(18,578,926)
	(Won) 68,938,725	47,887,255

## 2) Profit

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>(in millions of Won)</b>	
Total profit for reportable segments	(Won) 4,194,654	4,451,847
Goodwill and PP&E FV adjustments	(39,490)	(10,873)
Elimination of inter-segment profits	(440,878)	(255,323)
Income tax expense	1,068,109	1,081,472
Profit before income tax expense	(Won) 4,782,395	5,267,123

## 3) Assets

	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
	<b>(in millions of Won)</b>		
Total assets for reportable segments (*1)	(Won) 95,509,938	81,834,939	61,302,445
Equity-accounted investees	(13,393,184)	(10,693,841)	(6,539,705)
Goodwill and PP&E FV adjustments	4,357,046	4,053,576	
Elimination of inter-segment assets	(8,064,963)	(5,776,248)	(3,235,593)
	(Won) 78,408,837	69,418,426	51,527,147

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

### 4) Liabilities

	December 31, 2011	December 31, 2010 (in millions of Won)	January 1, 2010
Total liabilities for reportable segments	(Won) 42,958,912	34,129,376	20,634,044
Goodwill and PP&E FV adjustments	(341,853)	(340,291)	
Elimination of inter-segment liabilities	(4,938,141)	(2,907,826)	(2,440,579)
	(Won) 37,678,918	30,881,259	18,193,465

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## 5) Other significant items

		December 31, 2011			December 31, 2010			
	Total Segment	Goodwill and PP&E FV adjustments	Elimination of inter-segment	Consolidated (in millions of Won)	Total Segment	Goodwill and PP&E FV adjustments	Elimination of inter-segment	Consolidated
Interest income	(Won) 243,282		(27,048)	216,234	298,433		(5,505)	292,928
Interest expenses	824,675	(6,312)	(30,015)	788,348	604,974	(1,301)	(16,790)	586,883
Depreciation and amortization	2,375,169	63,691	(172,561)	2,266,299	3,070,464	13,073	(47,642)	3,035,895
Share of profit or loss of equity-accounted investees	(40,249)		90,818	50,569	(11,692)		194,348	182,656
Income tax expense	1,186,021	(12,194)	(105,718)	1,068,109	1,052,049		29,423	1,081,472
Impairment loss of property, plant and equipment and others	84,113		14,958	99,071	130,882		(2,799)	128,083
Impairment of available-for-sale financial assets	152,804			152,804	57,172			57,172
	(Won) 4,825,815	45,185	(229,566)	4,641,434	5,202,282	11,772	151,035	5,365,089

(e) Revenue by geographic area for years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	(in millions of Won)			
Domestic	(Won)	53,986,926		37,759,641
Japan		2,386,578		1,503,703
China		6,070,588		5,133,279
Asia		2,645,428		1,763,108
North America		1,281,906		426,138
Others		2,567,299		1,301,386
	(Won)	68,938,725		47,887,255

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

(f) Non-current assets by geographic area as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

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	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
	<b>(in millions of Won)</b>		
Domestic	(Won) 29,386,052	27,145,016	21,141,361
Japan	320,009	292,742	267,777
China	1,474,983	1,384,862	1,047,802
Asia	1,752,302	754,191	744,832
North America	110,702	72,809	29,460
Others	1,181,597	900,654	423,953
	(Won) 34,225,645	30,550,274	23,655,185

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

(g) There are no customers whose revenue is 10% or more of total consolidated revenues.

**37. Business Combinations****(a) Daewoo International Corporation**

POSCO acquired a 68.15% controlling financial interest in Daewoo International Corporation, a Korean Company listed on the Korean Securities Exchange ( Daewoo International ), for (Won)3,371,481 million in cash in 2010. There is no contingent consideration. The acquisition was consummated on September 20, 2010. Daewoo International is engaged in various business activities, such as providing export services, export agent services, intermediary trading, manufacturing, distribution and natural resource development. Goodwill arising from the acquisition primarily results from synergies the Company and its subsidiaries expect to realized. The results of operations of Daewoo International Corporation have been consolidated from the date of acquisition. Therefore, comparability with POSCO's consolidated financial statements for prior years is impacted accordingly. The amounts of revenues and net profit of Daewoo International Corporation since the acquisition date to December 31, 2010 included in consolidated revenues and net profit amounted to (Won)3,951,609 million and (Won)870,295 million, respectively.

Goodwill recognized as a result of POSCO's acquisition of Daewoo International Corporation was as follows:

	<b>Amount</b> <b>(in millions of Won)</b>
I. Consideration transferred	(Won) 3,371,481
II. Non-controlling interests <sup>(*)</sup>	1,042,678
<b>Total</b>	<b>4,414,159</b>
III. Acquired identifiable assets and liabilities	
[Assets]	
Cash and cash equivalents	403,971
Trade accounts and notes receivable and other financial assets	2,881,084
Inventories	722,807
Property, plant and equipment and intangible assets	3,182,679
Other assets	1,642,274
<b>Total</b>	<b>8,832,815</b>
[Liabilities]	
Trade accounts and notes payable and other financial liabilities	1,058,922

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Borrowings	3,733,623
Other liabilities	790,033
Total	5,582,578
Total acquired net assets	3,250,237
IV. Goodwill recognized	(Won) 1,163,922

(\*1) The non-controlling interests at the acquisition date were measured using their proportionate share in the recognized amounts of Daewoo International Corporation's identifiable net assets.

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## Pro-forma Information

The following summarized pro forma consolidated statement of comprehensive income information assumes that the Daewoo International Corporation acquisition occurred as of January 1, 2010. The pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense on assets acquired from Daewoo International resulting from the fair valuation of assets acquired in place on acquisition date, i.e. September 30, 2010. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Daewoo International Corporation.

If the Company had acquired Daewoo International Corporation as of January 1, 2010, pro-forma consolidated revenues and proforma net profit for the year ended December 31, 2010 would have been (Won)57,967,590 million and (Won)4,129,693 million, respectively.

## (b) POSCO-Thainox Public Company Limited.

The Company has acquired additional shares in POSCO-Thainox Public Company Limited from its previous largest shareholder on September 23, 2011 in order to expand its footprint in the cold-rolled stainless steel sheets and coils market in Southeast Asia and to achieve its synergy effects with its existing operations in the region. The Company obtained control of POSCO-Thainox Public Company Limited since its voting interest increased from 15.39% to 75.32%. There is no contingent consideration. The results of operations of POSCO-Thainox Public Company Limited have been consolidated from the date of acquisition. Therefore, comparability with POSCO's consolidated financial statements for prior years is impacted accordingly. The amounts of revenues and net profit of POSCO-Thainox Public Company Limited since the acquisition date included in consolidated revenues and net profit amounted to (Won)92,798 million and (Won)11,658 million, respectively. Goodwill recognized in this business combination is as follows:

	<b>Amount</b> <b>(in millions of Won)</b>
<b>I. Consideration transferred</b>	
Fair value of investment held before acquisition <sup>(*1)</sup>	(Won) 99,382
Cash	390,474
<b>Total</b>	<b>489,856</b>
<b>II. Non-controlling interests <sup>(*2)</sup></b>	<b>121,413</b>
<b>Total</b>	<b>611,269</b>
<b>III. Acquired identifiable assets and liabilities</b>	
[Assets]	
Cash and cash equivalents	62,080
Trade accounts and notes receivable and other financial assets	102,464
Inventories	149,901
Property, plant and equipment and intangible assets	340,487

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Other assets	20,129
Total	675,061
[Liabilities]	
Trade accounts and notes payable and other financial liabilities	147,382
Borrowings	11,803
Other liabilities	23,867
Total	183,052
Total acquired net assets	492,009
IV. Goodwill recognized	(Won) 119,260

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(\*1) Upon acquisition of the business, a (Won)57,080 million re-measurement gain on the Company's existing investment in the acquiree prior to acquisition date (acquisition cost: (Won)42,302 million) was recognized as finance income. The fair value of this existing investment was determined using quoted market price of the shares on acquisition date.

(\*2) The non-controlling interests at the acquisition date were measured using their proportionate share in the recognized amounts of POSCO-Thainox Public Company Limited's identifiable net assets

After obtaining control, Company acquired additional 19.61% of shares amounting to (Won)126,927 million through tender offer. In results, the percentage of shares increased from 75.32% to 94.93% as of December 31, 2011. Carrying value of POSCO-Thainox Public Company's net assets is (Won)667,571 million. Regarding this transaction, non-controlling interests decreased by (Won)95,885 million and related differential amounts amounting to (Won)31,043 million was deducted from consolidated capital surplus since it is equity transaction between consolidated entities.

**Pro-forma Information**

The following summarized pro forma consolidated statement of comprehensive income information assumes that the POSCO-Thainox Public Company Limited acquisition occurred as of January 1, 2011. The pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense on assets acquired from POSCO-Thainox Public Company Limited resulting from the fair valuation of assets acquired in place on acquisition date, September 23, 2011. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of POSCO-Thainox Public Company Limited.

If the Company had acquired POSCO-Thainox Public Company Limited as of January 1, 2011, pro-forma consolidated revenues and pro-forma consolidated net profit for the year ended December 31, 2011 would have been (Won)69,243,204 million and (Won)3,726,225 million, respectively.

**38. Transition to IFRS**

As stated in note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRSs as issued by International Accounting Standards Board. The accounting policies set out in note 3 have been applied in preparing the financial statements as of and for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements as of and for the year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at the date of transition, January 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRSs has affected the Company's reported financial position, financial performance and cash flows is as follows:

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(a) Exemptions elected from IFRS No. 1 *First-time Adoption of International Financial Reporting Standards* .

The Company has elected to use one or more of the exemptions in accordance with IFRS No. 1 for the preparation of statements of financial position at the date of transition and applied the following optional exemptions.

1) Business combination

The Company has not retrospectively applied the business combinations that took place prior to the date of transition to IFRS.

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**Notes to Consolidated Financial Statements**

**For the years ended December 31, 2011 and 2010**

2) Deemed cost of property, plant and equipment

The Company has elected to use the revaluations of prior to the date of transition to IFRS as deemed cost at the date of transition for certain items of property, plant and equipment and use the fair value at the date of transition as deemed cost at the date of transition for certain machinery and equipment.

3) Borrowing costs

The Company has capitalized borrowing costs to the qualifying assets for which the commencement date for capitalization is on or after the transition date to IFRS.

4) Cumulative translation differences

The Company has elected to set the previously cumulative translation differences to zero at the date of transition and these exemption are applied to all foreign operations.

5) Share-based payment transactions

The Company has not retrospectively applied IFRS accounting requirements to cash-settled share-based payment transactions that took place prior to the date of transition to IFRS.

6) Leases

For arrangements existing at the date of transition to IFRS, the Company determined whether the arrangements were lease arrangements based on the facts and circumstances at the date of transition.

(b) The significant adjustments regarding transition to IFRS are as follows:

1) Employee Benefits

Under previous GAAP, the Company recognized the amount of accrued severance benefits assuming all eligible employees and directors with at least one year of service were to terminate their employment as of the date of statement of financial position. Under IFRS, the Company recognized defined benefit obligation based on actuarial assumptions.

2) Goodwill acquired in the business combination or a gain from a bargain purchase

Under previous GAAP, the Company amortized goodwill acquired in a business combination on a straight-line method of less than 20 years and a gain from a bargain purchase reversed in weighted average useful life of depreciable assets. Under IFRS, goodwill is not amortized, but is tested for impairment annually. Also, a gain from a bargain purchase is recognized in profit or loss on the acquisition date.

3) Transfer of financial assets

Under previous GAAP, the Company recognized transfer of the financial assets to financial institution as disposal transaction when the control is transferred. Under IFRS, if the Company retains substantially all the risks and rewards of ownership of the financial asset, it is recognized in the financial liabilities instead of derecognition of financial assets.

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## 4) Deferred taxes

Under previous GAAP, the Company recognized deferred tax assets or deferred tax liabilities as the difference between the book base and its tax base regarding the investment in subsidiaries and others. However, under IFRS, the Company recognizes deferred tax assets or deferred tax liabilities considering how the temporary differences will be realized.

## 5) A lot-solid apartment after rental

Under previous GAAP, a lot-solid apartment after rental is accounted for as an operating lease. Under IFRS, a lot-solid apartment of the rental is accounted for as a finance lease.

## (c) Changes in scope of subsidiaries

	<b>Changes</b>	<b>Subsidiaries</b>
Inclusion (35)	Included in the scope of consolidation under IFRS. These entities were not consolidated under GAAP since their total assets were less than (Won)10 billion.	PT. POSNESIA, Qingdao Pos-metal Co., Ltd., POSCO E&C India Private Ltd., POSCO E&C SMART, Pohang SFC Co., Ltd., POSWITH Co., Ltd., Basis Industries, Dalian POSCON Dongbang Automatic Co., Ltd., SANPU TRADING CO., LTD., Zhangjiagang BLZ Pohang International Trading Co., Ltd., POSCO Australia GP Limited, POSCO Mexico Human Tech., POSCO Mexico East Steel Distribution Center Co., Ltd., POSTECH BD Newundertaking fund, POSCO Gulf Logistics LLC., POSBRO Co., Ltd., POSCO ICT-China, DWEMEX S.A.DE C.V., POS MPC Servicios de C.V., EUROTALY S.A., POSCO South East Asia Pte. Ltd., VECTUS Ltd., POMIC Co., Ltd., POSCO Maharashtra Steel Pvt. Ltd., POSCO India Chennai Steel Processing Centre Pvt. Ltd., POSCO Turkey Nilufer Processing Center, POSCO Vietnam Ha Noi Processing Center Co., Ltd., POSCO (Liaoning) Automotive Processing Center Co., Ltd., POSCO E&C Venezuela C.A, POSFINE Co., Ltd., PT. MRI, Mapo high broad parking Co., Ltd., Dakos Co., Ltd., POSCALCIUM Company, Ltd
	Included in the scope of consolidation under IFRS, SIC12: Consolidation-Special Purpose Entities	ZEUS(Cayman)
Exclusion(5)	The Company owns less than 50% of voting power. These entities are excluded from the scope of consolidation assuming that the Company does not have de facto control.	Metapolis Co., Ltd., POSMATE Co., Ltd., POSCO M-TECH Co., Ltd., Universal Studios Resort Asset Management Corp., VSC POSCO Steel Corporation

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(d) Effects on financial position, financial performance and cash flows by the transition from previous GAAP to IFRS

1) Reconciliations of the financial position on January 1, 2010:

	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total equity</b>
	(in millions of Won)		
Previous GAAP	(Won) 50,311,748	18,647,434	31,664,314
Adjustments :			
Changes of consolidation	(455,814)	(526,348)	70,534
Revaluation of machinery and equipment	1,939,001		1,939,001
Transfer of a financial asset	111,759	111,932	(173)
Recognition of financial guarantee liabilities	6,295	6,295	
Reversal of negative goodwill	10,352		10,352
Actuarial valuation of defined benefit liabilities	(63)	36,603	(36,666)
Finance lease	(355,899)	(359,542)	3,643
Construction contracts	448,066	428,736	19,330
Other adjustments	(192,101)	467	(192,568)
Deferred tax effect	(296,198)	(152,112)	(144,086)
<b>Total adjustments</b>	<b>1,215,398</b>	<b>(453,969)</b>	<b>1,669,367</b>
IFRS	(Won) 51,527,146	18,193,465	33,333,681

2) Reconciliation of financial position as of December 31, 2010 and the financial performance for the year ended December 31, 2010

	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total equity</b>	<b>Net income</b>	<b>Total comprehensive income</b>
	(in millions of Won)				
Previous GAAP	(Won) 67,945,933	30,744,512	37,201,421	4,217,695	4,840,977
Adjustments :					
Changes in scope of consolidated companies	(1,246,713)	(985,200)	(261,513)	206,889	130,970
Revaluation of machinery and equipment	1,633,056		1,633,056	(305,945)	(305,945)
Transfer of a financial asset	1,344,849	1,338,732	6,117	1,635	1,635
Recognition of financial guarantee liabilities	21,304	27,443	(6,139)	(1,618)	(1,618)
Reversal of negative goodwill	9,819		9,819	9,819	9,819
Withdrawal of amortization on goodwill	68,364		68,364	68,364	68,364
Actuarial valuation of defined benefit liabilities	(4,067)	91,357	(95,424)	144,073	(8,052)

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Finance lease	(542,848)	(557,959)	15,111	11,469	11,469
Construction contracts	367,427	339,184	28,243	(2,942)	(2,942)
Capitalization of financial cost	63,382	92,186	(28,804)	1,733	1,733
Other adjustments	(89)	260,492	(260,581)	(221,402)	30,631
Deferred tax effect	(241,991)	(469,488)	227,497	55,881	55,881
<b>Total adjustments</b>	<b>1,472,493</b>	<b>136,747</b>	<b>1,335,746</b>	<b>(32,044)</b>	<b>(8,055)</b>
IFRS	(Won) 69,418,426	30,881,259	38,537,167	4,185,651	4,832,922

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3) Cash flow statement

Under IFRS, interest received, interest paid and income taxes paid which were presented using indirect method under the previous GAAP are presented using direct method as separate line items of cash flow operating activities. Also, effect of exchange rate fluctuations on cash held which were presented as cash flows from operating activities under the previous GAAP are presented as a separate line item from cash flows from operating, investing and financing activities.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

POSCO  
*(Registrant)*

/s/ Chung, Joon-Yang  
Name: Chung, Joon-Yang  
Title: Chief Executive Officer and Representative  
Director  
Date: April 30, 2012

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1.1	Articles of incorporation of POSCO (English translation)
2.1	Form of Common Stock Certificate (including English translation) (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement No. 33-81554)*
2.2	Form of Deposit Agreement (including Form of American Depositary Receipts) (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
2.3	Letter from ADR Depository to the Registrant relating to the Pre-release of American Depositary Receipts (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
8.1	List of consolidated subsidiaries
12.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* Filed previously