

POSCO and Subsidiaries

**Consolidated Interim Financial Statements
(Unaudited)
June 30, 2011**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying consolidated statement of financial position of POSCO and subsidiaries (the "Company") as of June 30, 2011, and the consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2011 and 2010 and, changes in equity and cash flows for the six-month periods ended June 30, 2011 and 2010 and notes, comprising a summary of significant accounting policies and other explanatory information ("the consolidated interim financial information").

Management's responsibility

Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Korean International Financial Reporting Standard ("K-IFRS") 1034 "Interim Financial Reporting". The Company's management is also responsible for the internal controls determined necessary to prepare the consolidated interim financial statements free of material misstatements due to error or fraud.

Auditor's review responsibility

Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information referred to above is not presented fairly, in all material respects, in accordance with K-IFRS 1034 "Interim Financial Reporting".

Other considerations

As discussed in note 3, the Company prepared the consolidated interim financial information in accordance with accounting policies which management plans to adopt for its first annual financial statements in accordance with K-IFRS. The accounting policies applied for the consolidated interim financial statements may be changed by management as considered necessary in the course of preparation of its first annual financial statements in accordance with K-IFRS for the year ending December 31, 2011.

Seoul, Korea
August 26, 2011

This report is effective as of August 26, 2011, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial information. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

POSCO
Consolidated Statements of Financial Position
As of June 30, 2011, December 31, 2010 and January 1, 2010
(Unaudited)

<i>(in millions of Won)</i>	Notes	June 30, 2011	December 31, 2010	January 1, 2010
Assets				
Cash and cash equivalents	5,19	₩ 4,285,917	3,521,045	2,273,059
Trade accounts and notes receivable, net	6,19,24,33	10,946,809	9,205,118	5,286,130
Other short-term financial assets	7,19,33	3,686,883	4,383,302	7,211,023
Inventories	8	11,453,754	9,559,206	4,918,413
Current income tax assets	30	22,526	17,654	11,980
Assets held for sale		-	-	24,961
Other current assets	13	1,265,720	972,159	690,185
Total current assets		31,661,609	27,658,484	20,415,751
Long-term trade accounts and notes receivable, net	6,19	208,362	273,622	522,775
Other long-term financial assets	7,19	6,022,029	6,417,038	5,308,660
Investment in associates	9	3,517,988	3,306,425	950,449
Investment property, net	10	511,177	493,365	558,207
Property, plant and equipment, net	11	26,554,598	25,437,740	22,342,747
Intangible assets, net	12	4,860,722	4,619,169	754,231
Deferred tax assets	30	601,888	538,876	409,748
Other long-term assets	13	592,681	659,814	250,475
Total non-current assets		42,869,445	41,746,049	31,097,292
Total assets	36	₩ 74,531,054	69,404,533	51,513,043

See accompanying notes to consolidated interim financial statements.

POSCO
Consolidated Statements of Financial Position, Continued
As of June 30, 2011, December 31, 2010 and January 1, 2010
(Unaudited)

<i>(in millions of Won)</i>	Notes	June 30, 2011	December 31, 2010	January 1, 2010
Liabilities				
Trade accounts and notes payable	19,33	₩ 4,458,981	3,980,701	2,392,317
Short-term borrowings	14,19	11,209,289	10,476,300	3,958,099
Other short-term financial liabilities	15,19,33	1,614,315	1,520,877	1,054,714
Current income tax liabilities	30	569,130	779,018	389,675
Liabilities related assets held for sale		-	-	80
Provisions	16	57,099	38,004	24,711
Other current liabilities	18,24	2,042,964	1,491,248	1,188,967
Total current liabilities		19,951,778	18,286,148	9,008,563
Long-term trade accounts and notes payable	19,33	813	378	-
Long-term borrowings	14,19	12,603,860	10,663,941	8,241,386
Other long-term financial liabilities	15,19	303,667	175,774	205,096
Employee benefits	17	350,559	503,126	315,418
Deferred tax liabilities	30	1,137,395	1,028,728	377,539
Long-term provisions	16	124,644	128,885	2,969
Other long-term liabilities	18	64,580	80,386	28,391
Total non-current liabilities		14,585,518	12,581,218	9,170,799
Total liabilities	36	₩ 34,537,296	30,867,366	18,179,362
Shareholders' equity				
Equity attributable to owners of the Company				
Share capital	20	482,403	482,403	482,403
Capital surplus	20	1,177,188	1,101,561	1,199,666
Reserves	21	910,072	1,439,807	766,325
Treasury shares	22	(2,391,406)	(2,403,263)	(2,403,263)
Retained earnings		37,776,693	35,955,177	32,634,833
Controlling interests		37,954,950	36,575,685	32,679,964
Non-controlling interests		2,038,808	1,961,482	653,717
Total shareholders' equity		39,993,758	38,537,167	33,333,681
Total liabilities and shareholders' equity	₩	74,531,054	69,404,533	51,513,043

See accompanying notes to consolidated interim financial statements.

POSCO

Consolidated Statements of Comprehensive Income

For the three-month and six-month periods ended June 30, 2011 and 2010
(Unaudited)

		For the three-month periods ended June 30		For the six-month periods ended June 30	
	Notes	2011	2010	2011	2010
(in millions of Won, except per share information)					
Revenue	24,25,36	₩ 17,046,753	10,787,954	33,297,317	20,565,217
Cost of sales	28	(14,375,839)	(8,260,642)	(28,454,339)	(15,989,626)
Gross profit		2,670,914	2,527,312	4,842,978	4,575,591
Selling and administrative expenses	26,28				
Administrative expenses		(489,505)	(303,757)	(986,623)	(610,503)
Selling expenses		(384,262)	(258,078)	(756,639)	(484,068)
		(873,767)	(561,835)	(1,743,262)	(1,094,571)
Other operating income	27	37,980	44,365	115,704	126,225
Other operating expenses	27,28	(88,676)	(43,471)	(113,098)	(82,432)
Operating profit	32	1,746,451	1,966,371	3,102,322	3,524,813
Non-operating income and expenses					
Share of profit of equity-accounted investees	36	34,772	30,174	13,425	66,130
Finance income	29	625,532	247,874	1,447,878	735,606
Finance costs	29	(581,533)	(791,864)	(1,302,712)	(1,084,010)
Profit before income tax		1,825,222	1,452,555	3,260,913	3,242,539
Income tax expense	30,36	(453,238)	(333,194)	(795,867)	(747,065)
Profit for the period	36	1,371,984	1,119,361	2,465,046	2,495,474
Other comprehensive income					
Capital adjustment arising from investments in equity-method investees, net of tax		(55,523)	(6,446)	(37,066)	(33,765)
Net changes in fair value of available-for-sale investments, net of tax		(258,817)	(219,816)	(526,835)	(160,776)
Foreign currency translation differences, net of tax		(39,541)	141,558	(127,933)	85,346
Defined benefit plan actuarial gains (losses), net of tax		(59,846)	10,888	12,915	(36,739)
Other comprehensive income for the period, net of tax		(413,727)	(73,816)	(678,919)	(145,934)
Total comprehensive income for the period		₩ 958,257	1,045,545	1,786,127	2,349,540
Profit attributable to:					
Owners of the Company		₩ 1,322,857	1,104,007	2,413,579	2,468,109
Non-controlling interests		49,127	15,354	51,467	27,365
Profit for the period		₩ 1,371,984	1,119,361	2,465,046	2,495,474
Total comprehensive income attributable to:					
Owners of the Company		₩ 931,384	1,014,103	1,898,554	2,307,198
Non-controlling interests		26,873	31,442	(112,427)	42,342
Total comprehensive income for the period		₩ 958,257	1,045,545	1,786,127	2,349,540
Earnings per share	31	₩ 17,126	14,332	31,240	32,040

See accompanying notes to consolidated interim financial statements.

POSCO
Consolidated Statements of Changes in Equity
For the six-month periods ended June 30, 2011 and 2010
(Unaudited)

(in millions of Won)

	Owners of the Company					Non-Controlling	
	Share Capital	Capital Surplus	Reserves	Treasury Shares	Retained Earnings	Sub Total	Interests
							Total
Balance as of January 1, 2010	₩ 482,403	1,199,666	766,325	(2,403,263)	32,634,833	32,679,964	653,717
Comprehensive income:							
Profit for the period	-	-	-	-	2,468,109	2,468,109	27,365
Net changes in accumulated comprehensive income (expense)	-	-	(35,731)	-	-	(35,731)	1,966
Net changes in fair value of available-for-sale investments, net of tax	-	-	(160,733)	-	-	(160,733)	(43)
Foreign currency translation differences, net of tax	-	-	69,806	-	-	69,806	15,540
Defined benefit plan actuarial losses, net of tax	-	-	-	-	(34,253)	(34,253)	(2,486)
Total comprehensive income	-	-	(126,658)	-	2,433,856	2,307,198	42,342
Transactions with owners of the Company, recognized directly in equity:							
Year-end dividends	-	-	-	-	(500,714)	(500,714)	(16,376)
Changes in scope of consolidation	-	-	-	-	-	-	4,923
Changes in ownership interests in subsidiaries	-	(71,398)	-	-	-	(71,398)	45,911
Paid in capital increase of subsidiaries	-	-	-	-	-	-	7,352
Others	-	587	(899)	-	51,212	50,900	5,842
Total transactions with owners of the Company	-	(70,811)	(899)	-	(449,502)	(521,212)	47,652
Balance as of June 30, 2010	₩ 482,403	1,128,855	638,768	(2,403,263)	34,619,187	34,465,950	743,711

See accompanying notes to consolidated interim financial statements.

POSCO

Consolidated Statements of Changes in Equity, Continued For the six-month periods ended June 30, 2011 and 2010 (Unaudited)

(in millions of Won)

	Owners of the Company						Non-Controlling Interests	Total
	Share Capital	Capital Surplus	Reserves	Treasury Shares	Retained Earnings	Sub Total		
Balance as of January 1, 2011	₩ 482,403	1,101,561	1,439,807	(2,403,263)	35,955,177	36,575,685	1,961,482	38,537,167
Comprehensive income:								
Profit for the period	-	-	-	-	2,413,579	2,413,579	51,467	2,465,046
Net changes in accumulated comprehensive expense of investments of equity-accounted investees, net of tax	-	-	(31,967)	-	-	(31,967)	(5,099)	(37,066)
Net changes in fair value of available-for-sale investments, net of tax	-	-	(524,965)	-	-	(524,965)	(1,870)	(526,835)
Foreign currency translation differences, net of tax	-	-	21,924	-	-	21,924	(149,857)	(127,933)
Defined benefit plan actuarial losses, net of tax	-	-	-	-	19,983	19,983	(7,068)	12,915
Total comprehensive income	-	-	(535,008)	-	2,433,562	1,898,554	(112,427)	1,786,127
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends	-	-	-	-	(577,747)	(577,747)	(16,808)	(594,555)
Changes in scope of consolidation	-	-	-	-	-	-	73,774	73,774
Changes in ownership interests in subsidiaries	-	6,354	-	-	-	6,354	(6,354)	-
Paid in capital increase of subsidiaries	-	-	-	-	-	-	137,374	137,374
Acquisition of treasury shares	-	-	-	(61,296)	-	(61,296)	-	(61,296)
Disposal of treasury shares	-	71,160	-	73,153	-	144,313	-	144,313
Others	-	(1,887)	5,273	-	(34,299)	(30,913)	1,767	(29,146)
Total transactions with owners of the Company	-	75,627	5,273	11,857	(612,046)	(519,289)	189,753	(329,536)
Balance as of June 30, 2011	₩ 482,403	1,177,188	910,072	(2,391,406)	37,776,693	37,954,950	2,038,808	39,993,758

See accompanying notes to consolidated interim financial statements.

POSCO
Consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2011 and 2010
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash flows from operating activities			
Cash generated from operations		₩ 1,226,370	2,831,696
Profit for the period		2,465,046	2,495,474
Adjustments	35	2,042,769	2,476,372
Changes in operating assets and liabilities	35	(3,281,445)	(2,140,150)
Interest received		98,560	143,975
Interest paid		(367,873)	(220,033)
Dividends received		177,191	57,829
Income taxes paid		(794,578)	(389,766)
Net cash provided by operating activities		₩ 339,670	2,423,701
Cash flows from investing activities			
Disposal of short-term financial instruments		3,849,297	9,439,825
Decrease in loans		119,253	143,468
Disposal of available-for-sale investments		12,554	129,139
Disposal of other investment assets		39	24,237
Disposal of investments of equity-accounted investees		1,205	7,847
Disposal of property, plant and equipment		104,464	60,568
Disposal of intangible assets		4,267	3,160
Disposal of net assets from changes in scope of consolidation		-	6,747
Acquisition of short-term financial instruments		(2,578,359)	(10,223,277)
Increase in loans		(388,295)	(53,791)
Acquisition of available-for-sale investments		(187,737)	(66,159)
Acquisition of other investment assets		(5,280)	(453,575)
Acquisition of investments of equity-accounted investees		(443,251)	(214,490)
Acquisition of property, plant and equipment		(2,255,405)	(2,911,321)
Acquisition of intangible assets		(221,815)	(20,068)
Acquisition of net assets from changes in scope of consolidation		(85,392)	(119)
Other, net		76,025	23,236
Net cash used in investing activities		₩ (1,998,430)	(4,104,573)

See accompanying notes to consolidated interim financial statements.

POSCO
Consolidated Statements of Cash Flows, Continued
For the six-month periods ended June 30, 2011 and 2010
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash flows from financing activities			
Proceeds from borrowings		3,164,966	1,336,787
Disposal of treasury shares		164,384	-
Proceeds from short-term borrowings		339,990	1,251,666
Repayment of borrowings		(603,169)	(442,318)
Acquisition of treasury shares		(61,296)	-
Payment of cash dividends		(577,747)	(500,714)
Other, net		35,004	3,622
		<u>₩ 2,462,132</u>	<u>1,649,043</u>
Net cash provided by financing activities			
Effect of exchange rate fluctuation on cash held		(68,369)	32,235
Net decrease in cash and cash equivalents from changes in scope of consolidation		<u>29,869</u>	<u>-</u>
Net increase in cash and cash equivalents		764,872	406
Cash and cash equivalents at beginning of the period		<u>3,521,045</u>	<u>2,273,059</u>
Cash and cash equivalents at end of the period		<u>₩ 4,285,917</u>	<u>2,273,465</u>

See accompanying notes to consolidated interim financial statements.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

Consolidated Companies

1. General Information

General information about POSCO, its 55 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd., 146 foreign subsidiaries including POSCO America Corporation and its 84 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 overseas markets.

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

As of June 30, 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.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

(b) Consolidated subsidiaries

Details of consolidated subsidiaries as of June 30, 2011 are as follows:

	Principal Operations	Ownership (%)	Region	Net Equity
[Domestic]				
POSCO E&C Co., Ltd.	Engineering and Construction	89.53	Pohang	2,551,887
POSCO P&S Co., Ltd.	Steel sales and service	95.31	Seoul	535,063
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	56.87	Pohang	246,123
POSCO Plant Engineering Co., Ltd.	Steel work maintenance and machinery installation	100.00	Pohang	93,549
POSCO ICT Co., Ltd.	Computer hardware and software distribution	72.54	Seongnam	217,932
POSCO Research Institute	Economic research and consulting	100.00	Seoul	24,748
Seoung Gwang Co., Ltd.	Athletic facilities operation	100.00	Suncheon	46,786
POSCO Architects & Consultants Co., Ltd.	Architecture and consulting	100.00	Seoul	49,349
POSCO Specialty Steel Co., Ltd.	Steel manufacturing and Sales	100.00	Changwon	833,394
POSTECH Venture Capital Corp.	Investment in venture companies	95.00	Pohang	32,323
eNtoB Co., Ltd.	Electronic commerce	62.38	Seoul	29,158
POSCO Chemtec Company Ltd.	Manufacturing and sellings	60.00	Pohang	278,526
POSCO Terminal Co., Ltd.	Transporting and warehousing	51.00	Gwangyang	68,207
POSCO M-TECH Co., Ltd.	Packing materials manufacturing	48.85	Pohang	154,730
POSCO Power Corp.	Generation of Electricity	100.00	Seoul	571,395
Postech 2006 Energy Fund (*2)	Investment in new technologies	22.11	Seoul	26,402
PHP Co., Ltd.	Rental houses	100.00	Incheon	8,009
POSCO TMC Co., Ltd.	Steel manufacturing and Sales	67.76	Cheonan	87,639
PNR Co., Ltd.	Steel manufacturing and Sales	70.00	Pohang	18,098
Megaasset Co., Ltd.	Real estate rental and sales	100.00	Cheonan	11,959
DAEWOO ENGINEERING COMPANY	Construction and engineering service	92.26	Seongnam	166,118
PoHang Feul Cell Co. Ltd.	Generation of electricity	100.00	Pohang	4,353
Pohang SPFC Co., Ltd.	Steel manufacturing	90.00	Pohang	5,248
POSWITH Co., Ltd.	Industrial clean service	100.00	Pohang	3,446
BASYS INDUSTRY CO., LTD.	Panel board, electric and control panel manufacturing	65.00	Seongnam	593
POSTECH BD Newundertaking fund	Bio diesel Industries	100.00	Pohang	90
POSBRO Co., Ltd.	Video game manufacturing	97.79	Seongnam	149
POSCOAST Co., Ltd.	Steel manufacturing and Sales	100.00	Ansan	151,070
DaiMyung TMS Co., Ltd.	Cold- rolling of stainless steel , nickel alloy	100.00	Siheung	(21,933)
POS-HiMETAL CO., Ltd.	Steel manufacturing and Sales	65.00	Gwangyang	64,339
POSCO E&E Co., Ltd.	Services	100.00	Seoul	17,892
POMIC Co., Ltd.	Education Services	100.00	Pohang	1,942
POSFINE Co., Ltd.	Non metallic minerals manufacturing	69.23	Gwangyang	17,819
POS ECO HOUSING Co., Ltd.	Construction	85.25	Pohang	5,936
Mapo high broad parking Co., Ltd.	Construction	67.00	Seoul	1,497
Dakos Co. Ltd.	Railway equipment manufacturing	81.00	Seongnam	480
Kwang Yang SPFC Co., Ltd.	Steel manufacturing	100.00	Gwangyang	9,317
POSCALCIUM Company, Ltd.	Non metallic minerals manufacturing	70.00	Pohang	2,175
Plant Engineering service Technology Co., Ltd.	Engineering Service	100.00	Pohang	1,503
9Digit Co., Ltd.	Steel manufacturing	86.49	Incheon	7,250
Postech Early Stage Fund (*1)	Financial investment	10.00	Pohang	9,997
BUSAN E&E Co., Ltd.	Handling & disposal of waste matter	70.00	Busan	36,876
POSCO Family Strategy Funds	Financial investment	100.00	Pohang	57,142
POREKA Co., Ltd.	Advertising agency	100.00	Seoul	1,348
Songdo SE Co., Ltd.	Cleaning service	100.00	Incheon	1,456
Posgreen Co., Ltd.	Plastic manufacuring	60.00	Gwangyang	3,992
Daewoo International. Co., Ltd.	Trading, Energy & Resource development	66.70	Seoul	1,426,752
POSCOLED Co., Ltd.	LED lightning	80.03	Seongnam	24,650
Gunsan SPFC Co., Ltd.	Steel manufacturing	100.00	Gunsan	21,697
POSCO NST Co., Ltd.	Steel manufacturing	100.00	Busan	38,400
Pohang Scrap Recycling Center Co., Ltd.	Steel manufacturing	51.00	Pohang	14,882
PSC energy global Co., Ltd.	Business service	100.00	Pohang	33,827
Suncheon Ecotrans Co., Ltd	Train manufacturing & management	100.00	Suncheon	12,924
Shinan Energy Co., Ltd	manufacturing & management	100.00	Mokpo	1,841
Recometal Co., Ltd	Steel manufacturing	88.60	Hwasung	4,959

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

[Foreign]	Principal Operations	Ownership (%)	Region	Net Equity
POSCO America Corporation	Steel trading	100.00	USA	153,258
POSCO Australia Pty. Ltd.	Iron ore sales & mine development	100.00	Australia	536,860
POSCO Canada Ltd.	Coal sales	100.00	Canada	386,531
POSCAN Elkveiw Coal Ltd.	Coal sales	100.00	Canada	-
POSCO Asia Co., Ltd.	Steel transit trading	100.00	HongKong	32,588
Dalian POSCO Steel Co., Ltd	Steel manufacturing	85.00	China	(4,035)
POSCO-CTPC Co., Ltd.	Steel manufacturing	100.00	China	29,264
POSCO-JKPC Co., Ltd.	Steel manufacturing	95.00	Japan	17,621
International Business Center Corporation	Leasing Service	60.00	Vietnam	30,914
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing	100.00	Vietnam	(14,677)
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	82.48	China	555,214
Guangdong Pohang Coated Steel Co., Ltd.	Plating steel sheet manufacturing	94.55	China	181,326
POSCO (Thailand) Company Ltd.	Steel manufacturing	100.00	Thailand	41,979
Myanmar POSCO Steel Co., Ltd	Zinc relief manufacturing	70.00	Myanmar	14,162
POSCO-JOPC Co., Ltd.	Steel manufacturing	56.84	Japan	4,452
POSCO Investment Co., Ltd.	Financial Service	100.00	HongKong	90,559
POSCO-MKPC SDN BHD.	Steel manufacturing	70.00	Malaysia	47,035
Qingdao Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	100.00	China	107,555
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	China	72,586
POSCO BioVentures L.P.	Bio tech Industry	100.00	USA	17,230
PT. POSNESIA	Steel manufacturing	70.00	Indonesia	13,122
POSCO E&C - Hawaii Inc.	Real estate Industry	100.00	USA	490
POS-Qingdao Coil Center Co., Ltd.	Steel manufacturing	100.00	China	14,603
POS-Ore Pty. Ltd.	Iron ore sales & mine development	100.00	Australia	45,492
POSCO-China Holding Corp.	A holding company	100.00	China	242,147
POSCO-Japan Co., Ltd.	Steel trading	100.00	Japan	118,978
POS-CD Pty. Ltd.	Coal sales	100.00	Australia	4,366
POS-GC Pty. Ltd.	Coal sales	100.00	Australia	46,106
POSCO-India Private Ltd.	Steel manufacturing	100.00	India	108,064
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	Steel manufacturing	65.00	India	45,673
POSCO-JNPC Co., Ltd.	Steel manufacturing	90.00	Japan	14,542
POSCO-Foshan Steel Processing Center Co.,Ltd.	Steel manufacturing	100.00	China	40,230
POSCO E&C (China) Co., Ltd.	Construction and civil engineering	100.00	China	18,025
POSCO MPC S.A. de C.V.	Steel manufacturing	90.00	Mexico	20,665
Zhangjiagang Pohang Port Co., Ltd.	Load and unload Industry	100.00	China	13,600
Qingdao Pos-metal Co., Ltd.	Logistics warehousing	100.00	China	2,048
POSCO-Vietnam Co., Ltd.	Steel manufacturing	85.00	Vietnam	120,907
POSCO-Mexico Co., Ltd.	Mobile steel sheet manufacturing	100.00	Mexico	99,139
POSCO-India Delhi Steel Processing Centre Pvt. Ltd	Steel manufacturing	76.40	India	21,068
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd	Steel manufacturing	60.00	Poland	17,935
POS-NP Pty. Ltd.	Coal sales	100.00	Australia	45,009
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	89.58	Vietnam	20,668
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	Steel manufacturing	100.00	China	11,235
Suzhou POS-CORE Technology Co., Ltd.	Component manufacturing	100.00	China	24,998
POSCO-JYPC Co., Ltd.	Steel manufacturing	82.37	Japan	1,882
POSCO-Malaysia SDN. BHD.	Steel manufacturing	93.41	Malaysia	(19,252)
POS-Minerals Corporation	Mine development & sales	85.00	USA	107,057
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	China	21,991
POSCO E&C India Private Ltd.	Construction and engineering	100.00	India	4,021
POSCO E&C SMART	Steel manufacturing	100.00	Philippines	503
POSCO-Philippine Manila Processing Center Inc.	Electrical control equipment manufacturing	100.00	China	9,839
Dalian POSCON Dongbang Automatic Co., Ltd.	Transit trade	70.00	China	4,660
SANPU TRADING CO.,LTD.	Develop of sources	70.04	Australia	1,674
Zhangjiagang BLZ Pohang InternationalTrading Co., Ltd.	Logistics warehousing	100.00	Mexico	4,343
POSCO Mexico Human Tech.	Steel product sales	100.00	UAE	48
POSCO Mexico East Steel Distribution	IT service and DVR business	66.28	China	11,315

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

[Foreign]	Principal Operations	Ownership (%)	Region
POSCO Gulf Logistics LLC.	Construction	100.00	UAE
POSCO ICT-China	Steel manufacturing	100.00	China
DWEMEX S.A.DE C.V.	Lumber manufacturing & sales	99.00	Mexico
POS MPC Servicios de C.V.	Steel product sales	61.00	Mexico
EUROTALY S.A.	Logistics warehousing	98.00	Uruguay
POSCO South East Asia Pte. Ltd.	PRT test track construction	51.00	Singapore
Europe Steel Distribution Center	Service	70.00	Slovenia
VECTUS Ltd.	Stainless steel manufacturing	99.57	England
Zeus(Cayman)	Steel manufacturing	100.00	Cayman Islands
POSCO VST Co., Ltd.	Steel manufacturing	95.65	Vietnam
POSCO Maharashtra Steel Pvt. Ltd.	Steel manufacturing	100.00	India
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	Construction	100.00	India
POSCO Turkey Nilufer Processing Center Co., Ltd.	Steel manufacturing	100.00	Turkey
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	Construction	70.00	Vietnam
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	China
POSCO-Indonesia Jakarta Processing Center	Steel manufacturing	85.00	Indonesia
POSCO E&C Venezuela C.A	Steel manufacturing	100.00	Venezuela
PT. MRI	Steel manufacturing	65.00	Indonesia
POSCORE-INDIA	Coal sales	100.00	India
POSCO America Alabama Processing Center Co., Ltd.	Construction	100.00	USA
PT DEC Indonesia	Trading Business	95.00	Indonesia
POSCO (Yantai) Automotive Processing Center Co.,Ltd.	Trading Business	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Trading Business	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Trading Business	90.00	China
POSCO South Asia	Cement manufacturing	100.00	Thailand
POSCO SS VINA	Trading Business	100.00	Vietnam
POSCO-NCR Coal Ltd.	Clothing business	100.00	Canada
POSCO WA Pty. Ltd.	Textile manufacturing	100.00	Australia
POSCO E&C - UZ	Textile manufacturing	100.00	Uzbekistan
POSCO Australia GP Limited	Resource Development	100.00	Australia
Daewoo International America Corp.	Trading Business	100.00	USA
Daewoo International Deutschland GmbH	Trading Business	100.00	Germany
Daewoo International Japan Corp.	Trading Business	100.00	Japan
Daewoo International Singapore Pte. Ltd.	Trading Business	100.00	Singapore
Daewoo Italia S.r.l.	Trading Business	100.00	Italy
Daewoo Cement (Shandong) Co., Ltd.	Cement manufacturing	100.00	China
Daewoo (China) Co., Ltd.	Trading Business	100.00	China
PT. RISMAR Daewoo Apparel	Steel manufacturing	100.00	Indonesia
Daewoo Textile Fergana LLC	Trading Business	100.00	Uzbekistan
Daewoo Textile Bukhara LLC	Trading Business	100.00	Uzbekistan
Daewoo International Australia Holdings Pty. Ltd.	Trading Business	100.00	Australia
Daewoo Paper Manufacturing Co., Ltd.	Develop of sources	66.70	China
Tianjin DW. Paper	Textile manufacturing	68.00	China
POSCO Mauritius Ltd.	Textile manufacturing	100.00	Mauritius
PT. KRAKATAU STEEL POSCO	Trading Business	70.00	Indonesia
MYANMAR Daewoo LTD.	Trading Business	100.00	Myanmar
Dawwoo International MEXICO S.A. de C.V.	Trading Business	100.00	Mexico
Daewoo International Guangzhou Corp.	Trading Business	100.00	China
Daewoo Energy Central Asia	leather manufacturing	100.00	Uzbekistan
Daewoo STC & Apparel Vietnam Ltd.	Steel manufacturing	100.00	Vietnam
MYANMAR Daewoo International Ltd.	Trading Business	55.00	Myanmar
DAYTEK ELECTRONICS CORP.	Trading Business	100.00	Canada
Daewoo (M) SDN. BHD.	Steel manufacturing	100.00	Malaysia
Daewoo CANADA LTD.	Steel manufacturing	100.00	Canada
Daewoo EL SALVADOR S.A. DE C.V.	Trading Business	100.00	El Salvador
GEZIRA TANNERY CO., LTD.	Electrical Industry	100.00	Sudan
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	Construction	100.00	China
Daewoo International Corporation (M) SDN BHD	Raw material manufacturing	100.00	Malaysia
Daewoo International SHANGHAI CO., LTD.	Trading Business	100.00	China
PGSF, LLC	Non-profit charitable organization	100.00	USA

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

[Foreign]	Principal Operations	Ownership (%)	Region	Net Equity
Xenesys Inc.	Construction	50.93	Japan	12,403
Daewoo International INDIA Private Ltd.	Construction	100.00	India	1,897
TECHREN Solar, LLC	Construction	99.90	USA	782
PT. POSCO E&C Indonesia	Construction	100.00	Indonesia	863
Hume Coal Pty. Ltd.	Construction	70.00	Australia	3,760
Daewoo HANDELS GmbH	Construction	100.00	Germany	-
POSCO Foundation	Construction	100.00	India	228
EPC EQUITIES LLP	Construction	70.00	England	4,192
SANTOS CMI Construction Trading LLP	Construction	99.90	England	481
SANTOS CMI INC. USA	Construction	100.00	USA	652
SANTOS CMI ENGENHARIA E CONSTRUcoes LTDA	Construction	99.98	Brazil	2,982
SANTOS CMI PERU S.A.	Construction	99.99	Peru	(241)
SANTOS CMI COSTA RICA S.A.	Construction	100.00	Coasta Rica	(1,390)
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	Construction	100.00	Uruguay	59
GENTECH International INC.	Construction	90.00	Panama	(368)
EPC INVESTMENTS C.V.	Construction	99.99	Netherlands	96
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	Construction	99.90	Ecuador	107
ASESORIA Y SERVICIOS EPC S.A CHILE	Construction	99.00	Chile	(143)
SANTOS CMI S.A.	Construction	70.00	Ecuador	12,029
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	Construction	99.00	Chile	4,114
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	Construction	99.00	Mexico	(86)
DV - SANTOS CMI S.A. DE C.V.	Construction	50.00	Mexico	(219)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	Construction	90.00	Ecuador	1,596
VAUTIDAMERICAS S.A.	Construction	51.00	Ecuador	474
SANTOS CMI Construccions Argentina S.A.	Construction	95.00	Argentina	(18)
POSCO E&C Brazil Ltd.	Construction	100.00	Brazil	1,061
POSCO Electrical Steel Inida Private Limited	Electrical Steel Manufacturing	100.00	India	1,255
Daewoo International Cameroon PLC	Resource Development	100.00	Cameroon	43
POSCO ASSAN TST STEEL Industry	Steel manufacturing	70.00	Turkey	136,329
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Investment	100.00	HongKong	(9,029)

(*1) In 2011, this company was included in the subsidiaries 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 interim financial statements as the controlling company has control over them in consideration of board of directors' composition and others.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

(c) Details of associates

Details of associates as of June 30, 2011 are as follows:

Investee	Category of Business	Ownership (%)	Region
[Domestic]			
MIDAS Information Technology Co., Ltd.	Engineering	25.46	Seoul
Metapolis Co., Ltd.	Multiplex development	40.05	Hwaseong
Songdo New City Development Inc.	Real estate	29.90	Seoul
POSMATE Co., Ltd.	Services	30.00	Seoul
Gail International Korea Ltd.	Real estate	29.90	Seoul
SNNC Co., Ltd.	Raw material manufacturing and sale	49.00	Gwangyang
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	Real estate	25.10	Chungju
Taegisan Wind Power Corporation	Wind power plant construction and management	50.00	Hoengseong
KOREASOLARPARK Co., Ltd.	Solar power plant construction and management	37.50	Youngam
Carolim Tidal Power Plant Co., Ltd.	Generation of electricity	32.13	Seosan
Cheongna IBT Co., Ltd. (*2)	Multiplex development	18.58	Incheon
PSIB Co., Ltd.	Non-resident building lease	49.00	Seoul
Universal Studios Resort Development Co., Ltd.	Construction	21.88	Hwaseong
Universal Studios Resort Asset Management Corp.	Real estate services	26.16	Seoul
Daewoo national car Gwangju selling Co., Ltd.	Real estate	50.00	Gwanju
Uitrans Co., Ltd.	Transporting	38.19	Seoul
Suwon Green Environment Co., Ltd.	Construction	27.50	Hwaseong
Pajoo & Viro Co., Ltd.	Construction	40.00	Paju
Green Gimpo Co., Ltd.	Construction	29.90	Gimpo
Busan-Gimhae Light Rail Transit Co., Ltd.	Transporting	25.00	Gimhae
Incheon-Gimpo Highway Co., Ltd.	Construction	25.00	Anyang
Green Jangryang Co., Ltd.	Sewerage treatment	25.00	Pohang
Green Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	Tongyeong
POSPLATE Co., Ltd.	Services	68.95	Gwangyang
Pure Gimpo Co., Ltd.	Construction	29.13	Seoul
Pohang Techno Valley AMC Co., Ltd.	Construction	29.50	Pohang
Sungjin Geotec Co., Ltd.	Industrial machinery manufacturing	43.11	Ulsan
Kyobo life insurance co., Ltd.	Life insurance	24.00	Seoul
Dongbang Special Steel Co., Ltd.	Steel processing and sales	35.82	Pohang
Pure Iksan Co., Ltd.	Construction	26.45	Pohang
Gyeonggi CES Co., Ltd.	Facility construction	21.84	Yangju
Sunjin Gonghak Baeumteo Co., Ltd.	Dormitories management	22.38	Gwanju
Inje Autopia Co., Ltd.	Management	27.53	Inje
Innovalloy Co., Ltd.	Real estate development	28.77	Yongin
Applied Science Corp.	Machinery manufacturing	29.62	Paju
SENTECH KOREA Corp.	Manufacturing	20.25	Paju
AROMA POSTECH RENEWABLE ENERGY Co., Ltd.	Other science research	28.57	Seoul
Hyundai Investment Network Private Equity Fund	Mine investment	50.00	Seoul
Pohang Techno Valley PFV Corporation	Real estate development	28.65	Pohang
BLUE OCEAN Private Equity Fund	Private Equity Financial	27.52	Seoul

POSCO

Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

Investee	Category of Business	Ownership (%)	Region
[Foreign]			
VSC POSCO Steel Corporation	Steel manufacturing and Sale	50.00	Vietnam
KOBRASCO	Facility lease	50.00	Brazil
USS-POSCO Industries	Material manufacturing and sale	50.00	USA
POSCHROME	Raw material manufacturing and sale	50.00	Republic of South Africa
POS-Hyundai Steel Manufacturing India Private Ltd.	Steel processing and sale	29.50	India
POSVINA Co., Ltd.	Plating steel sheet manufacturing	50.00	Vietnam
PT. POSMI Steel Indonesia	Steel processing and sale	37.87	Indonesia
CAML Resources Pty Ltd.	Raw material manufacturing and sale	33.40	Australia
Nickel Mining Company SAS	Raw material manufacturing and sale	49.00	New Caledonia
Liaoning Rongyuan Posco Refractories Co., Ltd.	Manufacturing and sale	35.00	China
POSK (PingHu) Processing Center Co., Ltd.	Steel processing and sale	20.00	China
AN KHANH NEW CITY DEVELOPMENT	Highway construction and new town development	50.00	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd.	Raw material manufacturing and sale	49.00	China
United Spiral Pipe, LLC	Material manufacturing and sale	35.00	USA
Zhongyue POSCO(Qinhuangdau) Tinsplate Industrial Co., Ltd.	Plating sheet manufacturing	34.00	China
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Steel processing and sale	25.00	China
POSS-SLPC s.r.o.	Steel processing and sale	30.00	Slovakia
Eureka Moly LLC.	Raw material manufacturing and sale	20.00	USA
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	Steel processing and sale	30.00	China
POSCO SeAH Steel Wire (Nantong) Co., Ltd.	Steel processing and sale	25.00	China
POS-GSFC LLC	Steel processing and sale	44.40	UAE
Yingkou Posrec Refractories Co.,Ltd.	Refractory manufacturing	25.00	China
Zhangjiagang Pohang Refractories Co.,Ltd.	Refractory manufacturing	50.00	China
DAEWOO ENGINEERING(THAILAND) CO., Ltd.	Development and contract	48.90	Thailand
Sebang Steel	Scrap sale	49.00	Japan
NCR LLC	Coal sale	20.00	Canada
AMCI (WA) Pty Ltd.	Iron ore sale & mine development	49.00	Australia
POSCO YongXin Rare Earth Metal Co., Ltd.	Energy & Resource development	31.00	China
Shanghai Lansheng Daewoo Coporation	Trading	49.00	China
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	Trading	49.00	China
Hanjung Power Pty Ltd.	Electric power manufacturing and sale	49.00	Papua New Guinea
Myanmar Korea Timber International Ltd.	Plating sheet manufacturing	45.00	Myanmar
General Medicines Company Ltd.	Medicine manufacturing and sale	33.00	Sudan
KOREA LNG Ltd.	Gas production and sale	20.00	England
DMSA, AMSA (*3)	Energy & Resource development	4.00	Madagascar
KG Power(M) SDN. BHD	Energy & Resource development	20.00	Malaysia
Daewoo (THAILAND) Co., Ltd.	Trading	50.00	Thailand
N.I.CO., LTD.	Trading	50.00	North Korea
South-East Asia Gas Pipeline Company Ltd.	Pipeline construction	25.04	Myanmar
GLOBAL KOMSCO Daewoo LLC	Mintage	35.00	Uzbekistan
POSUB TITANIUM B.V	Steel manufacturing	50.00	Netherlands
POSCO-POGEN AMP (*1)	Steel manufacturing	26.00	India
POSCO-NPS Niobium LLC (*1)	Mine development	50.00	USA
XG Sciences, Inc.(*1)	New material development	20.00	USA

(*1) These investments are established or acquired in 2011.

(*2) These investments are accounted for using equity method although the controlling company's percentage of ownership is below 20%, because it has 40% of voting rights of the investee and therefore is able to exercise significant influence on the investee.

(*3) DMSA, AMSA are accounted for using equity method although the controlling company's percentage of ownership is below 20%, because it is able to exercise significant influence of the ventures on strategic financial and operating decisions through representation in Board of Directors.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

(d) Consolidated subsidiaries acquired during the six-month period June 30, 2011 are as follows:

(in millions of Won)

Company	Date of Acquisition	Ownership (%)	Reason
PSC energy global Co., Ltd.	2011.02.16	100.00	new investment
Suncheon Ecotrans Co., Ltd	2011.02.28	100.00	new investment
POSCO M-TECH Co., Ltd	2011.05.01	48.85	delegation of voting rights
9Digit Co., Ltd	2011.05.01	86.49	delegation of voting rights
Shinan Energy Co., Ltd	2011.04.30	100.00	new investment
Recometal Co., Ltd	2011.06.30	88.60	acquisition
EPC EQUITIES LLP	2011.02.18	70.00	acquisition
SANTOS CMI Construction Trading LLP		99.90	acquisition
SANTOS CMI INC. USA		100.00	acquisition
SANTOS CMI ENGENHARIA E CONSTRUcoes LTDA		99.98	acquisition
SANTOS CMI PERU S.A.		99.99	acquisition
SANTOS CMI COSTA RICA S.A.		100.00	acquisition
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)		100.00	acquisition
GENTECH International INC.		90.00	acquisition
EPC INVESTMENTS C.V.		99.99	acquisition
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.		99.90	acquisition
ASESORIA Y SERVICIOS EPC S.A CHILE		99.00	acquisition
SANTOS CMI S.A.	2011.02.18	70.00	acquisition
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.		99.00	acquisition
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)		99.00	acquisition
DV - SANTOS CMI S.A. DE C.V.		50.00	acquisition
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.		90.00	acquisition
VAUTIDAMERICAS S.A.		51.00	acquisition
SANTOS CMI Constructions Argentina S.A.		95.00	acquisition
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	2011.03.01	100.00	new investment
POSCO ASSAN TST STEEL Industry	2011.03.31	70.00	new investment
POSCO E&C Brazil Ltd.	2011.05.31	100.00	new investment
POSCO Electrical Steel Inida Private Limited	2011.06.30	100.00	new investment
Daewoo International Cameroon PLC	2011.06.30	100.00	new investment

(e) Cash outflows caused by acquisition

(in millions of Won)

	Amounts
Transfer prices	₩ 87,694
Less: cash and cash equivalent	(2,302)
Total	₩ 85,392

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

2. Statement of Compliance

Statement of compliance

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

K-IFRS is effective as of the fiscal year beginning on January 1, 2011. The Company has also presented the comparative information in the separate interim financial statements in accordance with K-IFRS.

These consolidated interim financial statements have been prepared in accordance with K-IFRS 1034 “Interim Financial Reporting” as part of the period covered by its first K-IFRS financial statements.

An explanation of how the transition from previous GAAP (“Korean GAAP” (“K-GAAP”)) to K-IFRS has affected the Company’s reported financial position, financial performance and cash flows is provided in note 37.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following items, as described in the accounting policy below.

- (a) Derivatives measured at fair value
- (b) Financial instruments at fair value through profit or loss
- (c) Available-for-sale financial assets measured at fair value
- (d) The liability for stock appreciation rights measured at fair value
- (e) Employee benefits measured at the present value of the defined obligation less the fair value of the plan assets

Functional and presentation currency

These consolidated interim 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.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Use of estimates and judgements

The preparation of the consolidated interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. This includes valuation of property, plant and equipment, trade accounts and notes receivables, inventories, deferred tax assets and derivative financial instruments. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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 – Employee Benefits

3. Summary of Significant Accounting Policies

The Company's transition date to K-IFRS in accordance with K-IFRS 1101 "First-time Adoption of Korean International Financial Reporting Standards" is January 1, 2010, and reconciliations and descriptions of the effect of the transition are provided in note 37.

Consolidation policy

(a) Subsidiaries

A subsidiary is an entity, which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. When assessing whether an entity has the power to govern another entity, the existence and effect of potential voting rights which can be exercised or convertible, are also considered. The financial statements of subsidiaries are included in the consolidated interim financial statement from date on which the acquirer obtains control of the acquiree until the date when the Company ceases to control the subsidiary.

Wherever differences in accounting policies exist between the company and its controlled subsidiaries for similar transactions under common circumstances, the subsidiary's accounting policy is modified to conform with the standards of the Company.

(b) Associates

An associate is an entity for which the Company has significant influence through voting rights over financial and operating policies of the Company. In general, significant influence is presumed to exist when the Company holds voting rights between 20% and 50% of an investee.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Associates initially are recognized at acquisition cost and are accounted for using the equity method subsequent to the acquisition. The Company's carrying amount is increased or decreased to recognize its share of the income and expenses and equity movements, after adjustments to align the investees accounting policies with those of the Company. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no objective evidence of impairment.

When the carrying amount of an equity method investment has been reduced to zero, recognition of further losses is discontinued to the extent that the Company has an obligation or has made payments on behalf of the investee.

(c) Elimination of intercompany transactions.

Balances on transactions, and any unrealized gain or loss arising from inter-company transactions are eliminated in preparing the consolidated interim financial statements. When an unrealized loss is related to an asset impairment, the impairment loss is recognized in the consolidated statements of comprehensive income.

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 the fair value was 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.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, checking accounts, time deposits and others with original maturities of three months or less, except for equity instruments.

Non-derivative financial assets

Non-derivative financial assets include 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 loans and receivables on the date that they are originated.

All other non-derivative financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Except for financial assets at fair value through profit and loss, when a non-derivative financial asset is recognized initially, the Company measures it at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the non-derivative financial asset.

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

A non-derivative financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit or loss as 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

If the Company has the positive intent and ability to hold debt securities to maturity, then such non-derivative financial assets are classified as held-to-maturity. Subsequent to initial recognition, the held-to-maturity financial assets are measured at amortized cost by using the effective interest method, less any impairment losses.

(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, the loans and receivables are measured at amortized cost by using the effective interest rate method, less any impairment losses.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the previous categories. Subsequent to initial recognition, the available-for-sale financial assets are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(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 receive the contractual cash flow 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.

(f) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position only when the Company currently has a legal right to offset the amounts and intends either 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 are 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, are recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Investment property

Properties held to earn rentals or for capital appreciation are classified as investment properties. Investment property is measured initially at cost, including transaction costs incurred to acquire the asset. Subsequently, investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment are generally measured at cost. The cost includes expenditures that are directly attributable to bringing the asset to a working condition for its intended use and the estimated costs of dismantling and removing the asset, if applicable, and restoring the site on which it is located. However, upon the Company's transition to K-IFRS, the deemed cost of certain machinery and equipment was measured at fair value.

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.

Depreciation is based on the cost of an asset less its residual value. 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.

POSCO

Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

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

Buildings	10-60 years
Structures	5-50 years
Machinery and equipment	1-25 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 a change in an accounting estimate.

In order to apply the useful life which corresponds to the available periods of the machinery and equipment's expected utility, from January 1, 2011 the Company changed the useful life of certain machinery and equipment in its steel operating segment from 8 years to 15 years. During the six-month period ended June 30, 2011, the depreciation costs decreased by ₩ 631,617 million as a result of this change in the useful life.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. A qualifying asset takes 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. Also, 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. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

The capitalization rate is 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 does not exceed the amount of borrowing costs incurred during that period.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Intangible assets

Intangible assets are initially measured at cost and the carrying amount is the amount at which an asset is recognized in the statement of financial position after deducting any accumulated amortization and accumulated impairment losses thereon.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets, as described below, with nil residual value from the date that they are available for use.

Intellectual property rights	5-10 years
Development expenses	3-10 years
Port facilities usage rights	1-75 years
Other intangible assets	2-25 years

The estimated useful life and amortization method of intangible assets with a finite useful life are reviewed at each financial year-end and adjusted, if appropriate. An intangible asset with an indefinite useful life is reviewed each period to determine whether events and circumstances continue to support its indefinite useful life.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(a) Goodwill

Goodwill arising on the acquisition of a business is included in intangible assets

Pursuant to K-IFRS 1101, the Company restated only those business combinations occurring on or subsequent to January 1, 2010. With respect to acquisitions closed prior to January 1, 2010, goodwill represents the amount recognized under previous GAAP. Goodwill from the business combinations subsequent to January 1, 2010 is recognized as the Company's cost of the combination over the Company's interest in the net fair value of the acquiree's identifiable assets acquired and liabilities assumed. The excess of the Company's interest in the net fair value of the acquiree's identifiable assets acquired and liabilities assumed over the cost of the combination is recognized immediately in profit or loss. Goodwill is not amortized, but is recorded at cost less accumulated impairment losses, if any.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

(b) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is 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 expenditure is recognized in profit or loss as incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

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 any 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 reliably estimated future cash flows of the asset.

Objective evidence that financial assets are impaired can include default or delinquency by an issuer, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. For an investment in an equity security, (a) default or delinquency by an issuer or (b) a significant or prolonged decline in an equity security's fair value below its cost represent as objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. Receivables and held-to-maturity investment securities which are not individually significant are collectively assessed from impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

The amount of the impairment loss on financial assets carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognized in profit or loss.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

The amount of the impairment loss on financial assets carried at cost 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.

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 is 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 is reversed, with the amount of the reversal recognized in profit or loss.

Impairments for non-financial assets

The Company assesses at each reporting date whether there is any indication that the Company's non-financial assets are impaired. If any such indication exists, the Company shall estimate the recoverable amount of the assets, except for assets arising from construction contracts, assets arising from employee benefits, biological assets, inventories, deferred tax assets, investment property (if it applies the fair value model) or assets classified as held for sale (or included in a disposal company that is classified as held for sale). For intangible assets acquired during the business combinations with an indefinite useful life or unusable intangible assets, the impairment test is needed for every year by comparing recoverable amount and the book value regardless of the indication of the impairment.

Recoverable amount is determined for an individual asset or the cash-generating unit to which the asset belongs unless recoverable amount is not calculated for an individual asset. Recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows expected to be derived from an asset or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments at the time value of money and the risks specific to the asset or cash-generating unit.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognized in profit or loss as an impairment loss.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rate basis. An impairment loss recognized for goodwill is not reversed in a subsequent period. The Company assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, the Company estimates the recoverable amount of that asset. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Non-current assets as 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. For this to be the case, the assets or disposal groups must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable. Immediately before classification as held for sale, the assets or components of a disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses are recognized in profit or loss and gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment, once classified as held for sale, are not amortized or depreciated.

Non-derivative financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities in accordance with the substance of the contract and definition of financial liabilities, and are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities at fair value through profit or loss are measured at fair value after initial recognition and the changes of fair value are recognized in profit or loss. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost by using the effective interest rate method.

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expired.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Convertible Bonds

The convertible bonds issued by the Company can be converted into equity security by the choice of bond holder. The number of shares to be issued can be changed accordingly to the fair value of the common shares. The convertible bonds which are the combined financial instruments of bonds and convertible rights are designated as fair value through profit or loss and measured at fair value of June 30, 2011.

Derivative financial instruments and hedges

Derivatives are recognized initially at fair value and are remeasured at fair value at the end of each reporting period. The valuation gain or loss from changes in fair value is recognized as follows.

(a) Embedded derivatives

Embedded derivatives, if any, are separated from the host contract and accounted for separately only if the following criteria have been met:

- 1) the economic characteristics and the risks of the host contract and the embedded derivative are not clearly and closely related;
- 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- 3) the hybrid (combined) instrument is not measured at fair value through profit or loss.

Changes in the fair value of embedded derivatives separated from the host contract are recognized immediately in gain or loss.

However, convertible rights of convertible bonds are not separated from the host contract and the combined financial instruments of bonds and convertible rights are designated as 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.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

Leases

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to ownership. 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 in its statements of financial position, the lesser of the fair value of the leased property and the present value of the minimum lease payments. Any initial direct costs are added to the amount recognized as an asset.

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

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee 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 payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

(c) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An asset conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

If an arrangement includes a lease, the Company separates the required payments into those for the lease and those for other elements on the basis of their relative fair values. If it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an inputted finance charge on the liability is recognized using the company's incremental borrowing rate.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

Unbilled amount and progress billings

Construction contracts in progress represent 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 expenditure 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 contracts in progress is presented as part of trade accounts and notes receivable in the 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 deferred income in the statement of financial position.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with a grant's conditions, and that the grant will be received. Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted from the carrying amount of the asset and recognized in profit or loss on a systematic and rational basis over the life of a depreciable asset.

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 of the period in which it becomes receivable. 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 entity with no future related costs shall be recognized in profit or loss of 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 and obligation can be reliably measured, the Company recognizes the amount of expected payment for profit-sharing and bonuses payable as liabilities.

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

(b) Other long-term employee benefits

Other long-term employee benefits are employee benefits that are not due to be settled within twelve months after the end of the period in which the employees render the related service. The Company recognizes the amount that is the net total of the present value of the future benefits that employees have earned in return for their service in the current and prior periods defined benefit obligation at the balance and minus the fair value of plan assets out of which the obligations are to be settled directly as liability. The liability is determined by discounting estimated future cash flows using the market yields on high quality corporate bonds that have similar maturity to the maturity of related employment benefit. The changes in actuarial assumptions and experience adjustments are recognized in the statement of financial position and profit or loss.

(c) Post-employment benefit: Defined contribution plans

With regard to the defined contribution plan, 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 contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(d) Post-employment benefit: Defined benefit plans

The Company recognizes the pension liability related to defined benefit plans at the end of each reporting period, measured it, at the present value of the defined benefit obligation less the fair value of the plan assets.

The Company uses the projected unit credit method in order to determine the defined benefit obligation. The liability is determined by discounting estimated future cash flows using the market yields on high quality corporate bonds that have similar maturity to the maturity of the related employment benefits less(plus) unrecognized past service cost and unrecognized actuarial losses(gain). The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. The changes in actuarial assumptions and experience adjustments are recognized immediately in other comprehensive income.

When the statement of financial position amount is an asset, the amount is limited to the lesser of the present value of available contribution reductions, or refunds plus unrecognized actuarial losses and unrecognized past service costs.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

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

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle 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, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. 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.

Share capital

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

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

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

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.

(a) Sale of goods

Revenue is recognized when 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, and there is no continuing management involvement with the goods.

(b) Services rendered

Service sales are recognized based on the percentage of completion method at the end of reporting period. The percentage of completion is assessed by extent of service performed based on surveys.

(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.

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.

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.

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Notes to Consolidated Interim Financial Statements, Continued

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(Unaudited)

Income tax

Income tax expense comprises current tax and deferred tax, and is recognized in profit or loss except to the extent that it relates to 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 income or loss for the year. Since taxable income excludes income which will be added or deductible in other taxation periods, non-taxable items or non-deductible items from net income on comprehensive income statements, the taxable income and net income on comprehensive income statements differ. Tax payable related to current tax is calculated by using tax rates enacted or substantively enacted.

(b) Deferred tax

Deferred tax is recognized 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, and 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 the deductible temporary differences can be utilized.

However, deferred tax is not recognized for the following temporary differences:

- 1) the initial recognition of goodwill; or
- 2) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss

All deferred tax liabilities are recognized for taxable differences relating to investments in subsidiaries and jointly controlled entities except the case of that the Company can control the reverse timing of the temporary differences and it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax assets from deductible temporary differences are recognized only when it is probable that they will not reverse in the foreseeable future and it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the Company reduces the carrying amount of a deferred tax asset 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 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 balance sheet date. 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 balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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Notes to Consolidated Interim Financial Statements, Continued

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(Unaudited)

The Company offsets a deferred tax asset against a deferred tax liability of the same taxable entity only if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to offset current tax assets against current tax liabilities.

Earnings per share

The Company calculates basic earnings per share (“EPS”) data for its ordinary shares and present to statement of comprehensive income. Basic EPS is calculated by dividing the profit or loss 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

The Company has classified operating segments whose operating results are regularly reviewed by the Company’s chief operating decision maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance. Management has determined that the CODM of the Company is the CEO. As discussed in Note 36, the Company has four operating segments and an operating segment is a strategic component of the Company. Each Strategic operating segment provides different goods and services and is required for different technology and marketing strategies. So, strategic operating segments are operated separately.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

4. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. 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 these risks and the Company's management of financial risks, including quantitative disclosures.

(a) Risk management policy

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The purpose of risk management policies is to identify the potential risk factors that may affect the Company's financial performance, and minimize, eliminate them to the extent that is acceptable. The risk management framework and policies are regularly reviewed to reflect market situations and changes in the Company's activities.

The Company aims to establish an effective control environment in which every employee understands his or her responsibility by training, management standard and procedures.

(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 trade and other receivables. 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 allowance for impairment includes impairment losses of trade and other receivables that are individually significant, and unidentified impairment losses of the asset in a group of financial assets with similar credit risk characteristics. The allowance for impairment of a group of financial assets is determined based on the past data of financial asset with similar credit risk characteristics.

(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 other financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always maintains a diversified maturity profile in its loan portfolio.

The Company's cash flow from business, borrowing or financing is sufficient to cash requirement for the investment. The Company believes that it is capable of raising funds by borrowing or financing if the Company is not be able to have cash flow from business. The Company has committed borrowing facilities with various banks.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

(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. Steel segment has generally a lack of foreign currency cash outflows, while engineering and construction industry have generally excessive foreign currency inflows due to the nature of a business. Therefore, the result of the business is affected by the changes of foreign exchange rate for the different directions. And trading segment has structure that the cash inflows and outflows of foreign currencies are to be offset; however, the trading segment are 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 difference.

The Company's policy in respect of foreign currency risks is a natural hedge which foreign currency income should be firstly offset with foreign currency expenditures. And 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 hedge of actual foreign currency transactions and speculative transaction is not permitted. Based on this policy, the group entities have performed currency risk management specific to various characteristics of different segments. The entities in steel industry, which have a lack of foreign currency cash flows, have foreign currency borrowings from banks and hedged foreign currency risks of the foreign currency borrowings by using foreign currency swaps. The entities in engineering and construction industry, which have excessive foreign currency cash flows, have hedged foreign currency risks by using forward exchange contracts. And entities in 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 has monitored regularly for hedging interest rate risk of variable rate debt.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

(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 June 30, 2011, December 31, 2010 and January 1, 2010 is as follows :

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010	January 1, 2010
Total borrowings	23,813,149	21,140,241	12,199,485
Less: Cash and cash equivalents	4,285,917	3,521,045	2,273,059
Net borrowings	19,527,232	17,619,196	9,926,426
Total shareholders' equity	39,993,758	38,537,167	33,333,681
Net borrowings-to-equity ratio	48.83%	45.72%	29.78%

5. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010	January 1, 2010
Cash	₩ 6,094	4,931	339,240
Demand deposit and checking accounts	1,586,612	1,426,715	735,759
Financial cash equivalents	2,511,650	1,816,853	1,166,609
Securities cash equivalents	181,561	272,546	31,451
	<u>₩ 4,285,917</u>	<u>3,521,045</u>	<u>2,273,059</u>

Cash and cash equivalents of ₩ 266,866 million are restricted for the expansion of facility only.

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

6. Trade Accounts and Notes Receivable

(a) Trade accounts and notes receivable as of June 30, 2011 and December 31, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	December 31, 2010	January 1, 2010
Current				
Trade accounts and notes receivable	₩	9,866,434	8,415,973	4,740,600
Capital lease receivables		116,703	57,374	59,685
Due from customers for contract work		1,226,441	960,738	685,190
Less: Allowance for doubtful accounts		(262,769)	(228,967)	(199,345)
		<u>10,946,809</u>	<u>9,205,118</u>	<u>5,286,130</u>
Non-current				
Trade accounts and notes receivable		52,805	28,792	24,391
Capital lease receivables		173,388	258,664	504,634
Less: Allowance for doubtful accounts		(17,831)	(13,834)	(6,250)
		<u>208,362</u>	<u>273,622</u>	<u>522,775</u>
	₩	<u>11,155,171</u>	<u>9,478,740</u>	<u>5,808,905</u>

Borrowings includes the trade accounts and notes receivable sold to financial institutions but derecognition conditions were not met, amounted to ₩ 379,512 millions, ₩ 358,676 millions and ₩ 30,600 million as of June 30, 2011, December 31, 2010 and January 1, 2010, respectively.

(b) Trade receivables include capital lease receivables and capital lease receivables are as follows:

<i>(in millions of Won)</i>			June 30, 2011	December 31, 2010	January 1, 2010
Customer	Contents				
Korea Electric Power Corporation	Combined cycle 1~4	₩	226,098	253,055	307,191
Tenant of EXPO Apartment	Lease contract of EXPO Apartment		63,993	62,983	257,128
		₩	<u>290,091</u>	<u>316,038</u>	<u>564,319</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

(c) Present value of gross lease investment and minimum lease payments as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	December 31, 2010	January 1, 2010
Less than 1 year	₩	145,909	82,927	89,244
1 year - 5 years		192,981	283,566	532,044
Greater than 5 year		38,027	51,535	83,812
Unrealized interest income		(86,826)	(101,990)	(140,781)
Present value of minimum lease payment	₩	<u>290,091</u>	<u>316,038</u>	<u>564,319</u>

7. Other Financial Assets

(a) Other short-term financial assets as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	December 31, 2010	January 1, 2010
Financial assets at fair value through profit or loss				
Financial assets held for trading	₩	41,322	182,208	505,811
Derivatives assets held for trading		99,049	133,731	26,641
Available-for-sale financial assets				
Short-term available-for-sale securities (bonds)		34,076	42,831	35,643
Held-to-maturity investments				
Current portion of held-to-maturity securities (bonds)		1,785	3,657	20,717
Loans and other receivables				
Short-term financial instruments		1,715,297	2,803,492	3,121,352
Special purpose deposits		16,066	42,966	2,709,809
Short-term loans		558,751	258,260	196,925
Other accounts receivable		959,679	704,246	439,521
Accrued income		45,815	47,592	57,987
Deposits		36,305	21,001	21,343
Other checking accounts		178,738	143,318	75,274
	₩	<u>3,686,883</u>	<u>4,383,302</u>	<u>7,211,023</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

(b) Other long-term financial assets as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

		June 30, 2011	December 31, 2010	January 1, 2010
Financial assets at fair value through profit or loss				
Derivatives asstes held for trading	₩	8,410	6,300	60,422
Available-for-sale financial assets				
Long-term available-for-sale securities (bonds)		5,487,145	6,022,945	4,786,401
Long-term available-for-sale securities		10,442	7,827	120,812
Long-term available-for-sale securities (investment in capital)		46,132	53,322	91,381
Held-to-maturity investments				
Held-to-maturity securities (bonds)		35,920	36,156	91,844
Loan and other receivables				
Long-term financial instruments		27,150	4,154	140
Cash deposits		95	89	340
Long-term loans		193,324	143,506	102,264
Long-term other accounts receivable		72,344	50,258	3,686
Accrued income		3,916	3,100	2,245
Deposits		137,151	89,381	49,125
	₩	<u>6,022,029</u>	<u>6,417,038</u>	<u>5,308,660</u>

8. Inventories

Inventories as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

		June 30, 2011	December 31, 2010	January 1, 2010
Finished goods	₩	1,359,900	1,093,446	616,803
Merchandise		1,036,493	854,624	171,586
Semi-finished goods		1,997,529	1,695,522	1,034,206
By-products		2,583,726	2,516,167	1,118,235
Raw materials		682,851	670,218	556,545
Fuel and materials		682,968	478,371	402,361
Materials-in-transit		3,123,204	2,252,136	1,018,461
Others		78,766	86,617	45,263
		<u>11,545,437</u>	<u>9,647,101</u>	<u>4,963,460</u>
Allowance for inventories valuation		<u>(91,683)</u>	<u>(87,895)</u>	<u>(45,047)</u>
	₩	<u>11,453,754</u>	<u>9,559,206</u>	<u>4,918,413</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

9. Investment in Associates

(a) Details of investment in associates as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

Company	June 30, 2011	December 31, 2010	January 1, 2010
[Domestic]			
KYOBO LIFE INSURANCE Co., Ltd.	₩ 1,334,115	1,314,808	-
Sungjin Geotec Co., Ltd. (*)	223,703	227,245	-
SNNC Co., Ltd.	125,031	145,466	94,520
Busan-Gimhae Light Rail Transit Co., Ltd.	41,833	42,151	42,715
Cheongna IBT Co., Ltd.	37,346	39,607	2,067
Blue ocean PEF	33,300	-	-
METAPOLIS Co., Ltd.	24,085	32,666	38,490
POSMATE Co., Ltd.	21,508	20,989	13,059
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	21,323	21,317	13,527
Others (31 companies)	82,262	156,712	91,442
	<u>1,944,506</u>	<u>2,000,961</u>	<u>295,820</u>
[Foreign]			
POSCO-NPS Niobium LLC	350,430	-	-
AMCI (WA) Pty Ltd.	182,558	213,446	-
Nickel Mining Company SAS	169,171	180,671	190,149
KOBRASCO	125,447	141,939	98,943
KOREA LNG Ltd.	123,786	133,793	-
Eureka Moly LLC	103,348	109,177	113,105
DMSA, AMSA	103,136	100,536	-
BX STEEL POSCO Cold Rolled Sheet Co.,	87,732	89,313	63,667
CAML Resources Pty. Ltd.	68,103	67,401	41,496
South-East Asia Gas Pipeline Company Ltd.	62,517	56,636	-
POSCHROME	27,052	29,201	11,441
USS-POSCO Industries	24,850	40,000	45,961
NCR LLC	23,587	23,931	-
Others (31 companies)	121,765	119,420	89,867
	<u>1,573,482</u>	<u>1,305,464</u>	<u>654,629</u>
	<u>₩ 3,517,988</u>	<u>3,306,425</u>	<u>950,449</u>

(b) The fair value of investments of equity-accounted investees for which there are published price quotations as of June 30, 2011 are as follows:

(in millions of Won)

Company	Fair value
Sungjin Geotec Co., Ltd.	₩ 245,008

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(c) Summarized financial information of associates as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

1) June 30, 2011

(in millions of Won)

Company		Assets	Liabilities	Equity	Sales	Net income
[Domestic]						
KYOBO LIFE INSURANCE Co., Ltd.	₩	58,915,128	54,127,623	4,787,505	3,051,333	245,374
Sungjin Geotec Co., Ltd.		697,876	529,493	168,383	355,639	1,987
SNNC Co., Ltd.		551,598	257,807	293,791	191,142	34,125
Busan-Gimhae Light Rail Transit Co., Ltd.		749,195	581,609	167,586	71	(1,019)
Cheongna IBT Co., Ltd.		444,282	264,501	179,781	158	(10,675)
Blue ocean PEF		121,000	-	121,000	-	-
METAPOLIS Co., Ltd.		547,265	480,340	66,925	8,512	(14,402)
POSMATE Co., Ltd.		86,941	14,889	72,052	53,691	3,406
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd		294,925	249,724	45,201	32,796	898
[Foreign]						
POSCO-NPS Niobium LLC		700,861	-	700,861	16	(12)
Nickel Mining Company SAS		545,066	105,648	439,418	60,966	(13,599)
KOBRASCO		348,658	97,764	250,894	68,266	40,146
KOREA LNG Ltd.		16,554	3,918	12,636	45,511	44,430
DMSA, AMSA		5,016,468	3,720,258	1,296,210	-	(1,882)
BX STEEL POSCO Cold RolledSheet Co.,		1,002,442	680,274	322,168	674,933	5,483
CAML Resources Pty. Ltd.		219,486	67,428	152,058	103,449	7,600
South-East Asia Gas Pipeline Company Ltd.		464,798	17,007	447,791	-	-
POSCHROME		67,404	5,328	62,076	39,475	(1,659)
USS-POSCO Industries		524,749	453,052	71,697	557,150	(7,185)

2) June 30, 2010

(in millions of Won)

Company		Assets	Liabilities	Equity	Sales	Net income
[Domestic]						
KYOBO LIFE INSURANCE Co., Ltd.	₩	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
[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.,		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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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

3) January 1, 2010

(in millions of Won)

Company	Assets	Liabilities	Equity
[Domestic]			
SNNC Co., Ltd.	₩ 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 Rolled Sheet Co.,	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

10. Investment Property, Net

(a) Investment property as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	June 30, 2011	December 31, 2010	January 1, 2010
Cost	₩ 736,088	701,005	629,357
Less: Accumulated depreciation and accumulated impairment loss	(224,911)	(207,640)	(71,150)
Carrying value	₩ 511,177	493,365	558,207

(b) The changes of carrying value in investment property for the six-month period ended June 30, 2011 and for the year ended December 31, 2010 are as follows:

1) For the six-month period ended June 30, 2011

(in millions of Won)	Beginning	Acquisition	Disposal	Depreciation (*1)	Others (*2)	Ending
Land	₩ 211,464	1,898	(15,090)	-	22,539	220,811
Buildings	278,361	37,833	(29,106)	(7,414)	3,928	283,602
Structures	3,540	6,003	-	(118)	(2,661)	6,764
Total	₩ 493,365	45,734	(44,196)	(7,532)	23,806	511,177

(*1) Impairment losses of investment property ₩ 337 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

<i>(in millions of Won)</i>	Beginning	Acquisition	Business combination	Disposal	Depreciation (*1)	Others (*2)	Ending
Land	₩ 238,682	94,515	522	(65,759)	(60,463)	3,967	211,464
Buildings	317,495	66,245	1,391	(47,124)	(84,655)	25,009	278,361
Structures	2,030	-	132	-	(809)	2,187	3,540
Total	₩ 558,207	160,760	2,045	(112,883)	(145,927)	31,163	493,365

(*1) Impairment losses of investment property ₩ 127,515 million are included.

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

11. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010	January 1, 2010
Cost	₩ 48,584,405	46,992,804	41,210,602
Less : Accumulated depreciation	(21,991,793)	(21,523,736)	(18,866,625)
Less : Government grants	(38,014)	(31,328)	(1,230)
Book value	₩ 26,554,598	25,437,740	22,342,747

(b) The changes in carrying value of property, plant and equipment as for the six-month period ended June 30, 2011 are as follows:

<i>(in millions of Won)</i>	Beginning	Acquisition (*1)	Business combination	Disposal	Depreciation	Others (*2)	Ending
Land	₩ 2,011,851	310,724	12,313	(45,215)	-	(13,229)	2,276,444
Buildings	3,551,163	599,786	9,322	(33,368)	(133,847)	(56,927)	3,936,129
Structures	2,070,189	162,975	694	(9,668)	(79,617)	32,880	2,177,453
Machinery and equipment	13,776,646	2,164,210	6,128	(31,370)	(762,372)	13,985	15,167,227
Construction equipment	736	-	-	-	(142)	-	594
Vehicles	64,173	6,644	859	(379)	(8,322)	(532)	62,443
Tools	75,437	18,904	1,429	(509)	(16,443)	(7,214)	71,604
Furniture and fixtures	124,677	15,491	1,328	(394)	(323)	(986)	139,793
Capital Lease Assets	43,106	69	547	(111)	(7,483)	1,334	37,462
Construction-in-progress (*3)	3,719,762	2,261,350	3,495	-	-	(3,299,158)	2,685,449
Total	₩ 25,437,740	5,540,153	36,115	(121,014)	(1,008,549)	(3,329,847)	26,554,598

(*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.

(*3) Includes capitalized interest amounted to ₩ 5,945 million.

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(c) Pledged as collateral assets

<i>(in millions of Won)</i>	Collateral right holder	June 30, 2011	December 31, 2010	January 1, 2010
Land	Korean Development Bank and others	₩ 158,218	235,486	220,732
Buildings and structures	Korean Development Bank and others	125,753	165,251	105,465
Machinery and equipment	The Export-Import Bank of Korea and others	213,279	231,521	387,828
		₩ 497,250	632,258	714,025

12. Goodwill and other intangible assets

(a) Goodwill and other intangible assets as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010	January 1, 2010
Cost	₩ 4,983,667	4,697,429	928,520
Less : Accumulated amortization and	(120,554)	(77,634)	(173,895)
Less : Government grants	(2,391)	(626)	(394)
Book value	₩ 4,860,722	4,619,169	754,231

(b) The changes in carrying value of goodwill and other intangible assets for the six-month period ended June 30, 2011 are as follows:

<i>(in millions of Won)</i>	Beginning	Increase			Decrease			Ending
		Acquisition (*2)	Development	Business Combination	Disposal	Amortization	Others (*3)	
Goodwill	₩ 1,505,859	-	-	67,654	-	-	1,719	1,575,232
Intellectual property rights	60,984	168,888	-	-	(345)	(568)	(2,329)	226,630
Premium in renting (*1)	159,761	6,959	-	-	(3,476)	(4,087)	(9,939)	149,218
Development expense	49,275	7,703	182	730	-	(8,940)	(35)	48,915
Port facilities usage rights	108,161	-	-	-	-	(6,612)	(258)	101,291
Other intangible assets (*2)	2,735,129	58,438	-	2,823	(1,728)	(30,393)	(4,833)	2,759,436
Total	₩ 4,619,169	241,988	182	71,207	(5,549)	(50,600)	(15,675)	4,860,722

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

(*2) Include appraisal differences of ₩2,436,651 million related to customer relationships, contractions on resources exploration investment and exploration appraisal assets upon acquisition of Deawoo International in 2010.

(*3) Includes translation differences and other adjustments.

(c) Research and development costs amounting to ₩ 263,597 million and ₩ 250,679 million were classified to expenses for the six-month periods ended June 30, 2011 and 2010, respectively.

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13. Other Assets

(a) Other current assets as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

		June 30, 2011	December 31, 2010	January 1, 2010
Other current assets				
Advance payment	₩	1,003,026	899,006	650,496
Prepaid expenses		254,442	72,180	35,408
Others		8,252	973	4,281
	₩	<u>1,265,720</u>	<u>972,159</u>	<u>690,185</u>

(b) Other long-term assets as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

		June 30, 2011	December 31, 2010	January 1, 2010
Other non-current assets				
Long-term advance payment	₩	1,859	141,726	79,444
Long-term prepaid expenses		185,963	109,835	115,447
Others (*1)		404,859	408,253	55,584
	₩	<u>592,681</u>	<u>659,814</u>	<u>250,475</u>

(*1) Includes guarantee deposits of ₩ 257,878 million as of June 30, 2011 and December 31, 2010 in relation to exploration of Australia Roy Hill iron ore mine.

14. Borrowings

(a) Short-term borrowings as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	Bank	Interest Rate(%)	June 30, 2011	December 31, 2010	January 1, 2010
Short-term borrowings					
Bank overdrafts	BOA, others	0.2~5.0	₩ 189,319	200,389	106,069
Short-term borrowings	Shinhan Bank, others	0.3~17.0	8,214,374	6,888,796	3,067,103
			<u>8,403,693</u>	<u>7,089,185</u>	<u>3,173,172</u>
Current portion of long-term liabilities					
Current portion of long-term borrowings	Korean Development Bank, others	0.7~7.0	436,825	394,227	468,996
Current portion of foreign loan	NATIXIS	2	993	963	1,065
Current portion of debentures (*1)	KB Investment&Securities, others	3.0~8.0	2,386,990	2,548,418	315,085
Less : Current portion of discount on debentures issued			(19,212)	(3,801)	(219)
Current portion of convertible debenture	Nomura Securities Co., Ltd, others	-	-	447,308	-
			<u>2,805,596</u>	<u>3,387,115</u>	<u>784,927</u>
			<u>₩ 11,209,289</u>	<u>10,476,300</u>	<u>3,958,099</u>

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

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(*1) The Company issued exchangeable bonds with SK Telecom Co., Ltd. ADRs through Zeus (Cayman) Ltd., a SPV. The Company accounted for these exchangeable bonds as long-term debts under K-IFRS. The exchangeable bonds may be redeemed prior to maturity at 101.51% of their face value for three years from the issuance date at the option of the bondholders. As of June 30, 2011, the JPY 39,970,000,000 (75.7% of total face value) exchangeable bonds are classified as a current portion of long-term borrowings and were redeemed in August 2011. Also, the Company provides guarantees for Zeus(Cayman) Ltd.

(b) Long-term borrowings as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	Bank	Interest Rate (%)	June 30, 2011	December 31, 2010	January 1, 2010
Long-term borrowings	Korean Development Bank, others	0.7~13.0	₩ 4,126,588	3,431,521	1,380,902
Less : Present value discount			(86,530)	(81,610)	-
Foreign loan	NATIXIS	2	3,704	4,074	5,572
Bonds (*1)	-	1.5~8.75	8,602,665	7,357,310	6,915,294
Less : Discount on debentures issued			(48,650)	(64,649)	(70,449)
Add : Premium on debentures redemption			2,587	11,138	10,067
Add : Premium on debentures issued			3,496	6,157	-
			<u>₩ 12,603,860</u>	<u>10,663,941</u>	<u>8,241,386</u>

(*1) One of the subsidiaries, Daewoo International Corporation issued the convertible bonds with a face value of USD300 million at 100% of face value on July 6, 2009. The convertible bonds will be redeemed at 111.27% of the face value at the maturity date on July 6, 2014 (guaranteed yield to maturity: 5.25%), unless redeemed or converted early. The convertible bonds may be early redeemed on July 6, 2011 at the option of the bondholders at 104.16% of the face value and as a result, they were classified as current portion of long-term borrowings during the current year. Furthermore, the convertible bonds may be early redeemed at the option of the bondholders in certain events such as the change of the parties controlling Daewoo International Corporation. Also, at Daewoo International Corporation's option, the convertible bonds may be early redeemed on or after July 6, 2012, provided that the market price of Daewoo International Corporation's common stock is above 130% of the conversion price for at least 20 consecutive trading days. On the other hand, the convertible bonds can be converted into 1 common shares per the face value of ₩31,269 from July 6, 2010 to June 23, 2014.

The convertible bonds are classified at fair value through profit or loss and measured at fair value of June 30, 2011.

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

15. Other Financial Liabilities

(a) Other short-term financial liabilities as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	December 31, 2010	January 1, 2010
Short-term financial liabilities				
Accounts payable	₩	633,937	874,629	650,767
Accrued expenses		769,041	415,657	352,060
Dividends payable		5,272	6,176	10,194
Derivatives liabilities		50,905	88,447	34,880
Finance lease liabilities		12,200	14,073	6,813
Financial guarantee liabilities		6,150	8,919	-
Withholding		136,810	112,976	-
	₩	<u>1,614,315</u>	<u>1,520,877</u>	<u>1,054,714</u>

(b) Other long-term financial liabilities as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	December 31, 2010	January 1, 2010
Long-term financial liabilities				
Accounts payable	₩	137,655	2,438	4,027
Accrued expenses		14,603	22,349	74,482
Derivatives liabilities		51,532	11,925	8,831
Finance lease liabilities		12,508	27,039	17,074
Financial guarantee liabilities		23,085	19,047	6,295
Long-term withholding		64,284	92,976	94,387
	₩	<u>303,667</u>	<u>175,774</u>	<u>205,096</u>

16. Provisions

(a) Provisions as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011		December 31, 2010		January 1, 2010	
		Current	Non-current	Current	Non-current	Current	Non-current
Provision for bonus payments	₩	55,062	-	37,978	-	20,861	-
Provision for contingency (*1)		-	121,897	-	126,626	-	-
provision for product warranties		-	37	-	99	-	169
Others		2,037	2,710	26	2,160	3,850	2,800
	₩	<u>57,099</u>	<u>124,644</u>	<u>38,004</u>	<u>128,885</u>	<u>24,711</u>	<u>2,969</u>

(*1) As of June 30, 2011 and December 31, 2010, provision of ₩74,236 million and ₩75,817 million, respectively, in relation to the potential claim in connection to the spin-off of the trading division of Daewoo Corporation in 2000 is included.

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Notes to Consolidated Interim Financial Statements, Continued
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(b) Changes in provisions for the six-month period ended June 30, 2011 are as follows:

<i>(in millions of Won)</i>	Beginning	Increase	Decrease	Others (*1)	Ending
Provision for bonus payments	₩ 37,978	185,617	(169,026)	493	55,062
Provision for contingency	126,626	930	-	(5,659)	121,897
Provision for product warranties	99	10	(67)	(5)	37
Others	2,186	3,134	(3)	(570)	4,747
	<u>₩ 166,889</u>	<u>189,691</u>	<u>(169,096)</u>	<u>(5,741)</u>	<u>181,743</u>

(*1) Adjustments of foreign currency translation difference are included.

(c) Changes in provisions for the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	Beginning	Increase	Decrease	Others	Ending
Provision for bonus payments	₩ 20,861	373,335	(356,134)	(84)	37,978
Provision for contingency	-	-	-	126,626	126,626
provision for product warranties	169	-	(168)	98	99
Others	6,650	6,486	(14,675)	3,725	2,186
	<u>₩ 27,680</u>	<u>379,821</u>	<u>(370,977)</u>	<u>130,365</u>	<u>166,889</u>

17. Employee Benefits

(a) Defined Contribution Plans

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 Company's assets. The expense related to post-employment benefit plans under defined contribution plans during the six-month period ended June 30, 2011 is ₩ 517 million, which is included in accrued expenses.

(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 June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010	January 1, 2010
Present value of funded obligations	₩ 1,112,610	1,443,954	1,098,475
Fair value of plan assets	(786,624)	(964,727)	(790,509)
Present value of non-funded obligations	24,573	23,899	7,452
Net defined benefit obligations	<u>₩ 350,559</u>	<u>503,126</u>	<u>315,418</u>

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- (d) The changes in present value of defined benefit obligations for the six-month period ended June 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010
Defined benefit obligation at the beginning of period	₩ 1,467,853	1,105,927
Current service costs	102,850	156,308
Interest costs	34,107	57,473
Actuarial gains and losses	(22,982)	189,501
Business combination	1,443	52,641
Benefits paid	(466,524)	(102,837)
Others	20,436	8,840
Defined benefit obligation at the end of period	₩ 1,137,183	1,467,853

- (e) The changes in fair value of plan assets for the six-month period ended June 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010
Fair value of plan assets at the beginning of period	₩ 964,727	790,509
Expected return on plan assets	18,304	39,810
Actuarial gains and losses	(3,040)	22,390
Contributions of participants	80,000	148,354
Business combination	-	38,805
Others	(214,650)	3,473
Benefits paid	(58,717)	(78,614)
Fair value of plan assets at the end of period	₩ 786,624	964,727

- (f) The fair value of plan assets as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	December 31, 2010	January 1, 2010
Equity instruments	₩ 210,927	512,850	455,563
Debt instruments	126,655	289,907	288,282
Deposits	290,028	-	-
Others	159,014	161,970	46,664
	₩ 786,624	964,727	790,509

POSCO**Notes to Consolidated Interim Financial Statements, Continued****As of June 30, 2011****(Unaudited)**

- (g) The amounts recognized in the statements of comprehensive income for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Current service costs	₩ 102,598	76,664
Past service costs	252	-
Interest costs	34,107	29,516
Expected return on plan assets	(18,304)	(15,454)
	<u>₩ 118,653</u>	<u>90,726</u>

- (h) The above expenses recognized in the statement of comprehensive income are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Cost of sales	₩ 87,811	72,963
Selling and administrative expenses	30,842	17,763
	<u>₩ 118,653</u>	<u>90,726</u>

- (i) Actuarial gains and losses recognized in other comprehensive income for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Beginning	₩ (152,125)	-
Current actuarial gains and losses	12,915	(36,739)
Ending	<u>₩ (139,210)</u>	<u>(36,739)</u>

- (j) The principal actuarial assumptions as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(%)</i>	June 30, 2011	December 31, 2010	January 1, 2010
Discount rate	3.91~5.66	3.22~5.66	3.22~5.66
Expected return on plan assets	2.00~5.77	3.38~6.19	3.38~6.19
Expected future increases in salaries	1.00~6.49	1.00~5.90	1.00~5.90

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18. Other Liabilities

(a) Other current liabilities as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Due to customers for contract work	₩	709,699	739,076	550,138
Advances received		1,028,984	484,155	320,825
Unearned revenue		19,754	26,338	8,497
Withholding accounts		114,932	105,079	194,856
Deferred revenue		413	378	225
Others		169,182	136,222	114,426
	₩	<u>2,042,964</u>	<u>1,491,248</u>	<u>1,188,967</u>

(b) Other long-term liabilities as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Advances received	₩	2,585	3,583	40
Unearned revenue		1,027	1,539	2,364
Others		60,968	75,264	25,987
	₩	<u>64,580</u>	<u>80,386</u>	<u>28,391</u>

19. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial assets at fair value through profit or loss				
Financial assets held for trading	₩	41,322	182,208	505,811
Derivatives assets held for trading		107,459	140,031	87,063
		<u>148,781</u>	<u>322,239</u>	<u>592,874</u>
Available-for-sale financial assets		5,577,795	6,126,925	5,034,237
Held-to-maturity investments		37,705	39,813	112,561
Loans and receivables		19,385,718	17,311,148	14,861,975
	₩	<u>25,149,999</u>	<u>23,800,125</u>	<u>20,601,647</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

2) Financial liabilities as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

		<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial liabilities at fair value through profit or loss				
Derivatives liabilities held for trading	₩	102,437	100,372	43,711
Designated as financial liabilities at fair value through profit or loss		394,481	447,308	-
		<u>496,918</u>	<u>547,680</u>	<u>43,711</u>
Financial liabilities evaluated as amortised cost				
Trade accounts and notes payable		4,459,794	3,981,079	2,392,317
Borrowings		23,418,668	20,692,934	12,199,485
Financial guarantee liabilities		29,235	27,966	6,295
Others		1,786,310	1,568,313	1,209,803
		<u>29,694,007</u>	<u>26,270,292</u>	<u>15,807,900</u>
	₩	<u>30,190,925</u>	<u>26,817,972</u>	<u>15,851,611</u>

3) Financial profit and loss by category of financial instrument for the six-month period ended June 30, 2011 and the six-month period ended June 30, 2010 is as follows:

(in millions of Won)

		<u>June 30, 2011</u>			<u>June 30, 2010</u>		
		Financial income	Financial expenses	Financial income and expenses	Financial income	Financial expenses	Financial income and expenses
Financial assets at fair value through profit or loss	₩	267,749	(1,285)	266,464	72,825	(4,826)	67,999
Available-for-sale financial assets		82,844	(82)	82,762	84,367	(46,679)	37,688
Held-to-maturity investments		866	-	866	1,293	-	1,293
Loans and receivables		358,268	(454,166)	(95,898)	342,941	(152,291)	190,650
Financial liabilities at fair value through profit or loss		2,210	(318,039)	(315,829)	30,648	(36,033)	(5,385)
Financial liabilities evaluated as amortised cost		735,941	(529,140)	206,801	203,532	(844,181)	(640,649)
	₩	<u>1,447,878</u>	<u>(1,302,712)</u>	<u>145,166</u>	<u>735,606</u>	<u>(1,084,010)</u>	<u>(348,404)</u>

(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets is maximum exposure to credit risk. The maximum exposure to credit risk as of June 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

(in millions of Won)

		<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cash and cash equivalents	₩	4,285,917	3,521,045	2,273,059
Financial assets at fair value through profit or loss		148,781	322,239	592,874
Available-for-sale financial assets		5,577,795	6,126,925	5,034,237
Held-to-maturity investments		37,705	39,813	112,561
Loans and other receivables		3,944,630	4,311,363	6,780,011
Trade accounts and notes receivable		10,946,809	9,205,118	5,286,130
Long-term trade accounts and notes receivable		208,362	273,622	522,775
	₩	<u>25,149,999</u>	<u>23,800,125</u>	<u>20,601,647</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

2) Impairment losses on financial assets

- ① Allowance for doubtful accounts as of June 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

<i>(in millions of Won)</i>		<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Trade accounts and notes receivable	₩	280,600	242,802	205,595
Other accounts receivable		62,621	58,934	25,443
Long-term loans		78,072	51,244	23,595
Other assets		46,438	51,325	33,349
	₩	<u>467,731</u>	<u>404,305</u>	<u>287,982</u>

- ② Impairment losses on financial assets for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2011</u>	<u>June 30, 2010</u>
Bad debt expenses	₩	65,835	4,987
Impairment of available-for-sale financial assets		56	46,593
Other bad debt expenses		29,775	9,340
Less: Reversal of allowance for doubtful accounts		(14,799)	(2,983)
	₩	<u>80,867</u>	<u>57,937</u>

- ③ The aging schedule and the impaired losses of trade accounts and notes receivables as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>June 30, 2011</u>		<u>December 31, 2010</u>		<u>January 1, 2010</u>	
		Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment
Not due	₩	5,840,388	-	5,091,621	-	4,740,186	-
Over due less than 1 month		4,651,123	13,002	3,749,035	5,964	445,823	129
1 month - 3 months		319,997	45	191,386	2,018	75,132	497
3 months - 12 months		260,604	22,898	465,134	15,597	292,698	25,291
over 12 months		363,659	244,655	224,366	219,223	460,661	179,678
	₩	<u>11,435,771</u>	<u>280,600</u>	<u>9,721,542</u>	<u>242,802</u>	<u>6,014,500</u>	<u>205,595</u>

- ④ Changes in allowance for doubtful accounts for the six-month period ended June 30, 2011 and the year ended December 31, 2010 were as follows:

<i>(in millions of Won)</i>		<u>June 30, 2011</u>	<u>December 31, 2010</u>
Beginning	₩	404,305	287,982
Bad debt expenses		65,835	51,185
Other bad debt expenses		29,775	12,877
Reversal of allowance for		(14,799)	(37,958)
Other increase (decrease)		(17,385)	90,219
Ending	₩	<u>467,731</u>	<u>404,305</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

(c) Liquidity risk

1) The maturity analysis of non-derivative financial liabilities

<i>(in millions of Won)</i>	Over due less than 1 year	1 year - 5 years	later than 5 years	Total
Current non-derivative financial liabilities				
Trade accounts payable	₩ 4,458,981	813	-	4,459,794
Financial guarantee liabilities	6,150	23,051	34	29,235
Other financial liabilities	1,557,260	225,731	3,319	1,786,310
Borrowings	11,209,289	5,772,708	6,831,152	23,813,149
	<u>₩ 17,231,680</u>	<u>6,022,303</u>	<u>6,834,505</u>	<u>30,088,488</u>

Schedule of cash flows relation to interest payment is not included in the table above.

2) The maturity analysis of derivative financial liabilities

<i>(in millions of Won)</i>	Over due less than 1 year	1 year - 5 years	later than 5 years	Total
Derivative financial liabilities				
Currency forward	₩ 35,624	1,182	-	36,806
Currency futures	62	-	-	62
Currency swaps	-	41,742	8,396	50,138
Others	15,219	212	-	15,431
	<u>₩ 50,905</u>	<u>43,136</u>	<u>8,396</u>	<u>102,437</u>

(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 June 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

<i>(in millions of Won)</i>	June 30, 2011		December 31, 2010		January 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
USD	₩ 464,383	6,084,481	197,552	4,070,865	147,346	420,300
EUR	21,847	63,678	6,018	36,323	32,740	77,629
JPY	27,088	2,368,891	7,358	2,465,574	22,657	57,206
Others	82,573	29,876	57,028	26,059	58,473	18,166

- 2) For the six-month period ended June 30, 2011 and for the year ended December 31, 2010, the effects of a hypothetical 10% strengthening or weakening of functional currency against foreign currencies other than functional currency on profit before tax were as follows:

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(in millions of Won)	June 30, 2011		December 31, 2010	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ (562,010)	562,010	(387,331)	387,331
EUR	(4,183)	4,183	(3,031)	3,031
JPY	(234,180)	234,180	(245,822)	245,822

(e) Interest rate risk

- 1) The carrying amount of interest-bearing financial instruments as of June 30, 2011, December 31, 2010 and January 1, 2010 is as follows :

(in millions of Won)	June 30, 2011		December 31, 2010	January 1, 2010
Fixed rate				
Financial assets	₩	5,088,603	7,045,125	8,839,475
Financial liabilities		(21,643,386)	(19,495,665)	(11,475,986)
		(16,554,783)	(12,450,540)	(2,636,511)
Variable rate				
Financial liabilities	₩	(2,169,763)	(1,644,576)	(723,499)

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

As of June 30, 2011 and December 31, 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 six-month periods end June 30, 2011 and for the year ended December 31, 2010 are as follows:

(in millions of Won)	June 30, 2011		December 31, 2010	
	1% increase	1% decrease	1% increase	1% decrease
Variable rate financial instruments	(10,849)	10,849	(16,446)	16,446

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(f) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows

<i>(in millions of Won)</i>	June 30, 2011		December 31, 2010		January 1, 2010	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Assets measured fair value						
Financial assets held for trading	₩ 41,322	41,322	182,208	182,208	505,811	505,811
Available-for-sale financial assets	5,291,903	5,291,903	5,766,998	5,766,998	4,612,580	4,612,580
Derivatives assets held for trading	107,459	107,459	140,031	140,031	87,063	87,063
	<u>5,440,684</u>	<u>5,440,684</u>	<u>6,089,237</u>	<u>6,089,237</u>	<u>5,205,454</u>	<u>5,205,454</u>
Assets measured amortised cost						
Cash and cash equivalents	4,285,917	4,285,917	3,521,045	3,521,045	2,273,059	2,273,059
Trade accounts and notes receivable	11,155,171	11,155,171	9,478,740	9,478,740	5,808,905	5,808,905
Loans and other receivables	3,944,630	3,944,630	4,311,364	4,311,364	6,780,011	6,780,011
Held-to-maturity investments	37,705	37,705	39,813	39,813	112,561	112,561
	<u>19,423,423</u>	<u>19,423,423</u>	<u>17,350,962</u>	<u>17,350,962</u>	<u>14,974,536</u>	<u>14,974,536</u>
Liabilities measured fair value						
Derivatives liabilities held for trading	102,437	102,437	100,372	100,372	43,711	43,711
Convertible bonds	394,481	394,481	447,308	447,308	-	-
	<u>496,918</u>	<u>496,918</u>	<u>547,680</u>	<u>547,680</u>	<u>43,711</u>	<u>43,711</u>
Liabilities measured amortised cost						
Trade accounts and notes payable	4,459,794	4,459,794	3,981,079	3,981,079	2,392,317	2,392,317
Borrowings	23,418,668	22,216,009	20,692,934	20,549,484	12,199,485	12,210,969
Financial guarantee liabilities	29,235	29,235	27,966	27,966	6,295	6,295
Others	1,786,310	1,786,310	1,568,313	1,568,313	1,209,803	1,209,803
	<u>₩ 29,694,007</u>	<u>28,491,348</u>	<u>26,270,292</u>	<u>26,126,842</u>	<u>15,807,900</u>	<u>15,819,384</u>

2) The fair value hierarchy

- ① 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: Level 2: inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly.

Level 3: Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

- ② The fair value measurements classified by fair value hierarchy as of June 30, 2011, December 31, 2010 and January 1, 2010 were as follows :

a. June 30, 2011

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial Assets					
Financial assets held for trading	₩	40,331	991	-	41,322
Available-for-sale financial assets		4,613,009	10,146	668,748	5,291,903
Derivatives assets held for trading		-	107,459	-	107,459
		<u>4,653,340</u>	<u>118,596</u>	<u>668,748</u>	<u>5,440,684</u>
Financial Liabilities					
Derivatives liabilities held for trading		-	102,437	-	102,437
Convertible bonds		394,481	-	-	394,481
	₩	<u>394,481</u>	<u>102,437</u>	<u>-</u>	<u>496,918</u>

b. December 31, 2010

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial Assets					
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
		<u>4,944,644</u>	<u>339,433</u>	<u>805,160</u>	<u>6,089,237</u>
Financial Liabilities					
Derivatives liabilities held for trading		-	100,372	-	100,372
Convertible bonds		447,308	-	-	447,308
	₩	<u>447,308</u>	<u>100,372</u>	<u>-</u>	<u>547,680</u>

c. January 1, 2010

<i>(in millions of Won)</i>		Level 1	Level 2	Level 3	Total
Financial Assets					
Financial assets held for trading	₩	-	505,811	-	505,811
Available-for-sale financial assets		3,967,463	6,714	638,403	4,612,580
Derivatives assets held for trading		-	87,063	-	87,063
		<u>3,967,463</u>	<u>599,588</u>	<u>638,403</u>	<u>5,205,454</u>
Financial Liabilities					
Derivatives liabilities held for trading	₩	-	43,711	-	43,711

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

20. 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 ₩5,000 per share. As of June 30, 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 June 30, 2011, total shares of ADRs are 54,564,120 equivalents to 13,641,030 of common shares.

As of June 30, 2011, ending balance of capital stock amounts to ₩482,403 million; however, it is different from par value of issued common stock, which amounted to ₩435,934 million, due to retirement of treasury stock.

(b) Capital surplus

Capital surplus as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Share premium	₩ 463,825	463,825	463,825
Gains on sale of treasury stock	765,874	694,714	694,714
Capital surplus	(52,511)	(56,978)	41,127
	<u>₩ 1,177,188</u>	<u>1,101,561</u>	<u>1,199,666</u>

21. Reserves

(a) Reserves as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>June 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Accumulated comprehensive income (loss)	₩ (35,876)	(3,910)	33,747
of investments of equity-accounted investees, net of tax			
Fair value of available-for-sale financial investments, net of tax	789,220	1,314,185	737,235
Currency translation differences, net of tax	158,594	136,670	-
Others	(1,866)	(7,138)	(4,657)
	<u>₩ 910,072</u>	<u>1,439,807</u>	<u>766,325</u>

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

22. Treasury Shares

In January 2011, the Company sold 342,955 shares of treasury stock for ₩ 164,384 million and recognized ₩ 71,160 million as a gain on sale of treasury stock in capital surplus. Also, the Company acquired 131,389 shares of treasury stock for ₩ 61,296 million. As of June 30, 2011, the Company holds 9,942,391 shares of treasury stock for price stabilization in accordance with the Board of Director's resolution.

23. Stock Appreciation Rights

(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

<i>(per share, won)</i>	<u>5th Grant</u>		<u>6th Grant</u>		<u>Total</u>
Before the modification (*1)					
Granted		218,600		90,000	308,600
Exercise price	₩	151,700	₩	194,900	
After the modification (*1)					
Granted		214,228		90,000	304,228
Exercised		183,066		64,000	247,066
Unexercised		31,162		26,000	57,162
Exercise price	₩	151,700	₩	194,900	
Exercise period		2006.7.24~ 2011.7.23		2007.4.29~ 2012.4.28	

(*1) The Company modified the number of shares granted under the stock appreciation rights and the exercise price, as presented above (5th), in accordance with the resolutions of the Board of Directors on October 22, 2004.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

- (b) Expenses related to stock appreciation rights granted to executives incurred for the six-month period ended June 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	4th Grant	5th Grant	6th Grant	Total
Accumulated reversal of stock compensation expenses as of December 31, 2010	(83)	(9,681)	(3,463)	(13,227)
Reversal of stock compensation expenses for the six-month period ended June 30, 2011	-	(1,250)	(389)	(1,639)

- (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:

	5th Grant	6th Grant
Risk-free rate of interest	3.48%	3.67%
Expected exercise period	57 days	754 days
Expected price-volatility	9.15%	12.60%
Rate of expected dividends	2.16%	1.11%
Stock price	Won 464,000	Won 464,000
Fair value	Won 311,556	Won 272,791

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

24. Construction Contracts

(a) Construction contracts in progress as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	December 31, 2010	January 1, 2010
Aggregate amount of costs incurred	₩	14,360,603	12,778,567	8,846,030
Add : Recognized profits		1,416,153	1,202,835	948,616
Less : Recognized losses		(269,299)	(197,818)	(202,275)
Cumulative construction revenue		15,507,457	13,783,584	9,592,371
Less : Progress billing		(14,973,369)	(13,505,203)	(9,388,120)
Foreign currency gains and losses		(304)	(1,744)	1
Others		(17,042)	(54,975)	(69,200)
	₩	<u>516,742</u>	<u>221,662</u>	<u>135,052</u>

(b) Customers for contract work as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	December 31, 2010	January 1, 2010
Due from customers for contract work	₩	1,226,441	960,738	685,190
Due to customers for contract work		(709,699)	(739,076)	(550,138)
	₩	<u>516,742</u>	<u>221,662</u>	<u>135,052</u>

25. Sales

Details of sales for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	June 30, 2010
Revenues			
Goods sales	₩	29,501,312	17,917,303
Services sales		1,052,551	726,001
Construction sales		2,413,456	1,855,544
Lease sales		19,816	21,902
Othters		310,182	44,467
	₩	<u>33,297,317</u>	<u>20,565,217</u>

POSCO**Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)****26. Selling and Administrative Expenses****(a) Administrative expenses**

Administrative expenses for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Wages and salaries	₩ 298,724	192,093
Expenses related to defined benefit plan	31,180	17,763
Other employee benefits	76,284	53,247
Travel	28,401	16,536
Depreciation	80,511	44,352
Communication	6,099	3,896
Electric power	2,911	2,393
Taxes and public dues	23,305	13,863
Rental	32,277	19,057
Repairs	5,908	6,221
Insurance premium	7,702	1,570
Entertainment	8,856	7,754
Advertising	36,811	47,999
Research & development	93,201	57,875
Service fees	125,816	67,676
Supplies	7,031	5,582
Vehicles maintenance	10,232	7,086
Industry association Fee	6,715	6,635
Training	11,187	11,302
Conference	10,579	7,443
Transfer to provision	7,549	8,369
Bad debt allowance	65,835	4,987
Others	9,509	6,804
	<u>₩ 986,623</u>	<u>610,503</u>

POSCO**Notes to Consolidated Interim Financial Statements, Continued****As of June 30, 2011****(Unaudited)****(b) Selling expenses**

Selling expenses for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	June 30, 2010
Freight	₩	663,168	400,478
Operating expenses for distribution center		3,775	4,528
Sales commissions		39,045	32,509
Sales advertising		242	243
Sales promotion		7,170	3,623
Sample		3,198	1,316
Sales insurance premium		10,072	5,944
Contract cost		27,820	33,375
Others		2,149	2,052
	₩	<u>756,639</u>	<u>484,068</u>

27. Other Operating Income and Expenses**(a) Other operating income**

Details of other operating income for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	June 30, 2010
Gain on disposal of property, plant and equipment	₩	8,353	8,637
Gain on disposal of investment of equity-accounted investees		2,081	1,930
Reversal of allowance for doubtful accounts		14,799	2,983
Miscellaneous income		84,018	106,448
Others		6,453	6,227
	₩	<u>115,704</u>	<u>126,225</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

(b) Other operating expenses

Details of other operating expenses for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	June 30, 2010
Loss on disposal of property, plant and equipment	₩	30,078	19,843
Loss on disposal of investment property		4,690	1,220
Cost of idle assets		3,402	442
Other bad debt expenses		29,775	9,340
Contributions		14,262	20,155
Miscellaneous loss		28,752	26,992
Others		2,139	4,440
	₩	<u>113,098</u>	<u>82,432</u>

28. Expenses by nature

Expenses that are recorded by nature as cost of sales, selling, general and administrative expenses and other operating expenses in the statements of income for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	June 30, 2010
Raw materials and consumables used	₩	17,795,630	10,960,579
Changes in inventories		(273,747)	(382,516)
Cost of Goods sold		16,269,321	2,783,605
Employee benefits expenses		1,328,230	970,275
Depreciation(*1)		1,103,665	1,415,337
Amortization		33,699	31,794
Other expenses(*2)		(5,946,098)	1,387,554
	₩	<u>30,310,700</u>	<u>17,166,628</u>

(*1) Includes depreciation expense of investment properties

(*2) Other general administration expense, physical distribution cost, sales expenses, operating expenses and consolidated adjustment are included.

POSCO**Notes to Consolidated Interim Financial Statements, Continued****As of June 30, 2011****(Unaudited)****29. Finance Income and Costs**

Details of finance income and costs for for the six-month period ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Finance income		
Interest income	₩ 96,055	158,637
Dividend income	81,588	81,244
Gain on foreign currency transaction	497,134	308,415
Gain on foreign currency translation	500,955	78,030
Gain on derivatives transactions	202,126	54,849
Gain on valuation of derivatives	66,209	32,639
Others	3,811	21,792
	<u>1,447,878</u>	<u>735,606</u>
Finance costs		
Interest expenses	388,853	263,276
Loss on foreign currency transaction	434,468	306,640
Loss on foreign currency translation	155,038	416,743
Loss on derivatives transactions	233,117	27,755
Loss on valuation of derivatives	66,442	13,071
Others	24,794	56,525
	<u>₩ 1,302,712</u>	<u>1,084,010</u>

30. Income Taxes

(a) Income tax expense for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Current income taxes	₩ 639,730	691,057
Deferred income tax due to temporary differences	45,655	14,311
Items recorded directly to shareholders' equity	110,482	41,697
Income tax expense	<u>₩ 795,867</u>	<u>747,065</u>

POSCO**Notes to Consolidated Interim Financial Statements, Continued****As of June 30, 2011****(Unaudited)**

- (b) The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Net income before income tax expense	₩ 3,260,913	3,242,539
Income tax expense computed at statutory rate	789,141	784,694
Adjustments:	6,726	(37,629)
Tax effects due to permanent differences	2,566	26,590
Tax credit	(64,804)	(137,658)
Others	68,964	73,439
Income tax expense	₩ 795,867	747,065
Effective rate (%)	24.41	23.04

- (c) The income taxes recorded directly to equity for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Loss on valuation of available-for-sale investments	₩ (97,555)	(34,797)
Accumulated comprehensive expense of	(20,186)	677
investments of equity-accounted investees		
Gains on sale of treasury stock	20,071	-
Others	(12,812)	(7,577)
	₩ (110,482)	(41,697)

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

(d) The movements in deferred tax assets (liabilities) for the six-month periods ended June 30, 2011 and 2010 are as follows:

(in millions of Won)

	June 30, 2011			June 30, 2010		
	Beginning	Inc (Dec)	Ending	Beginning	Inc (Dec)	Ending
Deferred income tax due to temporary differences						
Reserve for special repairs	₩ (27,776)	377	(27,399)	(39,500)	2,296	(37,204)
Allowance for doubtful accounts	80,349	1,554	81,903	38,283	25,379	63,662
Reserve for technology developments	(269,892)	(20,693)	(290,585)	(179,828)	(87,375)	(267,203)
Depreciation expense	(61,129)	12,289	(48,840)	(78,485)	(1,337)	(79,822)
Share of profit or loss of equity-accounted investees	(149,602)	(48,047)	(197,649)	(52,150)	(105,153)	(157,303)
Reserve for inventory valuation	1,484	506	1,990	987	(283)	704
Revaluation of assets	(362,949)	(75,940)	(438,889)	(436,051)	30,212	(405,839)
Prepaid expenses	18,733	1,360	20,093	17,669	1,617	19,286
Impairment loss on property, plant and equipment	24,858	(1,655)	23,203	11,080	(1,417)	9,663
Loss on foreign currency translation	90,656	(63,443)	27,213	45,306	71,730	117,036
Accrued severance benefits	40,710	21,143	61,853	53,374	(9,645)	43,729
Group severance insurance deposits	(36,232)	(6,647)	(42,879)	(30,199)	99	(30,100)
Provision for construction losses	1,697	(246)	1,451	263	42,639	42,902
Provision for construction warranty	1,854	(248)	1,606	534	2,104	2,638
Appropriated retained earnings for technological development	(246)	41	(205)	(242)	81	(161)
Accrued income	(1,061)	(928)	(1,989)	(570)	(458)	(1,028)
Others	142,322	92,162	234,486	143,976	(9,571)	134,404
	<u>(506,224)</u>	<u>(88,415)</u>	<u>(594,637)</u>	<u>(505,553)</u>	<u>(39,082)</u>	<u>(544,636)</u>
Deferred income taxes recognized directly to equity						
Gain (loss) on valuation of available-for-sale investments	(118,640)	97,555	(21,085)	4,011	34,797	38,808
Accumulated comprehensive expense of investments of equity-accounted investees	(20,415)	20,186	(229)	4,090	(677)	3,413
Others	4,132	12,812	16,944	(27,148)	7,577	(19,571)
	<u>(134,923)</u>	<u>130,553</u>	<u>(4,370)</u>	<u>(19,047)</u>	<u>41,697</u>	<u>22,650</u>
Deferred tax from tax credit						
Tax credit carryforward and others	280,295	(103,865)	176,430	322,085	(35,494)	286,591
Deferred tax effect due to unrealized gains (losses) and others	(129,000)	16,070	(112,930)	234,724	18,569	253,293
	<u>₩ (489,852)</u>	<u>(45,657)</u>	<u>(535,507)</u>	<u>32,209</u>	<u>(14,310)</u>	<u>17,898</u>

31. Earnings per Share

(a) Basic earnings per share for the six-month periods ended June 30, 2011 and 2010 are as follows:

(in millions of Won, except per share information)

	For the six-month period ended June 30, 2011	For the six-month period ended June 30, 2010
Net income attributable to controlling interest	₩ 2,413,579	2,468,109
Weighted-average number of common shares outstanding (*1)	77,259,314	77,032,878
Basic earnings per share	31,240	32,040

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

	For the six-month period ended June 30, 2011	For the six-month period ended June 30, 2010
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,927,521)	(10,153,957)
Weighted-average number of common shares outstanding	<u>77,259,314</u>	<u>77,032,878</u>

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(b) Basic earnings per share for the three-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won, except per share information)</i>	For the three-month period ended June 30, 2011	For the three-month period ended June 30, 2010
Net income attributable to controlling interest	₩ 1,322,857	1,104,007
Weighted-average number of common shares outstanding (*1)	77,244,444	77,032,878
Basic earnings per share	17,126	14,332

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

	For the three-month period ended June 30, 2011	For the three-month period ended June 30, 2010
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,942,391)	(10,153,957)
Weighted-average number of common shares outstanding	<u>77,244,444</u>	<u>77,032,878</u>

32. Operating Profit

(a) Operating profit adjusted by previous GAAP for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	June 30, 2011	June 30, 2010
Operating profits by K-IFRS	₩ 3,102,322	3,524,813
Deducted		
Gains on disposal of property, plant, and equipment	(8,353)	(8,637)
Gain on disposal of investment of equity-accounted investees	(2,081)	(1,930)
Reversal of allowance for doubtful accounts	(14,799)	(2,983)
Reversal of provision	(1,360)	(3,017)
Miscellaneous income	(84,018)	(106,448)
Others	(5,093)	(3,210)
	<u>(115,704)</u>	<u>(126,225)</u>
Added		
Loss on disposal of property, plant, and equipment	30,078	19,843
Loss on disposal of investment property	4,690	1,220
Idle tangible assets expenses	3,402	442
Other bad debt expenses	29,775	9,340
Donations	14,262	20,155
Miscellaneous expenses	28,752	26,992
Others	2,139	4,440
	<u>113,098</u>	<u>82,432</u>
Operating profits by previous GAAP	<u>₩ 3,099,716</u>	<u>3,481,020</u>

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

33. Related Party Transactions

(a) Significant transactions, which occurred in the ordinary course of business, with related companies for the six-month periods ended June 30, 2011 and 2010 are as follows:

(in millions of Won)	Sales and others (*1)		Purchase and others (*1)	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Subsidiaries				
POSCO E&C Co., Ltd.	₩ 10,381	3,032	740,536	1,227,168
POSCO Processing&Service	694,061	510,441	700,110	142,739
POSCO Coated & Color Steel Co., Ltd.	315,277	328,461	843	1,394
POSCO ICT Co., Ltd.	745	503	247,992	211,297
POSCO Chemtech Company Ltd.	208,201	44,069	365,077	265,703
(formerly, POSCO Refractories & Environment Co., Ltd.)				
POSCO TMC CO., LTD.	82,436	73,660	233	52
POSCOAST Co., Ltd.	144,630	155,342	29,895	27,499
Daewoo International Corp.	1,618,153	-	1,534	-
POSCONST.CO.,LTD	76,613	-	2,261	-
POSCO America Corporation	136,449	103,811	-	-
POSCO Canada Ltd.	-	-	106,299	62,426
POSCO Asia Co., Ltd.	913,131	526,379	117,797	73,448
POSCO-JKPC Co., Ltd.	21,139	27,288	200	36
POSCO(Thailand) Co., Ltd.	35,775	66,516	57	1
Qingdao Pohang Stainless Steel Co., Ltd.	28,709	34,780	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	22,535	54,435	-	-
POSCO-Japan Co., Ltd.	654,758	490,025	20,701	44,788
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	64,128	81,692	-	-
POSCO-Mexico Co., Ltd.	149,994	108,585	-	-
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	32,588	39,722	-	115
POSCO(Wuhu) Automotive Processing Center Co., Ltd.	22,715	59,758	-	-
Daewoo International Singapore Pte. Ltd.	-	-	101,171	-
Others	200,489	457,751	562,264	265,607
	<u>₩ 5,432,907</u>	<u>3,166,250</u>	<u>2,996,970</u>	<u>2,322,273</u>
Associate				
Posmate Co., Ltd.	₩ 580	569	25,651	22,874
SNNC Co., Ltd.	660	906	185,051	268,230
SUNG JIN GEOTECH Co., Ltd.	23,842	1,798	-	-
USS-POSCO Industries (UPI)	251,279	124,252	29	190
Poschrome(Proprietary) Ltd.	-	-	36,805	31,688
Others	69,935	9,819	3,570	128,563
	<u>346,296</u>	<u>137,344</u>	<u>251,106</u>	<u>451,545</u>
	<u>₩ 5,779,203</u>	<u>3,303,594</u>	<u>3,248,076</u>	<u>2,773,818</u>

(*1) Sales and others include sales and other operating income. Purchase and others include purchase and overhead cost.

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- (b) Significant transactions, which occurred in the ordinary course of business, with related companies the related account balances as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	Receivables (*1)			Payables (*1)		
	June 30, 2011	December 31, 2010	January 1, 2010	June 30, 2011	December 31, 2010	January 1, 2010
Subsidiaries						
POSCO E&C Co., Ltd.	₩ 3,705	293	480	187,087	190,081	437,819
POSCO Processing&Service	158,121	129,133	114,783	41,134	6,842	2,696
POSCO Planteo	1,180	-	9	25,237	48,058	22,839
POSCO ICT Co., Ltd.	14	-	1	73,178	63,627	54,529
POSCO Coated & Color Steel Co., Ltd.	83,809	104,755	109,616	800	437	199
POSCO Chemtech Company Ltd.	37,235	33,743	6,880	88,879	62,669	66,008
(formerly, POSCO Refractories & Environment Co., Ltd.)						
POSCO TMC CO., LTD.	15,244	11,823	11,678	41	15	24
POSCOAST Co., Ltd.	19,974	19,065	17,492	8,241	8,255	7,572
Daewoo International Corp.	92,976	139,756	-	304	-	-
PNR Co., Ltd.	912	2,656	644	6,333	3,886	-
POSCONST.CO.LTD	26,441	-	-	460	-	-
POSCO America Corporation	11,120	12,211	6,163	-	-	-
POSCO Asia Co., Ltd.	40,815	122,626	40,548	10,360	3,767	1,170
POSCO(Thailand) Co., Ltd.	17,501	25,919	18,376	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	6,652	13,805	24,404	-	-	-
POSCO-Vietnam Co., Ltd.	642	683	95,781	-	-	-
POSCO-Japan Co., Ltd.	35,258	28,515	25,972	25	4,958	6,701
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	6,749	10,412	12,356	-	-	-
POSCO-Mexico Co., Ltd.	140,570	80,443	16,247	-	-	-
Others	28,489	12,511	25,429	69,180	28,323	17,840
₩	727,407	748,349	526,859	511,259	420,918	617,397
Associate						
Posmate Co., Ltd.	-	1,396	48	5,808	6,391	5,222
SNNC Co., Ltd.	136	182	1,974	19,059	57,512	26,963
USS-POSCO Industries (UPI)	98,865	58,347	39,100	-	-	-
Others	7,269	7,231	176	609	29,714	78
₩	106,270	67,156	41,298	25,476	93,617	32,263
₩	833,677	815,505	568,157	536,735	514,535	649,660

- (*1) Receivables include trade accounts and notes receivable and other receivables. Payables include trade accounts payable and other payables.

- (c) For the six-month periods ended June 30, 2011 and 2010, details of compensation to key management officers are as follows:

(in millions of Won)

	June 30, 2011	June 30, 2010
Short-term benefits	₩ 41,199	39,964
Retirement benefit	13,926	9,968
Other long-term benefits	14,115	12,984
Share-based Payment	(1,639)	(15,316)
₩	67,601	47,600

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34. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of June 30, 2011, are as follows:

Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency	Won Equivalent
[The Company]				
POSCO	POSCO Maharashtra Steel private Ltd.	Export-Import Bank of Korea and others	USD 143,000,000	154,168
	POSCO Investment Co., Ltd.	HSBC	CNY 630,000,000	105,084
			MYR 240,000,000	85,238
			USD 251,296,295	270,923
	POSCO-Vietnam Co., Ltd.	Export-Import Bank of Korea and others	USD 230,000,000	247,963
	Zeus (Cayman) Ltd.	Creditors	JPY 4,806,750,000	64,203
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Mizuho	KRW 52,795	52,795
			USD 160,000,000	172,496
Daewoo International Corporation	Daewoo Textile Bukhara LLC	Export-Import Bank of Korea and others	USD 31,250,000	33,691
	Daewoo Cement (Shandong) Co., Ltd.	Other overseas financial institution	EUR 26,293,368	41,031
			CNY 43,000,000	7,172
		Export-Import Bank of Korea and others	USD 32,318,443	34,843
	Daewoo International Deutschland GmbH	Shinhan Bank	EUR 39,740	62
	Daewoo International Singapore Pte.	Woori Bank	USD 3,268,000	3,523
		STANDARD CHARTERED	USD 5,163,000	5,566
	Daewoo International Japan Corp.	Korea Development Bank	JPY 450,000,000	6,011
		Shinhan Bank	JPY 1,000,000,000	13,357
		MIZUHO	JPY 1,500,000,000	20,035
		SUMITOMO	JPY 2,000,000,000	26,714
	Daewoo Paper Manufacturing Co., Ltd.	Hana Bank	USD 2,800,000	3,019
	Daewoo Int'l Guangzhou Corp.	STANDARD CHARTERED	USD 1,912,220	2,062
	Daewoo International America Corp.	Shinhan Bank	USD 3,984,000	4,295
		Woori Bank	USD 961,000	1,036
POSCO E&C Co., Ltd.	POSCO E&C Vietnam Co., Ltd.	Korea Exchange Bank	USD 11,000,000	11,859
		Export-Import Bank of Korea and others	USD 18,000,000	19,406
		ANZ	USD 5,000,000	5,391
		POSCO Investment Co., Ltd.	USD 9,500,000	10,242
	International Business Center Corporation	Export-Import Bank of Korea and others	USD 20,000,000	21,562
POSCO P&S Co., Ltd.	POSCO Canada Co., Ltd.	Hana Bank	USD 12,484,500	13,460
POSCO JAPAN Co., Ltd.	POSCO-JKPC Co., Ltd.	Higo bank and others	JPY 2,082,400,000	27,814
	POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY 1,066,520,800	14,245
	POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY 2,282,500,000	30,487
	POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY 2,258,750,000	30,170
Daewoo Textile Fergana LLC	Daewoo Textile Bukhara LLC	NBU	UZS 6,519,920,000	4,104
POSCO E&C (Beijing) Co., Ltd.	HONG KONG POSCO E&C (CHINA)	Woori Bank(Beijing branch)	USD 33,000,000	35,577
		KB Bank(Seoul)	KRW 102,000	102,000
POSCO TMC Co., Ltd.	Suzhou POS-CORE Technology Co., Ltd.	POSCO Investment Co., Ltd.	USD 3,000,000	3,234
POSCOAST Co., Ltd.	DaiMyung TMS Co., Ltd.	Korea Exchange Bank	KRW 5,000	5,000

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Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency		Won Equivalent
[Associates]					
POSCO	BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	CNY	313,590,000	52,307
			USD	11,180,000	12,053
	United Spiral Pipe, LLC	Comerica Bank_KOREA	USD	70,000,000	75,467
Daewoo International Corporation	DMSA, AMSA	Other Bank	USD	118,310,667	127,551
		Other oversea financial institution	USD	13,816,000	14,895
POSCO E&C Co., Ltd.	Taegisan Wind Power Corporation	Korea Development Bank	KRW	7,500	7,500
	PSIB Co., Ltd.	Lotte Insurance	KRW	360,000	360,000
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd.	Nonghyup Bank	KRW	28,226	28,226
POSCO P&S Co., Ltd.	Sebang Steel	Fukuoka Bank	JPY	245,000,000	3,272
POSCO ICT Co., Ltd.	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	POSCO ICT Co., Ltd.	KRW	2,530	2,530
	Uitrans LRT Co., Ltd.	POSCO ICT Co., Ltd.	KRW	64,638	64,638
	Innovalley Co., Ltd	POSCO ICT Co., Ltd.	KRW	115,336	115,336
Daewoo (China) Co., Ltd.	Shanghai Lansheng Daewoo Coporation	China Construction Bank	CNY	100,000,000	16,680
POSCO China Holding Corp.	POSCO SeAH Steel Wire (Nantong) Co., Ltd.	POSCO Investment Co., Ltd.	USD	7,500,000	8,086
[Others]					
Daewoo International Corporation	Ambatovy Project Investments Limited	Export-Import Bank of Korea and others	USD	44,963,575	48,475
	Sherritt International Corporation	Export-Import Bank of Korea and others	USD	6,043,572	6,516
POSCO E&C Co., Ltd.	Seomyun development Co., Ltd and others	ABCP and others	KRW	88,000	88,000
		NH Bank	KRW	14,624	14,624
		ABCP and others	KRW	245,000	245,000
		ABCP and others	KRW	30,000	30,000
		ABCP and others	KRW	45,000	45,000
		ABCP and others	KRW	165,000	165,000
		Woori Bank	KRW	68,000	68,000
		KB Bank and others	KRW	329,970	329,970
		ABCP and others	KRW	145,000	145,000
		Shinhan Bank	KRW	4,950	4,950
		Kyobo Life Insurance Co.,Ltd	KRW	310,000	310,000
		Korea Development Bank	KRW	644	644
		POSCO P&S Co., Ltd.	Asia Speciality Steel Co., Ltd.	Yamaguchi Bank	JPY
GIPI	Bank Muscat , Bank Sohar		USD	12,000,000	12,937
POSCO Plant Engineering Co., Ltd.	Halla Precision Eng. Co., Ltd. and others	Kookmin Bank	KRW	248,933	248,933
	GS CALTEX HOU and others	Korea Exchange Bank and others	USD	14,040,091	15,137
POSCO ICT Co., Ltd.	BTL business and others	POSCO ICT Co., Ltd.	KRW	1,219,362	1,219,362
POSCO M-TECH Co., Ltd.	TMC Co.,Ltd	Seoul Guarantee Insurance	KRW	68	68
	PYUNGSAK SI Co., Ltd	Seoul Guarantee Insurance	KRW	463	463
	Hyundai Hysco Co., Ltd.	Seoul Guarantee Insurance	KRW	264	264
Daewoo Engineering Co., Ltd	Kwanma Solar Co., Ltd. and others	Hana Bank	KRW	53,029	53,029
	Hyundai ENG Co., Ltd.	Engineering Financial Cooperative	KRW	71,977	71,977
PHP Co., Ltd	Expo apt	Kookmin Bank	KRW	387,849	387,849
Daewoo Cement (Shandong) Co., Ltd.	SDAC	Bank of China	USD	35,000,000	37,734
			CNY	1,086,590,000	181,243
			EUR	26,333,108	41,093
			JPY	20,391,920,800	272,373
			KRW	4,166,158	4,166,158
			MYR	240,000,000	85,238
			USD	1,313,791,363	1,416,400
			UZS	6,519,920,000	4,104

POSCO

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- (b) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation and Namkwang Engineering & Construction Co., Ltd. amounting to ₩ 3,005,937 million. POSCO E&C Co., Ltd. Provides payment guarantees on customers' borrowings amounting to ABCP ₩ 872,750 million and Pf loan ₩ 637,830 million as of June 30, 2011.

(c) Other commitments

POSCO

POSCO entered into a contract with Hanjin Shipping Co., Ltd., Hyundai Merchant Marine Co., Ltd., and others to use a transport ship for the transportation of raw materials and sales of

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 June 30, 2011, 292 million tons of iron ore and 48 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 June 30, 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 and USD 3.54 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan and the exploration of gas hydrates in Namangan-Chust, 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

The Company has lease agreements for using a Ro-Ro (roll-on roll-off) ship and it is recorded as a finance leases. The Company is making repayment of USD 11,583 thousands and ₩ 1,953 millions, 90% of ship price, for 12 years.

POSCO ICT Co., Ltd.

POSCO ICT Co., Ltd has signed a Memorandum of Understanding with Samchang co. Ltd., on acquiring nuclear power business. Date of acquisition and acquisition cost will be decided later.

POSCO E&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 ₩117,314 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.

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 \$ 308 million with Woori Bank and ₩ 530,000 million with Korea Exchange Bank.

POSCO

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(Unaudited)

POSCO Specialty Steel Co., Ltd.	<p>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 ₩150,176 million of this loan agreement.</p> <p>POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and seven other banks for opening letters of credit of up to USD55 million, and for a loan of up to ₩165,000 million and POSCO Specialty Steel Co., Ltd. has used USD4.6 million for opening letters of credit.</p>
POSCO Terminal Co., Ltd.	<p>As of June 30, 2011, POSCO Terminal Co., Ltd. effected a charter with Polaris shipping Co., Ltd for the shipping and recognized ₩ 9,275 million of service cost. As of June 30, 2011, POSCO Terminal Co., Ltd. entered contracts about using facilities of harbor loading and unloading with Shin-chang and presented ₩5,697 million of service cost for for using facilities of harbor loading and unloading. POSCO Terminal Co., Ltd. entered the contract of harbor loading and unloading and presented ₩ 4,231 million of service cost.</p>
POSCO Power Corp.	<p>POSCO Power Corp. provides the entire quantity of electric power production to Kepco Corp. under the contract of LNG complex electric power.</p> <p>POSCO Power Corp. provides the entire quantity of electric power production to Kepco Corp. under the contract of gas complex electric power.</p> <p>POSCO Power Corp. is provided the entire quantity of natural gas from Korea Gas Corp. under the long-term contract of purchase.</p>
Kwang Yang SPFC Co., Ltd.	<p>Kwang Yang SPFC Co., Ltd. has signed delivery contracts with Donghwa, Guangil, Samil on June 14, and it will take into effect starting July.</p>

(d) Litigation in progress

As of June 30, 2011, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details are as follows:

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

Company	Legal actions	Amount	Legal equivalent amount	Description
POSCO	11	KRW 11,107	11,107	Lawsuit on the claim for damages
POSCO E&C Co., Ltd.	47	KRW 48,750	48,750	Lawsuit on the claim for payment
POSCO P&S Co., Ltd.	2	KRW 1,135	1,135	Lawsuit on the claim for damages
POSCO Plant Engineering Co., Ltd.	2	KRW 1,638	1,638	Lawsuit on the claim for payment
POSCO ICT Co., Ltd.	8	KRW 1,983	1,983	Lawsuit on the claim for payment
Seoung Gwang Co., Ltd.	2	KRW 2,277	2,277	Imposed high tax rate
POSEC-Hawaii Inc.	1	USD 3,123	3,367	Lawsuit on the claim for compensation and defect-repair
POSCO E&C (Beijing) Co., Ltd.	1	CNY 3,790	632	Lawsuit on the claim
Daewoo Engineering Co., Ltd.	6	KRW 7,312	7,312	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	5,004	Lawsuit on the claim for damages
	1	EUR 5,000	7,803	
	1	INR 4,458,849	106,834	
	4	KRW 835	835	
	2	USD 520	560	

The Company believes that although the outcome of these matters is uncertain, the impacts of these matters are not expected to be material on the Company.

POSCO

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(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.

As of June 30, 2011, POSCO E&C Co., Ltd. has provided eleven blank promissory notes, eleven blank checks and six other notes, approximately amounting to ₩61,704 million, 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 outstanding loans.

35. Cash Flows from Operating Activities

(a) Adjustments for operating cash flows for the six-month periods ended June 30, 2011 and 2010 are as follows:

(in millions of Won)

	June 30, 2011	June 30, 2010
Depreciation (*1)	₩ 1,016,081	1,338,593
Amortization	50,600	35,154
Finance income (*2)	(940,500)	(419,643)
Finance costs (*2)	835,181	770,350
Income tax expense	795,867	747,065
Share of profit or loss of equity-accounted investees	(13,425)	(66,130)
Accrual of severance benefits	118,653	90,726
Bad debt expenses	80,811	11,344
Others	99,501	(31,087)
	<u>₩ 2,042,769</u>	<u>2,476,372</u>

(*1) Depreciation expense of investment properties is included.

(*2) Finance income and finance costs do not contain gains or losses on foreign currency transaction and gains or losses on foreign currency translation.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
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- (b) Changes in operating assets and liabilities for the six-month periods ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	June 30, 2010
Trade accounts and notes receivable	₩	(1,757,054)	(808,563)
Current financial assets		101,604	(54,152)
Inventories		(1,924,765)	(2,076,589)
Other current assets		(406,140)	(214,788)
Other long-term assets		49,597	16,304
Accounts payable		511,849	817,840
Other current financial liabilities		(315,367)	(50,938)
Other current liabilities		550,655	278,148
Provision		2,839	12,916
Payment of severance benefits		(93,860)	(55,035)
Plan assets		(26,532)	(7,461)
Other long-term liabilities		25,729	2,168
	₩	<u>(3,281,445)</u>	<u>(2,140,150)</u>

36. Operating Segments

- (a) Segment information is provided on the basis of operating segments - steel, trading, construction and others. The operating segments presented reflect the management structure of the company and the way which the company's management reviews business performance. The segment results and assets are measured based on sales and operating income, and total assets respectively, in accordance with K-IFRS without any adjustment for corporate allocations.
- (b) Revenue and segment profit of each segment for the six-month periods ended June 30, 2011 and 2010 are as follows:

1) For the six-month periods ended June 30, 2011

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidated	Total
Gross revenue	₩	27,511,149	13,689,795	3,623,334	2,625,816	-	47,450,094
Internal sales		7,809,100	3,910,423	1,314,179	1,119,075	-	14,152,777
Net revenue		19,702,049	9,779,372	2,309,156	1,506,740	-	33,297,317
Interest income		72,729	7,346	12,245	8,961	(5,226)	96,055
Interest expenses		264,406	50,944	32,809	51,535	(10,841)	388,853
Depreciation and amortization		1,040,510	5,836	15,636	75,382	(70,683)	1,066,681
Share of profit or loss							
equity-accounted		(16,775)	-	-	(1,752)	31,952	13,425
Income tax expense		715,459	18,190	40,089	19,224	2,905	795,867
Segments income		2,431,482	83,535	99,725	100,938	(250,634)	2,465,046
Investment in associates		12,508,922	1,725,861	695,981	105,985	(11,518,761)	3,517,988
Acquisition of non-current assets	₩	4,969,440	174,207	39,333	662,005	90,394	5,935,379

POSCO
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2) For the six-month periods ended June 30, 2010

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidated	Total
Gross revenue	W	21,184,626	1,909,393	4,012,635	1,198,172	-	28,304,826
Internal sales		4,355,606	826,802	2,010,762	546,439	-	7,739,609
Net revenue		16,829,020	1,082,591	2,001,874	651,732	-	20,565,217
Interest income		133,678	1,486	11,910	11,775	(212)	158,637
Interest expenses		194,207	3,646	28,924	41,093	(4,594)	263,276
Depreciation and amortization		1,389,963	314	14,761	42,093	(73,384)	1,373,747
Share of profit or loss of equity-accounted investees		-	-	-	389	65,741	66,130
Income tax expense		663,142	2,893	49,031	(531)	32,530	747,065
Segments income		2,669,684	9,692	152,628	(10,892)	(325,638)	2,495,474
Investment in associate		6,927,552	378,991	596,556	19,208	(6,709,253)	1,213,054
Acquisition of non-current assets	W	3,557,549	839	53,672	629,404	13,564	4,255,028

(c) Financial positions of each segment as June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

1) June 30, 2011

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidated	Total
Assets							
Current assets		20,363,088	7,240,496	5,678,722	2,619,191	(4,239,888)	31,661,609
Non-current assets		43,905,412	3,693,799	1,664,698	3,232,016	(9,626,480)	42,869,445
		<u>64,268,500</u>	<u>10,934,295</u>	<u>7,343,420</u>	<u>5,851,207</u>	<u>(13,866,368)</u>	<u>74,531,054</u>
Liabilities							
Current liabilities		11,599,855	6,677,398	3,516,044	1,771,253	(3,612,772)	19,951,778
Non-current liabilities		9,485,505	2,038,864	872,667	2,158,818	29,664	14,585,518
		<u>21,085,360</u>	<u>8,716,262</u>	<u>4,388,711</u>	<u>3,930,071</u>	<u>(3,583,108)</u>	<u>34,537,296</u>

2) December 31, 2010

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidated	Total
Assets							
Current assets		18,484,564	6,144,044	4,735,659	2,030,014	(3,735,797)	27,658,484
Non-current assets		42,289,172	3,461,662	1,741,701	2,948,123	(8,694,609)	41,746,049
		<u>60,773,736</u>	<u>9,605,706</u>	<u>6,477,360</u>	<u>4,978,137</u>	<u>(12,430,406)</u>	<u>69,404,533</u>
Liabilities							
Current liabilities		11,171,303	5,864,784	3,174,657	1,650,165	(3,574,761)	18,286,148
Non-current liabilities		8,398,810	1,654,248	457,709	1,757,701	312,750	12,581,218
		<u>19,570,113</u>	<u>7,519,031</u>	<u>3,632,365</u>	<u>3,407,866</u>	<u>(3,262,009)</u>	<u>30,867,366</u>

3) January 1, 2010

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidated	Total
Assets							
Current assets		16,779,208	865,041	4,092,438	1,447,448	(2,768,384)	20,415,751
Non-current liabilities		33,824,870	485,045	1,870,304	2,171,460	(7,254,387)	31,097,292
		<u>50,604,078</u>	<u>1,350,086</u>	<u>5,962,742</u>	<u>3,618,908</u>	<u>(10,022,771)</u>	<u>51,513,043</u>
Liabilities							
Current liabilities		6,506,543	830,291	2,840,396	1,239,819	(2,408,486)	9,008,563
Non-current liabilities		7,468,302	7,009	972,346	993,572	(270,430)	9,170,799
		<u>13,974,845</u>	<u>837,299</u>	<u>3,812,742</u>	<u>2,233,391</u>	<u>(2,678,915)</u>	<u>18,179,362</u>

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Notes to Consolidated Interim Financial Statements, Continued As of June 30, 2011 (Unaudited)

(d) Sales by regional groups for the six-month period ended June 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011	June 30, 2010
Domestic	₩	26,232,953	16,268,464
Japan		1,012,110	590,160
China		2,851,468	2,437,853
Asia		1,351,695	692,654
North America		589,615	113,414
Others		1,259,476	462,672
	₩	<u>33,297,317</u>	<u>20,565,217</u>

(e) Non-current assets by regional groups as of June 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		June 30, 2011 (*)	December 31, 2010 (*)	January 1, 2010 (*)
Domestic	₩	28,190,880	26,578,068	21,141,956
Japan		280,948	292,742	267,777
China		1,502,347	1,412,997	1,047,802
Asia		780,815	754,191	744,832
North America		83,853	72,809	34,749
Others		1,087,654	1,439,467	418,069
	₩	<u>31,926,497</u>	<u>30,550,274</u>	<u>23,655,185</u>

(*) Includes investment property, property, plant and equipment and intangible assets.

37. Transition to K-IFRS

The previously issued consolidated financial statements as of December 31, 2010 and the statements of financial position at the date of transition are stated in accordance with previous GAAP. However these consolidated financial statements have been prepared in accordance with K-IFRS 1101 "First-time Adoption of Korean International Financial Reporting Standards".

Accordingly, the Company adjusted the financial statements as of December 31, 2010 and previous statements of financial position at the date of transition reported in accordance with previous GAAP. The transition from previous GAAP to K-IFRS affected its reported financial position, financial performance and cash flows is as follows:

(a) Exemptions elected from K-IFRS 1101 "First-time Adoption of Korean International Financial Reporting Standards" by the Company

The Company has elected to use one or more of the exemptions in accordance with K-IFRS 1101 for the preparation of statements of financial position at the date of transition and applied the following optional exemptions.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

1) Business combination

The Company has not retrospectively applied the business combinations that took place prior to the date of transition to K-IFRS.

2) Deemed cost of property, plant and equipment

The Company has elected to use the revaluations of prior to the date of transition to K-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 K-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 K-IFRS accounting requirements to cash-settled share-based payment transactions that took place prior to the date of transition to K-IFRS.

6) Leases

For arrangements existing at the date of transition to K-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 K-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 K-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 K-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.

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

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 K-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.

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 K-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 K-IFRS, a lot-solid apartment of the rental is accounted for as a finance lease.

6) Construction contract

Under previous GAAP, contract revenue associated with a construction contract shall be recognized as revenue by reference to the stage of completion of the contract activity at the end of the reporting period while costs shall be recognized as expenses are incurred. Under K-IFRS, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

Also, under previous GAAP, there is no specific guideline for determining and disclosing the gross amount due from customers for contract work and the gross amount due to customers for contract work while under K-IFRS these amounts should be determined and disclosed.

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Notes to Consolidated Interim Financial Statements, Continued
As of June 30, 2011
(Unaudited)

(c) Changes in scope of subsidiaries

	Changes	Subsidiaries
Inclusion(35)	Included in the scope of consolidation under K-IFRS. These entities were not consolidated under K-GAAP since their total assets were less than ₩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 K-IFRS 2012: 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

(d) Effects on financial position, financial performance and cash flows by the transition from previous GAAP to K-IFRS

1) Reconciliations of the financial position on January 1, 2010:

<i>(in millions of Won)</i>	Total assets	Total liabilities	Total equity
Previous GAAP	₩ 50,311,748	18,647,435	31,664,313
Adjustments :			
Changes of consolidation	(575,395)	(430,521)	(144,874)
Revaluation of machinery and equipment	1,945,001	-	1,945,001
Discount of accounts receivable	111,759	111,932	(173)
Defined benefit liabilities	(63)	36,497	(36,560)
Deffered tax effect	(291,237)	(155,833)	(135,404)
Derivatives	(53,945)	(798)	(53,147)
Construction contracts	417,722	388,262	29,460
Application to finance lease by arrangements	(38,965)	-	(38,965)
Application to finance lease for a lot-solid apartment after rental	(316,935)	(359,542)	42,607
Adjustments of available-for-sale securities	(28,783)	-	(28,783)
Reversal of negative goodwill	10,352	-	10,352
Other adjustments	21,784	(58,070)	79,854
Total adjustments	1,201,295	(468,073)	1,669,368
K-IFRS	₩ 51,513,043	18,179,362	33,333,681

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Notes to Consolidated Interim Financial Statements, Continued

As of June 30, 2011

(Unaudited)

- 2) Reconciliation of financial position as of December 31, 2010 and the financial performance for the year ended December 31, 2010

<i>(in millions of Won)</i>		Total assets	Total liabilities	Total equity	Net income	Total comprehensive income
Previous GAAP	₩	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
Finance lease		(542,848)	(557,959)	15,111	11,469	11,469
Construction contracts		341,623	313,380	28,243	(2,942)	(2,942)
Actuarial valuation of defined benefit liabilities		(4,067)	91,357	(95,424)	144,073	(8,052)
Deferred tax effect		(241,991)	(469,488)	227,497	55,881	55,881
Withdrawal of amortization on goodwill		68,364	-	68,364	68,364	68,364
Recognition of callable preferred stock as borrowings		-	207,569	(207,569)	(7,759)	(7,759)
Capitalization of financial cost		63,382	92,186	(28,804)	1,733	1,733
Recognition of financial guarantee liabilities		21,304	27,443	(6,139)	(1,618)	(1,618)
Adjustments of derivative		(36,896)	(13,496)	(23,400)	31,386	31,386
Replacement of investment property		(2,979)	-	(2,979)	(2,979)	(2,979)
Reversal of negative goodwill		9,819	-	9,819	9,819	9,819
Other adjustments		51,697	78,330	(26,633)	(242,050)	(57,498)
Total adjustments		1,458,600	122,854	1,335,746	(32,044)	(75,536)
K-IFRS	₩	69,404,533	30,867,366	38,537,167	4,185,651	4,765,441

- 3) Cash flow statement

Under K-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.